RECOGNISING MALAYSIA'S
BIGGEST & BEST
PERFORMING COMPANIES

THE EDGE

BILLION RINGGIT Club 2016


130! years of innovation


E-Class

Honouring Malaysia's world-class companies

The Edge Billion Ringgit Club (BRC) was started by *The Edge* in 2010 to recognise Malaysia's best-performing companies. On the evening of Aug 15, the seventh chapter of the BRC awards saw 29 firms scooping up the 34 company awards that were given out at the gala dinner.

We do have world-class companies in Malaysia — companies that have innovated and grown, created jobs, rewarded shareholders, paid taxes and contributed to the nation's economic development.

Membership to BRC is not by invitation. It is by eligibility, and the criteria are transparent. To be eligible, a company must have a minimum market capitalisation of RM1.0 billion.

Based on the March 31, 2016, cut-off date, 176 companies out of around 900 listed on Bursa Malaysia made the cut, 10 more than last year.

These 176 BRC members commanded a total market capitalisation of RM1.51 trillion or 90.7% of the total market cap of Bursa as at March 31, 2016.

This is below the RM1.536 trillion combined market cap of BRC companies in 2015, which is a reflection of market conditions.

Their combined revenue for FY2015 was RM724.8 billion, up 3.9% from RM697.4 billion in 2014. Total pre-tax profit was down to RM115 billion in FY2015 from RM119 billion in FY2014.

BRC companies are major taxpayers — they paid an estimated RM28.1 billion in 2015, compared with RM31 billion in 2014. This is about 25% of the RM112 billion direct taxes collected by the Inland Revenue Board in 2015.

There were three categories of awards for financial performance over three years (FY2012–2015):

1. The highest return on equity, which recognises good capital management.
2. The highest compound growth in profit before tax, which recognises strong earnings growth.
3. The highest returns to shareholders, which recognises dividend payout and share price performance.

These awards were given to companies in 10 sectors:

1. Construction
2. Consumer products
3. Finance
4. Industrial
5. Plantations
6. Property
7. REITS
8. Trading/Services, Hotels, IPC and Technology.

In recognising the fact that there should be differences in evaluating companies based on size as well, we introduced two new categories this year:

9. Big cap companies — between RM10 billion and RM40 billion market capitalisation
10. Super big cap companies — more than RM40 billion market capitalisation

The financial performance data was obtained from annual reports, tabulated by financial advisory website absolutelystocks.com and audited by Deloitte Malaysia.

Apart from the awards for financial performance, we had awards for Corporate Responsibility for Companies of below RM10 billion in market cap, Big and Super Big Cap.

We believe CR initiatives are important as Corporate Malaysia's contribution to help nurture a more inclusive society.

Nestlé Malaysia won the Company of the Year award, which is given to a company that has combined attributes of excellent financial performance and CR initiatives over a sustained number of years.

The Value Creator/Outstanding CEO of the Year is given to an individual who has over a period of time built and transformed the organisation he leads and created value for shareholders, the industry and the nation. This year, the award was presented to Tan Sri Azman Mokhtar for transforming the business models and practices at government-linked companies under Khazanah Nasional Bhd, and for driving the development of Iskandar Malaysia to become the country's next most important economic region.

I would like to thank OCBC Bank, Jaeger-LeCoultre, Mercedes-Benz and Qatar Airways for their partnership in this prestigious event to recognise the best of Corporate Malaysia.

The business environment is facing headwinds that could be around for a while, and this will be a stern test that will decide who will come out tops in BRC 2017.

But that is next year.

For now, our congratulations to all the winners of BRC 2016!

Ho Kay Tat
Publisher & Group CEO
The Edge Media Group

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Winners of *THE EDGE* BILLION RINGGIT CLUB corporate awards 2016

VALUE CREATOR
MALAYSIA'S OUTSTANDING CEO
Tan Sri Azman Mokhtar
Managing director
Khazanah Nasional Bhd

COMPANY OF THE YEAR
Nestlé (Malaysia) Bhd

SUPER BIG CAP COMPANIES
(COMPANIES WITH MORE THAN RM40 BILLION MARKET CAP)

HIGHEST RETURN ON EQUITY OVER THREE YEARS
Maxis Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
Public Bank Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Tenaga Nasional Bhd

BIG CAP COMPANIES
(COMPANIES WITH RM10 BILLION TO RM40 BILLION MARKET CAP)

HIGHEST RETURN ON EQUITY OVER THREE YEARS
DiGi.Com Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
MISC Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Hap Seng Consolidated Bhd

CONSTRUCTION SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
Hock Seng Lee Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
IJM Corp Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Muhibbah Engineering (M) Bhd

CONSUMER PRODUCTS SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
British American Tobacco (Malaysia) Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
Hup Seng Industries Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Hup Seng Industries Bhd

FINANCE SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
AEON Credit Service (M) Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
AEON Credit Service (M) Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Syarikat Takaful Malaysia Bhd

INDUSTRIAL PRODUCTS SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
Hartalega Holdings Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
VS Industry Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
VS Industry Bhd

PLANTATIONS SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
Kulim (Malaysia) Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
Kulim (Malaysia) Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Kim Loong Resources Bhd

PROPERTY SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
KSL Holdings Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
OSK Holdings Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Eco World Development Group Bhd

REIT SECTOR

HIGHEST RETURN ON EQUITY OVER THREE YEARS
KLCCP Stapled Group

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
IGB REIT

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Al-'Aqar Healthcare REIT

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY SECTORS

HIGHEST RETURN ON EQUITY OVER THREE YEARS
DiGi.Com Bhd

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS
Yinson Holdings Bhd

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS
Inari Amertron Bhd

BEST CR INITIATIVES
(SUPER BIG CAP)
ABOVE RM40 BIL MARKET CAP
FIRST PLACE
Axiata Group Bhd

BIG CAP
(RM10 BIL TO RM40 BIL MARKET CAP)
FIRST PLACE
Gamuda Bhd

(BELOW RM10 BIL MARKET CAP)
FIRST PLACE
United Plantations Bhd

METHODOLOGY

Membership of this elite group is automatic and complimentary for all companies listed on Bursa Malaysia as at March 31, 2016, with at least RM1 billion market capitalisation. There are 176 members in the club this year.

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

THE AWARDS

The awards given are:

- One Company of the Year award;
- Value Creator(s): Outstanding CEO(s) of Malaysia award(s) [optional];
- Best Corporate Responsibility (CR) Initiatives award in three categories; and
- 30 sectoral corporate awards – three categories for eight Bursa Malaysia-designated sectors plus two categories for large companies. The sectoral awards are:
- *The Edge* BRC Highest Return on Equity Over Three Years;
- *The Edge* BRC Highest Growth in Profit Before Tax Over Three Years; and
- *The Edge* BRC Highest Returns to Shareholders – for best performing stock

The 10 sectors are:

- Super Big Cap companies – companies with over RM40 billion market capitalisation
- Big Cap companies – companies with RM10 billion to RM40 billion market capitalisation
- Construction
- Consumer products
- Finance
- Industrial products
- Plantations
- Property
- REITs
- Trading & Services, Hotel, IPC and Technology

THE EDGE BRC SECTORAL CORPORATE AWARDS

To be eligible for the corporate awards, a *The Edge* BRC member 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.

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 **AbsolutelyStocks.com**.

Members eligible for the Highest Return on Equity Over Three Years and Highest Growth in Profit Before Tax Over Three Years awards must have been profitable every year throughout the evaluation period. For this year, the evaluation period is between FY2012 and FY2015.

Winners of *The Edge* BRC Highest Returns to Shareholders award, meanwhile, are judged on share price gains and dividends over a three-year period through March 31, 2016. This award is presented to *The Edge* BRC members with the highest compound returns to shareholders, comprising growth in share price and dividends received over the three years, adjusted for any rights/bonus issues, distribution of treasury shares, dividend in specie and capital repayment.

THE EDGE BRC BEST CR INITIATIVES AWARD

Eligible companies are judged by a panel of judges on their CR initiatives over a four-year period. *The Edge* BRC Best CR Initiatives award is presented to companies with the top average scores in three categories: the Super Big Cap category (companies with over RM40 billion market capitalisation), the Big Cap category (companies with RM10 billion to RM40 billion market capitalisation) and companies with less than RM10 billion market capitalisation.

The CR 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.

CR scores account for 30% of the evaluation for *The Edge* BRC Company of the Year award.

THE EDGE BRC COMPANY OF THE YEAR AWARD

The Edge BRC 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 profit before tax over three years	30%
ROE over three years	20%
QUALITATIVE	
Corporate responsibility initiatives	30%

The final decision on *The Edge* BRC Company of the Year 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, returns 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 for the year, as was the case in 2011 and last year.

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.

In 2012, the recipients were AmBank Group founder and chairman Tan Sri Azman Hashim and AirAsia Bhd co-founder and group CEO Tan Sri Tony Fernandes. Azman, remains a financier for all seasons while Fernandes won for his role in transforming Asia's aviation industry.

In 2013, the award went to Minister in the Prime Minister's Department Tan Sri Abdul Wahid Omar and Tan Sri Liew Kee Sin, former president and CEO of S P Setia Bhd. Abdul Wahid was recognised for his leadership during his tenure as CEO of Renong Bhd (2001 to 2004), Telekom Malaysia Bhd (2004 to 2008) and Malayan Banking Bhd (2008 to 2013) while Liew won for his contribution at S P Setia, a company he left in April 2015 (after about 18 years) for niche developer Eco World Development Holdings Bhd.

In 2014, the award went to Sunway Group founder and executive chairman Tan Sri Jeffrey Cheah and Axiata Group Bhd president and group CEO Tan Sri Jamaludin Ibrahim for having shown exemplary leadership in building businesses and creating value for all stakeholders.

BILLION RINGGIT Club

Recognising excellence

BY CINDY YEAP

This year's 176 *The Edge* Billion Ringgit Club members made up 19.4% of the companies listed on Bursa Malaysia as at March 31, 2016 — the membership cut-off date. They collectively commanded a market capitalisation of RM1.51 trillion or 90.7% of the entire market value at that date — down slightly for the second consecutive year.

The dip mirrors the bellwether FBM KLCI's decline in 2015 and 2014, down 3.9% and 5.66% year on year respectively, after having risen for five consecutive years — from 876.75 points at end-2008 to 1,866.96 points at end-2013. The local benchmark's constituents recorded 17.9 times earnings at end-2015, above the 16.3 times seen at end-2014. Yields compressed to 3.05% at end-2015 from 3.2% at end-2014.

The combined revenue of BRC 2016's members was RM724.8 billion in FY2015, up 3.9% from RM697.4 billion in FY2014 (BRC 2015). This year's BRC members posted a collective pre-tax profit of RM114.9 billion in FY2015 compared with RM119 billion in FY2014.

BRC members continued to be major taxpayers, forking out an estimated RM28.1 billion in FY2015 compared with RM31 billion in FY2014. This was about 25% of the RM112 billion direct taxes the Inland Revenue Board reportedly collected in 2015. By comparison, its tax collection was about RM127 billion in 2014 and RM121 billion in 2013.

CONTINUES NEXT PAGE

MEMBERSHIP

	2016	2015	2014	2013	2012
No. of BRC companies	176 (19.4% of 906 listed companies)	166 (18.3% of 906)	178 (19.06% of 934)	144 (15.4% of 937)	144 (15% of 937)
BRC combined market cap as at end-March (RM bil)	1,513.542	1,536.644	1,544.761	1,320.444	1,197.413
	1.5% y-o-y	0.5 y-o-y	17.0% y-o-y	10.3% y-o-y	2.8% y-o-y
BRC combined market representation (as at end-March)	90.7% total market cap of Bursa-listed companies	88.88% total market cap of Bursa-listed companies	90.91% total market cap of Bursa-listed companies	90.6% total market cap of Bursa-listed companies	88% total market cap of Bursa-listed companies

Collective turnover higher y-o-y in FY2015 for most sectors

FROM PREVIOUS PAGE

The IRB reportedly expects to collect lower direct taxes of RM118.5 million in 2016, similar to how Malaysia's gross domestic product is officially projected to grow at 4% to 4.5% this year after having grown at 5% in 2015 and 6% in 2014.

A quick sectoral analysis of this year's 176 BRC members found that the collective turnover was higher year on year in FY2015 for most sectors except Industrial Products while the 26 Big Cap stocks had a market capitalisation of RM10 billion to RM40 billion.

Interestingly, the 23 BRC members in the Industrial Products sector and 18 in the Property sector saw higher year-on-year pre-tax growth in FY2015. This was also true for net profit — the 140 companies with a market cap of RM1 billion to RM10 billion managed to stay in positive territory but were dragged down by lower earnings among the 10 Super Big Cap (above RM40 billion or about US$10 billion market cap) and 26 Big Cap (RM10 billion to RM40 billion market cap) members.

Uncertainties about global growth plus the advent of zero interest rates in a quarter of the world's economies, even as the US Federal Reserve continues to contemplate what looks like a slow path to policy normalisation, means companies will come under increasing pressure to sustain, let alone best, their past performance.

Already, much has changed since the cut-off date for BRC membership this year. Britain unexpectedly voted to leave the EU in June. Before that, in March, the Economist Intelligence Unit had listed Donald Trump winning the US presidency as one of the top 10 risks facing the world — riskier than Britain leaving the EU or an armed clash in the South China Sea. China encountering a hard landing or a sharp economic slowdown was among the events seen as a riskier than Trump.

Trump has since been named Republican nominee and will face Democratic contender Hillary Clinton in the US presidential elections on Nov 8 this year — the outcome of which could affect the multilateral Trans-Pacific Partnership (TPP), of which Malaysia is a party.

Over at the Fed, the minutes of its July policy meeting show some members think "economic conditions would soon warrant taking another step in removing policy accommodation", although there was a general agreement that more data was needed before a rate hike could happen.

In Malaysia, the Ministry of Finance has held a series of consultations with industry and budget focus groups in preparation for Budget 2017, which is slated for tabling on Oct 21, according to the Parliament's website at the time of writing.

Recall that both Budgets 2015 and 2016 tabled in October 2014 and 2015 had to be revised the following January because of sharply lower crude oil prices on persistent oversupply and global growth concerns.

Brent, which traded between US$31 and US$59 a barrel over the past year, was hovering at US$49 at the time of writing — its level when Budget 2016 was tabled last October. It was at US$31 when the revised Budget 2016, which assumed Brent at US$30 to US$35 a barrel, was announced in January.

Likewise, the ringgit traded between 3.8442 and 4.4812 against the US dollar over the past year and was around 4.00 to the greenback at the time of writing.

Closing at 1,694.32 points on Aug 17, the FBM KLCI was up only 0.1% from its 1,692.51-point close at end-2015. It was also down 1.35% from its 1,717.58-point close at end-March.

Still, our internal analysis of the top 20 companies on the annual BRC list from 2010 to 2016 showed that the members — which repeatedly do well in our quantitative and qualitative criteria to select the Company of the Year — tend to outperform their peers in the long run.

It is worth noting that DiGi.Com Bhd — *The Edge* BRC's Company of the Year in 2013 — continues to be the only company that has made it to our internal BRC top 20 list in all seven years since 2010. Nestlé (M) Bhd, the only company to appear on the top 20 list in six of the seven past annual rankings, is this year's BRC Company of the Year. E

HIGHLIGHTS

- 176 BRC members in 2016, up from 166 in 2015 but just below 178 in 2014.
- The 176 commands a market capitalisation of RM1.51 trillion or 90.7% of the combined market capitalisation of all Bursa Malaysia listed companies as at March 31, 2016. This is 1.7% below the RM1.536 trillion (88.9%) last year, RM1.544 trillion (90.9%) in 2014, RM1.32 trillion (90.6%) in 2013.
- The combined revenue of BRC 2016 members was RM724.8 billion in FY2015, up 3.9% from RM697.4 billion the previous year (FY2014).
- This year's BRC members also made a collective pre-tax profit of RM114.9 billion in FY2015 compared with RM119 billion in FY2014.
- BRC members continue to be major taxpayers, paying and estimated RM28.1 billion taxes in FY2015 compared with RM31 billion in FY2014. This is about 25% of the RM112 billion direct taxes the Inland Revenue Board reportedly collected in 2015. The IRB collected about RM127 billion in direct taxes in 2014 and RM121 billion in 2013. The IRB reportedly expects to collect RM118.5 billion in direct taxes in 2016.
- Two new BRC members this year are from large IPOs (Sunway Construction Group Bhd debuted on July 28, 2015, and Malakoff Corp Bhd on May 15, 2015)
- DiGi.Com Bhd — *The Edge* BRC's Company of the Year in 2013 — is the only company that has made it to *The Edge* BRC Top 20 list every year the past seven years since the award's inception in year 2000.
- Nestlé (M) Bhd, this year's Company of the Year, is the only company that has appeared on the BRC top 20 list in six of the seven annual BRC rankings since 2010.
- One member, Kulim (M) Bhd, was delisted from Bursa Malaysia on Aug 4 while Guinness Anchor Bhd changed its name to Heineken Malaysia Bhd in April.

NO. OF BRC MEMBERS	BRC 2016 SECTORS	MARKET CAP AS AT MARCH 31, 2016 (RM MIL)	TURNOVER 2014 (RM MIL)	TURNOVER 2015 (RM MIL)	Y-O-Y CHANGE (%)	PBT 2014 (RM MIL)	PBT 2015 (RM MIL)	Y-O-Y CHANGE (%)	NET PROFIT 2014 (RM MIL)	NET PROFIT 2015 (RM MIL)	Y-O-Y CHANGE (%)
6	Construction	30,941	12,237	13,693	11.90	2,664	2,546	-4.42	1,830	1,661	-9.23
19	Consumer products	106,889	55,406	57,950	4.59	7,861	6,739	-14.28	5,222	4,799	-8.10
20	Finance	323,242	116,881	127,064	8.71	35,398	34,535	-2.44	26,342	25,251	-4.14
23	Industrial products	155,845	70,196	67,005	-4.55	9,686	10,086	4.13	6,983	7,773	11.32
18	Plantations	105,923	61,990	67,482	8.86	7,525	4,710	-37.41	6,897	4,114	-40.35
18	Property	60,084	24,682	30,323	22.85	7,002	8,494	21.31	5,134	6,396	24.58
8	REIT	35,286	3,634	3,736	2.79	3,133	3,081	-1.65	2,790	2,694	-3.44
64	Trading/Services, Hotels, IPC, Tech	695,332	352,399	357,591	1.47	46,588	44,664	-4.13	34,536	34,105	-1.25
176		1,513,542	697,425	724,843	3.93	119,857	114,854	-4.17	89,735	86,794	-3.28

NO. OF BRC	CATEGORY	MARKETCAP AS AT MARCH 31, 2016 (RM MIL)	TURNOVER 2014 (RM MIL)	TURNOVER 2015 (RM MIL)	Y-O-Y CHANGE (%)	PBT 2014 (RM MIL)	PBT 2015 (RM MIL)	Y-O-Y CHANGE (%)	NET PROFIT 2014 (RM MIL)	NET PROFIT 2015 (RM MIL)	Y-O-Y CHANGE (%)
10	Super big cap (above RM40bil mcap)	581,672	204,196	213,881	4.74%	42,991	42,538	-1.05	33,307	33,175	-0.39
26	Big cap (RM10-40bil mcap)	519,738	221,673	218,134	-1.60	42,136	39,307	-6.71	32,215	27,729	-13.93
140	Others (RM1-10bil mcap)	412,132	271,556	292,828	7.83	34,730	33,009	-4.95	24,213	25,890	6.93
176		1,513,542	697,425	724,843	3.93	119,857	114,854	-4.17	89,735	86,794	-3.28

VALUE CREATOR: OUTSTANDING CEO OF MALAYSIA

Tan Sri Azman Mokhtar

Building a strong institution

BY CINDY YEAP

Tan Sri Azman Mokhtar, who as a 43-year-old was entrusted with the task of transforming Khazanah Nasional Bhd in 2004, has been called all sorts of names. One was "body snatcher", for poaching talent at a dizzying pace from multinationals to build the Khazanah team. His stamina for working virtually 24/7, BlackBerry in hand, and use of such phases as "execute or be executed" gave rise to other labels. At Khazanah, work emails came at all hours and even during weekends.

"It's not so bad now," laughs Azman, when asked of his work habits. Admittedly, the task at hand then was a mammoth one. Malaysia was just recovering from the 1997/98 Asian financial crisis. And transforming Khazanah was not just about the institution but a collective transformation of 20 government-linked companies (GLCs) across varied industries with individual issues.

"When we started the [GLC Transformation] Programme, we felt it would take about 10 years, and the way I describe it, it is like taking antibiotics — you must stay the course but you also shouldn't overdo it. While the GLC Transformation Programme has 'graduated', we will not close down the programme per se ... what this means is that we take off all the formal scaffolding and let the companies, boards and shareholders take responsibility," he says.

To be sure, while Khazanah is government-owned, Azman insists the institution behaves like a company incorporated under the Companies Act.

"We don't ask for any favours and we're proud of that. It's important to note that while we may be a sovereign wealth fund, we don't receive any regular injection of funds. We don't get any special favours from the regulatory side (some regulatory decisions have gone against Khazanah) and I think this is an important point for value creation. While we are technically close to the government, we also maintain an arm's-length relationship. We strive to create value properly. When you do it properly without undue lobbying or support, I think it will last longer," says the chartered accountant and financial analyst, who also has an MPhil in development studies from the University of Cambridge.

Azman, who was managing director and co-founder of BinaFikir Sdn Bhd before becoming Khazanah's managing director, was also previously head of research at Salomon Smith Barney Malaysia and UBS in Malaysia.

Since he took office, Khazanah's realisable asset value (RAV) has grown an average of 9.7% a year from RM65.3 billion in 2004 to RM150.2 billion as at Dec 31, 2015. About 45% of its RAV is invested abroad.

Khazanah also spearheaded the development of Iskandar Malaysia into the country's next most important economic region.

To achieve ambitious multidimensional goals, the 10-year GLC Transformation Programme saw the introduction of "multicoloured books", which outlined various programmes, initiatives and key performance indicators to help GLCs stay on course.

Today, Khazanah's core investments such as Axiata Group Bhd, CIMB Group Bhd and IHH Healthcare Bhd are regional champions. They are among the G20 companies under the programme that saw their market capitalisation triple to RM386 billion from May 14, 2004, to July 28, 2015 (the last day of the programme), hitting an all-time high of RM431 billion on April 7, 2015. The G20 companies' total shareholder returns grew 11.1% per annum over the same period.

While graduation was a significant milestone, "it is only a small breather along the way of a lifelong journey of continuous improvement. Like all good graduates, graduation indeed means it is not the end, but just the beginning", Azman wrote in the programme report card of sorts.

Indeed, work is never done because the bar keeps getting higher and new challenges will emerge.

But having built a stronger and bigger Khazanah over the past 12 years, Azman can afford to sit easier and reap the fruits of having a strong team.

"I am accepting *The Edge*'s [Billion Ringgit Club's Value Creator: Outstanding CEO of Malaysia] award together for myself, the senior leadership team and the staff. The senior leadership team members are very good and accomplished as individual professionals with solid backgrounds, and as a team, they complement each other. There's a good balance, a good mix and diversity. We have a beautiful team. Whatever success that Khazanah has achieved, the CEO is the frontman, but he is supported by a very strong team. I'm very proud of them," Azman says.

His success formula: "It is about building an institution" rather than individual glory.

"Using football as an analogy, winning a championship one time is not easy, but to win it consistently, that's even tougher. That's why it is about the institution. The real test is beyond the incumbent. That's the real test of an institution. While strong leadership makes an impact, a strong institution makes a lasting impact. Bank Negara and Petronas are good examples," he says.

"The biggest test for any CEO is: Can you find a successor who can do better than you? You must want this ... like parents who want their children to do better than them. If we're talking about value creation, the true test is, can we sustain that? The only way is to build a strong institution." E


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Raising the bar on corporate responsibility

BY BILLY TOH

Companies need to be more creative in their efforts to improve the quality of life of their staff and the community they operate in, judges for the corporate responsibility (CR) component of *The Edge* Billion Ringgit Club (BRC) Company of the Year award say of this year's CR reports.

Even some of the larger companies, which previously did fairly well, received only mediocre scores due to what appears to be a lack of innovation in their efforts.

"We noticed that roughly, it's always the same plan. Perhaps the companies are running out of ideas when it comes to CR," says a member of the judging panel. "The same reporting template was even used by some of the companies with the figures updated," another judge remarks, pointing out that a similar trend was seen in the last two years.

"There is also a sense that the macroeconomic environment is not so great. That could be one of the reasons companies are doing less, I suspect," adds another judge.

Like last year, the judges reiterate that more companies need to be more proactive in their CR initiatives instead of ticking them off as a one-off duty, stressing that measures need to be in place to monitor the effectiveness of money spent as well as find ways to improve.

"It serves us well to remember that CR isn't just about sheer philanthropy but a business value proposition that aligns itself with corporate strategies," says OCBC Bank (M) Bhd corporate and commercial banking senior vice-president and head Jeffrey Teoh.

An example is Axiata Group Bhd, this year's winner in the Super Big Cap category, which made its mark in its commitment to training and developing talent. The company — a constituent of the FTSE4Good Bursa Malaysia Index that measures environment, social and governance-compliance — is also committed to bringing information and communications technology to the poorest across the region. It is also among a handful of BRC members that issued an integrated sustainability report with reference to the Global Reporting Initiative Sustainability Reporting Guidelines.

"From training future CEOs for Malaysia to efforts to close the digital divide, Axiata takes the long-term view when it comes to corporate responsibility [weaving] together affordable connectivity with innovative technology and nurturing talent," *The Edge* Education Foundation CEO Dorothy Teoh says.

The manner in which United Plantations Bhd (UP) treats its employees also stood out — a positive sign for an industry leader that is also the world's first producer of sustainable palm oil certified by the Roundtable on Sustainable Palm Oil. "In an industry that is under constant scrutiny, UP stands out for its focus on social and environmental awareness and its efforts to create a balance between the economy and ecology ... UP even has a Danish bakery and a senior citizens' home at Jendarata Estate where retired and aged employees are given free board, food and medical care," Dorothy notes.

SAM FONG/THE EDGE

From left: Jeffrey, Koh, Dorothy and OCBC Bank's Leong Mei Sim

TOP 5 CR Initiatives
Super Big Cap (in alphabetical order)

Axiata Group Bhd **(WINNER)**
CIMB Group Holdings Bhd (2013 winner)
Malayan Banking Bhd (2015 winner)
Petronas Chemicals Group Bhd
Sime Darby Bhd (2014 winner)

TOP 5 CR Initiatives
Big Cap (in alphabetical order)

DiGi.Com Bhd
Gamuda Bhd **(WINNER)**
Nestle (M) Bhd (2012 winner)
Petronas Dagangan Bhd
Telekom Malaysia Bhd

TOP 5 CR Initiatives
Below RM10 billion market cap (in alphabetical order)

Allianz Malaysia Bhd
Guinness Anchor Bhd (now Heineken Malaysia)
SP Setia Bhd
Sunway Bhd (2015 winner)
United Plantations Bhd **(WINNER)**

"United Plantations included a materiality matrix and was committed to improving its materiality assessment going forward," says Bursa Malaysia chief regulatory officer Selvarany Rasiah in an email.

Gamuda Bhd's tunnelling academy was also commended as it helps train young people in a very skilled job. Judges liked how its industry's first Klang Valley MRT Training Centre focuses not just on skills but also on safety. Apart from providing for the welfare of its Malaysian employees, the company spent RM100 million on four centralised labour quarters with a range of amenities for foreigners working on the KVMRT Sungai Buloh-Kajang line.

Past BRC CR first-place winners Nestlé (M) Bhd, Sime Darby Bhd, Malayan Banking Bhd, CIMB Group Holdings Bhd and Sunway Bhd continued to score highly this year.

The judges also commended relief efforts for the 2014/15 east coast floods — the worst to hit the country in decades — which killed at least 21 people and affected some 200,000 others. Based on data collated from the 176 BRC members' 2015 annual reports, at least half of them (78 members) provided humanitarian and financial support for the victims. At least five BRC members each sent over 100 employees as volunteers while 36 provided at least RM26 million in financial aid (see Page 18).

According to the judges, some of the corporates have done a great job during the disaster. "You're looking at both the amount contributed as well as manpower support. Hap Seng Consolidated is one example, giving RM50 per month to the students for six months," says one of the judges.

"Astro and AirAsia also did a great job by providing their services. One was through the media attention given to the flood victims while another through the provision of flight services," adds another judge.

Another area that needed more work is gender diversity — only 9.1% or 16 of the BRC members have more than the prescribed 30% board membership for women. They are TA Global, Petron Malaysia, BIMB Holdings, Selangor Properties, Astro Malaysia, Lafarge Malaysia, Public Bank, TA Enterprise, Hong Leong Industries, Malaysia Airports Holdings, Oriental Holdings, Parkson Holdings, DiGi.Com, Hup Seng Industries, Padini and S P Setia. Meanwhile, 32.4% or 57 BRC members have at least 20% female board representation and 68.8% or 121 have at least 10%.

In recognition of the importance of CR, the component constitutes 30% of the score for the Company of the Year award. Returning to the panel of judges this year are Jeffrey, Selvarany, Dorothy and World Vision International board member Philip Koh, who is also senior partner at Mah-Kamariyah & Philip Koh. E

BEST CR INITIATIVES

SUPER BIG CAP COMPANIES — ABOVE RM40 BILLION MARKET CAPITALISATION

Axiata Group

Training future leaders, champions and CEOs

BY CINDY YEAP

Already a leading Asian telecommunications group, Axiata Group Bhd takes a long-term view of sustainability as it works towards becoming a new generation telco by 2020.

Everything, from its Ax-Factor "boot-camp" curriculum to develop future world-class CEOs to providing telecommunications of real value to 275 million customers in nine countries throughout the region, is measured against four sustainability pillars: commitment beyond short-term profits, commitment to nurturing people, commitment to process excellence and governance, and commitment to planet and society.

"Axiata's sustainability programme is built into our role as a long-term investor in our footprint in Southeast Asia and South Asia. Our programme is designed to develop sustainable business activities as part of our broader vision of Advancing Asia by providing affordable connectivity, developing innovative technology and nurturing talent," president and group CEO Tan Sri Jamaludin Ibrahim says in the company's 93-page sustainability and national contribution report 2015, which details how the group's various initiatives are further measured in terms of improvement, innovation, investment and socioeconomic impact.

Last year, Axiata identified three core corporate responsibility (CR) areas that would be shared by all its operating companies (OpCos): young talent development, green initiatives and disaster management and response.

Some 851 Malaysian students have benefited from the Axiata Young Talent Programme (AYTP), the company's flagship CR programme that helps talented youths achieve their potential as future corporate leaders, while 245 students last year graduated from the XL Future Leaders Programme in which over 1,738 students participated in Indonesia. AYTP introduced the Axiata Young CEO Development Programme last year, targeting exceptional Malaysian youth aged from 20 to 25 to be trained into future world-class CEOs.

Axiata's tower and infrastructure arm, edotco, spearheads the group's efforts in reducing carbon emissions by 40% of 2013 levels by 2018. Last year, greenhouse gas emissions were cut by an average of 19% per site versus 2014 levels. Axiata is also working towards developing a holistic disaster management and response plan involving all its OpCos to play a greater role in national disaster relief efforts.

In support of innovation, its award-winning eZ Cash M-Money product — pioneered in Sri Lanka — was extended to Bangladesh and Cambodia last year, thus increasing its mobile banking customers to 10.7 million. Its RM100 million Axiata Digital Innovation Fund last year made its first investments totalling RM12.5 million in six Malaysian-owned technology companies as part of its commitment to support the growth of local technology companies.

Participants of Axiata's Young Talent Programme

In Indonesia, the M-Fish app — developed by XL and US-based Tone and implemented in several pilot projects — provides fishermen with an idea of where they can find fish and the market value of their catch. It also warns them of possible storms and how the tides will be.

Elsewhere, efforts to bridge the digital divide include Robi Bangladesh's free WiFi access for 7,000 users in educational institutes. Last year, Celcom continued to be the main provider of internet connectivity in rural Malaysia through the Kampung Tanpa Wayar and Pusat Internet 1Malaysia programmes that are funded by the Universal Service Provision scheme under the Malaysian Communications and Multimedia Commission. Last year, 226,994 users connected to its 1,159 Kampung Tanpa Wayar hot spots that give free internet to anyone with a smart device.

To reduce the gender gap in mobile internet access and unlock commercial and socioeconomic opportunities in low and middle-income countries, Axiata is part of the GSM Association's Connected Women Initiative in which Dialog Sri Lanka and Robi Bangladesh have made great strides.

Axiata is also strengthening its diversity agenda on the group level with women occupying 24% of senior leadership positions and the appointment of its first female CEO — Dian Siswarini as president director of XL Axiata in Indonesia — last year. It has committed to appoint more female board members across all OpCos. Having created a narration, the group is working on harmonising its sustainability practice across the group towards establishing itself as a regional leader in sustainable practice and disclosure by 2020. E

BEST CR INITIATIVES

BELOW RM10 BILLION MARKET CAPITALISATION

United Plantations

Leading sustainable planter

BY MEENA LAKSHANA

United Plantations Bhd's (UP) core philosophy rests on adopting sustainable policies in its operations. It understands that its responsibility to shareholders lies in the very earth it uses to amass profits and it has gone to great lengths to take care of the environment it operates in.

The group has a workforce of 6,600 to manage its oil palm and coconut estates that span 50,000ha across Malaysia (80%) and Indonesia (20%). Some 6,000ha of surrounding land are conservation areas, in line with the company's policy to maintain and manage the ecological integrity of the landscape it operates in, as well as provide the necessary habitat for endangered and critically endangered species found in or adjacent to its plantations.

In Indonesia, UP has set aside about 30% of its land concession for the purpose of conservation, according to its 2015 annual report. It has also made an effort to increase the biodiversity in its monocrop plantations, working closely with the Copenhagen Zoo. Last year, the company noted that at least 114,864 beneficial broadleaf flowering plants were planted in its plantations, encouraging parasite and predator activities.

UP's biodiversity team also initiated a long-term study last year on the king cobra through its collaboration with Copenhagen Zoo. Renowned herpetologist Romulus Whitaker was invited to carry out further studies into the ecological role of the snake in plantations.

It is no surprise that UP became the world's first producer of certified sustainable palm oil on Aug 28, 2008, after it complied with the Roundtable for Sustainable Palm Oil's (RSPO) principles and criteria. UP is not resting on its laurels and is proceeding to a higher level of sustainability certification through RSPO Next, a set of voluntary add-ons to its existing prin-

BEST CR INITIATIVES

BIG CAP COMPANIES — RM10 BILLION TO RM40 BILLION MARKET CAPITALISATION

Gamuda

Inclusive talent development

BY ADELINE PAUL RAJ

As one of Malaysia's largest infrastructure companies, Gamuda Bhd has built a large part of its corporate responsibility initiatives around human capital development.

Much of its effort revolves around the group. However, over the years, the conglomerate — its businesses span engineering, property development and infrastructure concessions — has increasingly been contributing to the development of the industries it is involved in by training local talent and providing them with leading-edge skills, as well as raising the standards of industry practices across the value chain.

For example, it formed a new unit, the Construction Training Unit (CTU), in May last year to help train Malaysians and support its project needs. The CTU enables holistic planning and the implementation of all construction skills training channels across the group.

Being involved in the construction of the Klang Valley Mass Rapid Transit (KVMRT), Gamuda recognises that tunnelling works require specialist skills and knowledge. This is something the group offers school-leavers and diploma holders at its Tunnelling Training Academy, the first of its kind in the world. More than 500 tunnel/technical crew have been trained here since it was set up in 2011, and it intends to double the number by 2017.

Volunteers building homes for identified indigenous families

For other training aspects, particularly in safety, health and environment of the KVMRT project, it has set up the KVMRT Training Centre.

But one of the more interesting things the group has done as an extension of its diversity agenda is its Project Differently-Abled (DA), which kicked off in July 2013. It was set up with the intention of providing gainful and sustainable employment to individuals with autism, and improving the quality of their lives.

"Gamudians", as employees of Gamuda are known, serve as buddies, supervisors and guardians to ensure that their DA colleagues adjust well to the work environment. There are currently 16 DA employees stationed in the group's various departments, and it aims to increase that number to 30 by next year. DA employees are coached by a professionally-trained and qualified support team that works closely with local and overseas non-governmental organisations to keep abreast of the latest developments in such training.

Gamuda has also taken the initiative to provide employment and entrepreneurial opportunities for the deaf, going so far as to set up DiB (Deaf-in-Business) Coffees of Hawaii in Menara Gamuda in 2012. DiB is the first gourmet coffee chain in Malaysia operated fully by deaf personnel, who are guided and trained by hearing coaches.

It is a unique business project created to attract talent from traditionally under-tapped demographics and provide socioeconomic support to fringe communities. As a non-profit establishment, profits from DiB — well-frequented by Gamudians — are used to open new outlets to provide more employment to deaf Malaysians.

Apart from that, Gamuda also tries to help improve social-economic conditions wherever its projects extend, gathering a group of volunteers annually to build new homes — in partnership with the Epic Homes organisation — for identified indigenous families.

Last year, for example, a group of 36 Gamudians went to an Orang Asli village in Kampung Ulu Geruntum, Gopeng, Perak, on a three-day mission to build a new home for a couple who had just welcomed a new member to their family.

And earlier in January that year, when Pahang and Kelantan were struck by floods, Gamuda carried out a series of relief interventions, which included raising funds, delivering essentials such as water and food, and deploying up to 170 volunteers to the heavily affected areas to help victims with their homes and belongings.

It is a firm believer that initiatives like these help keep Gamudians inspired and motivated. E

ciples and criteria for sustainable palm oil. This entails broader no-deforestation policies, no planting on peat land after Nov 16, 2015, no use of fire to clear land and a reduction of greenhouse gas emissions.

The company has already made headway in reducing its greenhouse gas emissions. The quantity of agrochemicals (fertiliser nutrients and pesticide/herbicide) used per tonne of palm oil produced in its plantations over the last three years remained substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed. In 2015, the company noted that its use of pesticide was 36 to 40 times lower in every tonne of oil it produced compared to soybean farmers.

The group has also not forgotten its responsibilities to its workers and has set up eight primary schools and nine kindergartens on its properties. It also provides bus subsidies for schoolchildren above 12 and established places of worship, group hospitals and clinics as well as a senior citizens' home.

Last year, it awarded 44 scholarships to children of its employees under its scholarship programmes.

The group also set up a UP Workers Benevolent Retirement Scheme for workers who have served the group for 10 years and above. Over the past five years, an average of RM230,000 per annum was paid out under this scheme.

Plasma schemes have been implemented at its Indonesian plantations to assist smallholders to develop their land for oil palm cultivation and to steer them away from illegal logging and slash-and-burn activities. Once developed, the plantations are managed by UP for one cycle, after which they will be handed over to the smallholders for self-management. Farmers are paid the proceeds from the first cycle, minus development costs. To date, 535ha have been developed for 360 smallholders and an additional 1,200ha is expected to be provided to the communities surrounding the company's properties from 2016 to 2018. E

A tribute to those who gave humanitarian and financial aid to the east coast flood victims


Hap Seng Consolidated Bhd lending a helping hand to the Kelantan flood victims


IJM's toll division participating in a flood relief mission in Temerloh, Pahang

New Year's Eve celebrations were cancelled in most of Malaysia in December 2014, as more than 200,000 people in the east coast states of Kelantan, Terengganu and Pahang as well as parts of Perak were displaced by the worst floods in recent years. More than 100,000 people were reportedly evacuated from their homes by Dec 26. Parts of Johor, Negeri Sembilan and Sabah were also affected. Even after the flood waters receded, many families struggled to obtain basic supplies and rebuild their lives. Damage was estimated at over RM1 billion.

It is heartening, though, to see how Malaysians came together in aid of their countrymen.

At least 78, or 44%, of 176 The Edge Billion Ringgit Club (BRC) members contributed to flood relief efforts during the 2014/15 east coast floods, based on disclosures in their 2015 annual reports.

At least five BRC members mobilised over 100 employees as volunteers, some on more than one occasion. The volunteers distributed essential items such as clean water, food, blankets, clothes and medication packs to those affected. Some teamed up with organisations such as MERCY Malaysia.

There were at least 400 volunteers from MISC Bhd, 300 from Sunway Group, 170 from Gamuda Bhd, 160 from the IOI Group, 150 from Eco World Development Bhd and 100 from MMC Group, a quick compilation shows.

Over RM26 million in financial contributions came from 36 BRC members. At least eight gave more than RM1 million each to flood relief efforts: DRB-Hicom Bhd (RM5.35 million), Sime Darby Bhd (RM5.3 million), IHH Healthcare Bhd (RM2 million), Boustead Holdings Bhd (RM1.9 million), BIMB Holdings Bhd (RM1.8 million), Malaysian Resources Corp Bhd (RM1.01 million), IJM Corp Bhd (RM1 million) and Kuala Lumpur Kepong Bhd (RM1 million).

Others that gave at least RM500,000 include CIMB Group Holdings Bhd, AirAsia Bhd, AirAsia X Bhd, Panasonic Manufacturing Malaysia Bhd, Hap Seng Consolidated Bhd, Malaysia Building Society Bhd (MBSB) and MISC Bhd.


KLK provided more than 700 children with school starter kits


AirAsia provided the use of its aircraft to facilitate humanitarian aid and natural disaster relief efforts


A mother taking her son's measurements while queuing to collect school uniforms in Kuala Krai at a Yayasan Sime Darby event


Lingkaran Trans Kota Holdings Bhd employees helping to clean up the homes of flood victims in Pahang and Kelantan


Sunway student volunteers contributing to relief efforts

Fraser & Neave Holdings Bhd, MSM Malaysia Holdings Bhd, Syarikat Takaful Malaysia Bhd, Sunway, Dialog Group Bhd, Media Prima Bhd, MMC Corp Bhd, QL Resources Bhd, RHB Capital Bhd, TDM Bhd, Kossan Rubber Industries Bhd and TSH Resources Bhd were among those who gave at least RM100,000 each.

Lingkaran Trans Kota Holdings Bhd employees helped clean up homes of flood victims in Pahang and Kelantan.

MISC, MBSB, QL and WCT Holdings Bhd were among the companies that helped clean up and restore schools while Hap Seng gave RM50 a month in cash to 1,778 needy schoolchildren from eight schools for six months.

Likewise, Dialog Group responded to the MyKasih Foundation's public appeal for cash donations for families affected by the floods. The foundation raised RM6 million, allowing 24,000 families in Kelantan, Pahang and Terengganu to draw down the one-off flood relief allowance of RM250, using their MyKad to purchase food as well as basic household appliances.

Apart from donating basic supplies and more than 40 tonnes of water, Sunway also collaborated with *SJ Echo* and Subang Jaya Bomba Emergency Assistance Community's Back to School Post-flood Aid initiative. Staff donations were used to purchase at least 400 schoolbags for schoolchildren in Pahang. KLK provided more than 700 children with school starter kits.

Pharmaniaga Bhd set up a flood relief centre in Kelantan that provided shelter and medical attention.

Elsewhere, funds were raised in support of MERCY Malaysia's East Coast Relief Fund and channelled through the AirAsia Foundation to flood recovery initiatives. This included a School Preparedness Programme to increase the capacity of schools and students to respond to future disasters. AirAsia provided the use of its aircraft to facilitate humanitarian aid and natural disaster relief efforts.

This is a tribute to these companies and the countless unsung heroes who went the extra mile for the flood victims in their hour of need. E

BILLION RINGGIT Club

Members of *The Edge* Billion Ringgit Club 2016

COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 31, 2016 (RM MIL)	REVENUE FY2015 (RM MIL)	PROFIT BEFORE TAX FY2015 (RM MIL)
Aeon Co (M) Bhd	3,833	3,834.64	210.84
Aeon Credit Service (M) Bhd	1,837	871.60	289.27
Affin Holdings Bhd	4,547	3,389.36	519.26
AirAsia Bhd	5,093	6,297.66	215.15
AirAsia X Bhd	1,203	3,062.55	(446.48)
Al-Aqar Healthcare REIT	1,107	110.95	67.45
Alliance Financial Group Bhd	6,425	2,334.81	703.21
Allianz Malaysia Bhd	1,815	4,519.50	438.22
AMMB Holdings Bhd	13,865	7,067.56	2,604.28
Amway (M) Holdings Bhd	1,565	1,019.92	89.32
Astro Malaysia Holdings Bhd	15,563	5,231.44	720.89
Atlan Holdings Bhd	1,103	730.66	82.21
Axiata Group Bhd	51,964	19,883.46	3,331.14
Axis Real Estate Investment Trust	1,771	165.68	96.56
Batu Kawan Bhd	7,423	14,055.31	1,241.52
Berjaya Auto Bhd	2,484	1,830.44	298.97
Berjaya Corporation Bhd	1,819	9,518.82	1,388.19
Berjaya Land Bhd	3,493	5,914.88	25.28
Berjaya Sports Toto Bhd	4,260	5,288.36	534.01
BIMB Holdings Bhd	6,116	3,310.21	834.44
Bintulu Port Holdings Bhd	3,137	547.36	168.48
Boustead Holdings Bhd	4,064	8,662.50	269.20
Boustead Plantations Bhd	2,480	615.20	95.10
British American Tobacco (M) Bhd	15,430	4,581.55	1,231.00
Bumi Armada Bhd	4,634	2,179.73	(171.39)
Bursa Malaysia Bhd	4,758	518.50	278.78
Cahya Mata Sarawak Bhd	5,099	1,788.01	388.60
Capitaland Malaysia Mall Trust	2,916	344.81	226.02
Carlsberg Brewery Malaysia Bhd	4,301	1,659.95	283.63
CB Industrial Product Holding Bhd	1,191	541.27	141.35
CIMB Group Holdings Bhd	41,357	24,157.67	3,913.99
Datasonic Group Bhd	1,755	285.17	75.54
Dayang Enterprise Holdings Bhd	1,105	778.58	203.44
Dialog Group Bhd	8,326	2,358.18	370.50
Digi.Com Bhd	38,409	6,913.98	2,308.75
DRB-Hicom Bhd	1,972	13,687.84	502.21
Dutch Lady Milk Industries Bhd	3,342	1,001.66	188.74
Eastern & Oriental Bhd	2,071	449.50	202.14
Eco World Development Group Bhd	3,405	1,712.06	73.92
Far East Holdings Bhd	1,120	327.74	102.35
Felda Global Ventures Holdings Bhd	5,509	15,558.77	378.97
Fraser & Neave Holdings Bhd	7,587	4,060.24	333.83
Gamuda Bhd	11,847	2,399.92	858.19
Gas Malaysia Bhd	3,069	3,618.97	143.56
GD Express Carrier Bhd	2,158	196.75	31.31
Genting Bhd	36,426	18,100.40	3,446.00
Genting Malaysia Bhd	25,739	8,395.90	1,530.00
Genting Plantations Bhd	8,801	1,374.93	247.43
Globetronics Technology Bhd	1,525	343.66	81.59
Goldis Bhd	1,493	1,278.22	390.38
Guinness Anchor Bhd (now Heineken (M) Bhd)	4,235	1,748.89	292.40
Hap Seng Consolidated Bhd	16,891	4,393.34	1,117.60
Hap Seng Plantations Holdings Bhd	1,935	434.88	120.23
Hartalega Holdings Bhd	7,959	1,145.96	276.88
Hock Seng Lee Bhd	1,099	654.74	101.24
Hong Leong Bank Bhd	28,169	7,430.22	2,746.16
Hong Leong Capital Bhd	2,494	272.31	78.51
Hong Leong Financial Group Bhd	17,809	8,031.67	3,023.29
Hong Leong Industries Bhd	2,179	2,138.90	300.50
Hume Industries Bhd	1,557	472.77	69.38
Hup Seng Industries Bhd	1,056	286.86	72.96
IGB Corporation Bhd	3,337	1,167.08	427.04
IGB Real Estate Investment Trust	5,321	489.19	254.00

COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 31, 2016 (RM MIL)	REVENUE FY2015 (RM MIL)	PROFIT BEFORE TAX FY2015 (RM MIL)
IHH Healthcare Bhd	53,951	8,455.47	1,217.54
IJM Corporation Bhd	12,654	5,448.28	1,019.36
IJM Plantations Bhd	3,152	667.67	89.41
Inari Amertron Bhd	3,077	933.10	151.97
IOI Corporation Bhd	28,795	11,621.00	457.00
IOI Properties Group Bhd	10,190	1,906.49	1,130.33
Jaya Tiasa Holdings Bhd	1,452	1,032.21	52.57
JCY International Bhd	1,504	1,942.31	207.23
Karex Bhd	2,539	298.09	73.28
Keck Seng (M) Bhd	1,876	958.16	157.20
Kian Joo Can Factory Bhd	1,395	1,601.89	162.65
Kim Loong Resources Bhd	1,117	774.93	118.86
KLCCP-Stapled Group	12,926	1,340.23	1,518.36
KNM Group Bhd	1,034	1,641.28	124.14
Kossan Rubber Industries Bhd	3,869	1,639.51	268.57
KPJ Healthcare Bhd	4,444	2,847.59	209.61
Kretam Holdings Bhd	1,013	408.16	1.08
KSL Holdings Bhd	1,324	686.11	338.55
Kuala Lumpur Kepong Bhd	25,559	13,649.99	1,134.60
Kulim (M) Bhd (delisted Aug 4, 2016)	4,931	1,469.61	162.51
Lafarge Malaysia Bhd	7,647	2,750.82	345.16
Lingkaran Trans Kota Holdings Bhd	2,666	380.73	186.96
LPI Capital Bhd	5,099	1,284.59	393.07
Magnum Bhd	3,515	2,767.01	333.66
Mah Sing Group Bhd	3,421	3,108.51	503.69
Malakoff Corporation Bhd	8,000	5,301.99	702.04
Malayan Banking Bhd	88,051	29,916.60	9,151.55
Malaysia Airports Holdings Bhd	11,283	3,870.21	45.94
Malaysia Building Society Bhd	3,889	1,638.91	355.03
Malaysia Marine and Heavy Engineering Holdings Bhd	1,680	2,459.03	22.50
Malaysian Pacific Industries Bhd	1,482	1,390.09	152.99
Malaysian Resources Corporation Bhd	2,233	1,696.73	370.11
Matrix Concepts Holdings Bhd	1,399	700.95	286.47
Maxis Bhd	47,690	8,600.57	2,460.59
MCT Bhd	1,642	619.67	94.96
Media Chinese International Ltd	1,206	429.14	47.50
Media Prima Bhd	1,619	1,427.69	200.07
MISC Bhd	39,728	10,908.39	2,566.86
MKH Bhd	1,070	1,041.90	137.31
MMC Corporation Bhd	6,669	3,012.97	365.29
MPHB Capital Bhd	1,058	380.79	106.18
MSM Malaysia Holdings Bhd	3,339	2,307.26	372.13
Muhibbah Engineering (M) Bhd	1,136	1,604.84	165.06
My E.G. Services Bhd	5,145	141.52	68.21
Nestlé (M) Bhd	18,033	4,837.96	727.71
NTPM Holdings Bhd	1,123	547.51	59.32
Oriental Holdings Bhd	4,287	4,380.16	359.13
OSK Holdings Bhd	2,326	760.74	604.72
P.I.E. Industrial Bhd	1,037	662.24	70.03
Padini Holdings Bhd	1,362	977.90	111.84
Panasonic Manufacturing Malaysia Bhd	1,803	931.02	129.83
Parkson Holdings Bhd	1,093	3,739.18	56.42
Pavilion Real Estate Investment Trust	5,134	413.93	282.34
Perdana Petroleum Bhd	1,199	228.19	(114.93)
Pestech International Bhd	1,254	394.82	73.14
Petron Malaysia Refining & Marketing Bhd	1,550	8,150.29	306.22
Petronas Chemicals Group Bhd	53,673	13,536.00	3,833.00
Petronas Dagangan Bhd	23,942	25,171.21	1,084.65
Petronas Gas Bhd	43,532	4,455.96	2,002.11
Pharmaniaga Bhd	1,491	2,189.31	112.72
Pos Malaysia Bhd	1,450	1,494.05	181.31
PPB Group Bhd	19,798	4,048.31	1,181.12

CONTINUES NEXT PAGE

BILLION RINGGIT Club

TOP 20
RANKED BY REVENUE

RANK 2016	2015		COMPANY	REVENUE FY2015 (RM MIL)
1	1	–	Sime Darby Bhd	43,729
2	2	–	Tenaga Nasional Bhd	43,287
3	4	▲	Malayan Banking Bhd	29,917
4	3	▼	Petronas Dagangan Bhd	25,171
5	5	–	CIMB Group Holdings Bhd	24,158
6	7	▲	Axiata Group Bhd	19,883
7	8	▲	Genting Bhd	18,100
8	10	▲	Public Bank Bhd	17,860
9	6	▼	YTL Corporation Bhd	16,755
10	9	▼	Felda Global Ventures Hldgs Bhd	15,559
11	11	–	UMW Holdings Bhd	14,442
12	17	▲	Batu Kawan Bhd	14,055
13	15	▲	DRB-Hicom Bhd	13,688
14	19	▲	Kuala Lumpur Kepong Bhd	13,650
15	12	▼	Petronas Chemicals Group Bhd	13,536
16	13	▼	YTL Power International Bhd	11,858
17	18	▲	Telekom Malaysia Bhd	11,722
18	16	▼	IOI Corporation Bhd	11,621
19	22	▲	MISC Bhd	10,908
20	21	▲	RHB Capital Bhd	10,827

TOP 20
RANKED BY PROFIT BEFORE TAX

RANK 2016	2015		COMPANY	PROFIT BEFORE TAX FY2015 (RM MIL)
1	1	–	Malayan Banking Bhd	9,152
2	2	–	Tenaga Nasional Bhd	7,134
3	3	–	Public Bank Bhd	6,491
4	4	–	CIMB Group Holdings Bhd	3,914
5	7	▲	Petronas Chemicals Group Bhd	3,833
6	5	▼	Genting Bhd	3,446
7	8	▲	Axiata Group Bhd	3,331
8	9	▲	Hong Leong Financial Group Bhd	3,023
9	6	▼	Sime Darby Bhd	3,003
10	13	▲	Hong Leong Bank Bhd	2,746
11	14	▲	AMMB Holdings Bhd	2,604
12	16	▲	MISC Bhd	2,567
13	15	▲	Maxis Bhd	2,461
14	10	▼	YTL Corporation Bhd	2,323
15	12	▼	Digi.Com Bhd	2,309
16	11	▼	RHB Capital Bhd	2,107
17	17	–	Petronas Gas Bhd	2,002
18	27	▲	SapuraKencana Petroleum Bhd	1,616
19	20	▲	Genting Malaysia Bhd	1,530
20	24	▲	KLCCP-Stapled Group	1,518

TOP 20
RANKED BY MARKET CAPITALISATION

RANK 2016	2015		COMPANY	MARKET CAPITALISATION AS AT MARCH 31, 2016 (RM MIL)
1	1	–	Malayan Banking Bhd	88,051
2	2	–	Tenaga Nasional Bhd	78,672
3	3	–	Public Bank Bhd	72,481
4	8	▲	IHH Healthcare Bhd	53,951
5	11	▲	Petronas Chemicals Group Bhd	53,673
6	4	▼	Axiata Group Bhd	51,964
7	5	▼	Sime Darby Bhd	50,300
8	6	▼	Maxis Bhd	47,690
9	10	▲	Petronas Gas Bhd	43,532
10	7	▼	CIMB Group Holdings Bhd	41,357
11	12	▲	MISC Bhd	39,728
12	9	▼	Digi.Com Bhd	38,409
13	13	–	Genting Bhd	36,426
14	14	–	IOI Corporation Bhd	28,795
15	16	▲	Hong Leong Bank Bhd	28,169
16	18	▲	Genting Malaysia Bhd	25,739
17	17	–	Kuala Lumpur Kepong Bhd	25,559
18	15	▼	Telekom Malaysia Bhd	24,802
19	20	▲	Petronas Dagangan Bhd	23,942
20	23	▲	PPB Group Bhd	19,798

1) The revenue and profit before tax figures are as at March 31, 2016, 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.

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COMPANY (IN ALPHABETICAL ORDER)	MARKET CAPITALISATION AS AT MARCH 31, 2016 (RM MIL)	REVENUE FY2015 (RM MIL)	PROFIT BEFORE TAX FY2015 (RM MIL)
Press Metal Bhd	3,442	4,321.27	231.98
Prestariang Bhd	1,426	115.48	22.46
Public Bank Bhd	72,481	17,860.03	6,491.40
QL Resources Bhd	5,429	2,707.77	245.98
RHB Capital Bhd	18,141	10,826.71	2,106.74
SapuraKencana Petroleum Bhd	11,145	9,943.02	1,615.96
Sarawak Oil Palms Bhd	2,039	3,670.79	123.76
Scientex Bhd	2,976	1,801.68	220.96
Selangor Properties Bhd	1,990	99.49	629.06
Shangri-La Hotels (M) Bhd	2,526	500.25	153.64
Sime Darby Bhd	50,300	43,728.70	3,002.70
SKP Resources Bhd	1,444	619.27	55.80
S P Setia Bhd	8,227	6,746.34	1,426.44
Star Media Group Bhd	1,771	1,019.02	170.07
Sunway Bhd	6,160	4,448.39	930.36
Sunway Construction Group Bhd	2,095	1,916.86	140.75
Sunway Real Estate Investment Trust	4,708	453.45	541.44
Supermax Corporation Bhd	1,732	–	–
Syarikat Takaful Malaysia Bhd	3,312	1,786.54	204.21
Ta Ann Holdings Bhd	1,871	1,048.28	234.16
TA Enterprise Bhd	1,001	986.25	220.72
TA Global Bhd	1,437	532.85	80.94
Taliworks Corporation Bhd	1,584	410.93	109.74
Tan Chong Motor Holdings Bhd	1,527	5,716.65	115.25
Tasek Corporation Bhd	1,853	702.58	119.82
TDM Bhd	1,163	380.83	69.35
Telekom Malaysia Bhd	24,802	11,721.60	911.80
Tenaga Nasional Bhd	78,672	43,286.80	7,133.70
TH Plantations Bhd	1,140	455.30	18.71
Time Dotcom Bhd	4,190	682.36	470.79
TMC Life Sciences Bhd	1,369	103.19	8.60
Top Glove Corporation Bhd	6,287	2,510.51	363.54
Tropicana Corporation Bhd	1,459	1,252.71	269.56
TSH Resources Bhd	2,879	799.53	(85.79)
Tune Protect Group Bhd	1,015	480.19	76.52
UEM Edgenta Bhd	2,969	3,123.03	305.42
UEM Sunrise Bhd	5,173	1,749.87	343.04
UMW Holdings Bhd	8,026	14,441.58	269.65
UMW Oil & Gas Corporation Bhd	1,967	839.88	(348.43)
Unisem (M) Bhd	1,629	1,260.43	173.11
United Malacca Bhd	1,264	213.15	58.44
United Plantations Bhd	5,602	1,004.24	376.00
UOA Development Bhd	3,222	1,643.19	645.29
V.S. Industry Bhd	1,395	1,936.89	159.69
WCT Holdings Bhd	2,109	1,667.92	261.83
Westports Holdings Bhd	14,083	1,681.78	650.14
Yinson Holdings Bhd	3,036	1,083.42	279.38
YTL Corporation Bhd	17,087	16,754.73	2,323.34
YTL Hospitality REIT	1,404	417.67	94.99
YTL Power International Bhd	11,422	11,858.09	1,247.19
7-Eleven Malaysia Holdings Bhd	1,649	2,006.28	77.84

Notes:
1) The revenue and profit before tax figures are as at March 31, 2016 and may be audited or unaudited depending on whether the company's annual report has been released at the time data is extracted.
2) Where there is a change in financial year-end, the revenue and profit before tax figures are annualised.

Sectoral award winners 2016

Super Big Cap Companies
Companies with more than RM40 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**Maxis Bhd**	**34.6**
2	Petronas Gas Bhd	18.6
3	Public Bank Bhd	18.4

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**Public Bank Bhd**	**8.75**
2	Tenaga Nasional Bhd	7.01
3	Malayan Banking Bhd	5.04

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Tenaga Nasional Bhd**	**27.54**
2	IHH Healthcare Bhd	21
3	Public Bank Bhd	9.18

Construction Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**Hock Seng Lee Bhd**	**13.5**
2	Gamuda Bhd	12.4
3	IJM Corp Bhd	8.7

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**IJM Corp Bhd**	**8.34**
2	Gamuda Bhd	6.47
3	Hock Seng Lee Bhd	-5.81

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Muhibbah Engineering (M) Bhd**	**27.63**
2	Hock Seng Lee Bhd	12.52
3	IJM Corp Bhd	12.17

Consumer Products Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**British American Tobacco (M) Bhd**	**170.6**
2	Dutch Lady Milk Industries Bhd	77.6
3	Nestlé (Malaysia) Bhd	74.8

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**Hup Seng Industries Bhd**	**18.05**
2	Panasonic Manufacturing Malaysia Bhd	15.07
3	Fraser & Neave Holdings Bhd	13.19

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Hup Seng Industries Bhd**	**42.52**
2	NTPM Holdings Bhd	32.67
3	Hong Leong Industries Bhd	29.56

Finance Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**Aeon Credit Service (M) Bhd**	**35.4**
2	Syarikat Takaful Malaysia Bhd	24.8
3	Bursa Malaysia Bhd	24.6

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**Aeon Credit Service (M) Bhd**	**31.21**
2	LPI Capital Bhd	22.47
3	Syarikat Takaful Malaysia Bhd	17.63

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Syarikat Takaful Malaysia Bhd**	**50**
2	Hong Leong Capital Bhd	42.92
3	LPI Capital Bhd	24.34

Industrial Products Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**Hartalega Holdings Bhd**	**24.4**
2	Kossan Rubber Industries Bhd	21.5
3	Scientex Bhd	20

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**V.S. Industry Bhd**	**48.47**
2	Ta Ann Holdings Bhd	44.32
3	Press Metal Bhd	32.31

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**V.S. Industry Bhd**	**74.2**
2	Cahya Mata Sarawak Bhd	71.42
3	Hume Industries Bhd	68.12

Big Cap Companies
Companies with more than RM10 bil to RM40 bil market capitalisation

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**DiGi.Com Bhd**	**307.3**
2	British American Tobacco (M) Bhd	170.6
3	Nestlé (Malaysia) Bhd	74.8

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**MISC Bhd**	**19.17**
2	Hap Seng Consolidated Bhd	17.92
3	DiGi.Com Bhd	13.22

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Hap Seng Consolidated Bhd**	**73.73**
2	MISC Bhd	20.18
3	Nestlé (Malaysia) Bhd	12.24

Plantations Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**Kulim (Malaysia) Bhd**	**20**
2	IOI Corp Bhd	14.8
3	United Plantations Bhd	12.9

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**Kulim (Malaysia) Bhd**	**22.14**
2	Far East Holdings Bhd	-5.61
3	United Plantations Bhd	-6.11

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Kim Loong Resources Bhd**	**24.37**
2	TSH Resources Bhd	14.89
3	Kretam Holdings Bhd	11.65

Property Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**KSL Holdings Bhd**	**17.5**
2	Selangor Properties Bhd	16.8
3	Sunway Bhd	16.7

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**OSK Holdings Bhd**	**242.64**
2	Eco World Development Group Bhd	109.02
3	Selangor Properties Bhd	72.7

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Eco World Development Group Bhd**	**106.3**
2	Selangor Properties Bhd	19.85
3	MKH Bhd	18.43

REIT Sector

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**KLCC Stapled Group**	**21.3**
2	IGB REIT	7.6
3	AXIS REIT	7.2

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**IGB REIT**	**18.33**
2	Sunway REIT	8.79
3	Al-'Aqar Healthcare REIT	2.35

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Al-`Aqar Healthcare REIT**	**11.52**
2	IGB REIT	9.2
3	Sunway REIT	8.78

Trading/Services, Hotel, IPC and Technology Sectors

Highest return on equity over three years

RANK	COMPANY	WEIGHTED ROE OVER 3 YEARS (%)
1	**DiGi.Com Bhd**	**307.3**
2	Berjaya Sports Toto Bhd	58.9
3	Inari Amertron Bhd	40.5

Highest compound growth in profit before tax over three years

RANK	COMPANY	3-YEAR PBT CAGR (%)
1	**Yinson Holdings Bhd**	**104.29**
2	Inari Amertron Bhd	95.62
3	TIME dotCom Bhd	44.2

Highest returns to shareholders over three years

RANK	COMPANY	RETURNS TO SHAREHOLDERS OVER 3 YEARS (%)
1	**Inari Amertron Bhd**	**132.87**
2	My E.G. Services Bhd	120.73
3	Datasonic Group Bhd	119.46

The Best of Corporate Malaysia

VALUE CREATOR (MALAYSIA'S OUTSTANDING CEO) — Tan Sri Azman Mokhtar, managing director of Khazanah Nasional Bhd

BEST CR INITIATIVES (Below RM10bil Market Cap) — United Plantations Bhd (Datuk Carl Bek-Nielsen, vice-chairman & chief executive director)

BEST CR INITIATIVES (Big Cap Companies) — Gamuda Bhd (Datuk Paul Ha Tiing Tai, deputy group managing director)

BEST CR INITIATIVES (Super Big Cap Companies) — Axiata Group Bhd (Idham Nawawi, group chief corporate officer)

CONSTRUCTION (Highest Return on Equity Over Three Years) — Hock Seng Lee Bhd (Simon Lau Kiing Kang, executive director)

CONSTRUCTION (Highest Growth in Profit Before Tax Over Three Years) — IJM Corporation Bhd (Datuk Soam Heng Choon, CEO & managing director)

CONSTRUCTION (Highest Returns to Shareholders Over Three Years) — Muhibbah Engineering (M) Bhd (Mac Ngan Boon, managing director)

CONSUMER PRODUCTS (Highest Return on Equity Over Three Years) — British American Tobacco (Malaysia) Bhd (Erik Stoel, managing director)

CONSUMER PRODUCTS (Highest Growth in Profit Before Tax Over Three Years & Highest Returns to Shareholders Over Three Years) — Hup Seng Industries Bhd (Datuk Seri Kerk Choo Ting, chairman of Hup Seng Perusahaan Makanan (M) Sdn Bhd)

The Best of Corporate Malaysia

COMPANY OF THE YEAR — Nestlé (Malaysia) Bhd (Alois Hofbauer, managing director)

FINANCE (Highest Return on Equity Over Three Years & Highest Growth in Profit Before Tax Over Three Years) — AEON Credit Service (M) Bhd (Kenji Fujita, managing director, and Lee Kit Seong, chief financial officer & executive director)

FINANCE (Highest Returns to Shareholders Over Three Years) — Syarikat Takaful Malaysia Bhd (Datuk Seri Mohamed Hassan Kamil, group managing director)

INDUSTRIAL PRODUCTS (Highest Return on Equity Over Three Years) — Hartalega Holdings Bhd (Kuan Mun Leong, managing director)

INDUSTRIAL PRODUCTS (Highest Growth in Profit Before Tax Over Three Years & Highest Returns to Shareholders Over Three Years) — V.S. Industry Bhd (Datuk Beh Kim Ling, executive chairman, and Datuk Gan Sem Yam, managing director)

PLANTATION (Highest Return on Equity Over Three Years & Highest Growth in Profit Before Tax Over Three Years) — Kulim (Malaysia) Bhd (Abdul Rahman Sulaiman, executive director, and Mohd Jaafar Abu Bakar, general manager)

PLANTATION (Highest Returns to Shareholders Over Three Years) — Kim Loong Resources Bhd (Gooi Seong Heen, managing director)

PROPERTY (Highest Return on Equity Over Three Years) — KSL Holdings Bhd (Ku Hwa Seng, chairman)

PROPERTY (Highest Growth in Profit Before Tax Over Three Years) — OSK Holdings Bhd (Ong Ju Yan, deputy group managing director)

PROPERTY (Highest Returns to Shareholders Over Three Years) — Eco World Development Group Bhd (Datuk Chang Khim Wah, president & CEO)

REIT (Highest Return on Equity Over Three Years) — KLCCP Stapled Group (Datuk Hashim Wahir, CEO)

REIT (Highest Growth in Profit Before Tax Over Three Years) — IGB Real Estate Investment Trust (Antony P Barragry, CEO)

REIT (Highest Returns to Shareholders Over Three Years) — Al-'Aqar Healthcare REIT (Yusaini Sidek, managing director)

TRADING/SERVICES, HOTELS, IPC & TECHNOLOGY (Highest Growth in Profit Before Tax Over Three Years) — Yinson Holdings Bhd (Lim Han Weng, group executive chairman)

TRADING/SERVICES, HOTELS, IPC & TECHNOLOGY (Highest Returns to Shareholders Over Three Years) — Inari Amertron Bhd (Lau Kean Cheong, group CEO & executive director)

TRADING/SERVICES, HOTELS, IPC & TECHNOLOGY (Highest Return on Equity Over Three Years) & BIG CAP COMPANIES (Highest Return on Equity Over Three Years) — DiGi.Com Bhd (Albern Murty, CEO)

BIG CAP COMPANIES (Highest Growth in Profit Before Tax Over Three Years) — MISC Bhd (Yee Yang Chien, president & CEO)

BIG CAP COMPANIES (Highest Returns to Shareholders Over Three Years) — Hap Seng Consolidated Bhd (James Lee Wee Yong, finance director)

SUPER BIG CAP COMPANIES (Highest Return on Equity Over Three Years) — Maxis Bhd (Adzhar Ibrahim, head of People & Organisation)

SUPER BIG CAP COMPANIES (Highest Growth in Profit Before Tax Over Three Years) — Public Bank Bhd (Tan Sri Tay Ah Lek, managing director)

SUPER BIG CAP COMPANIES (Highest Returns to Shareholders Over Three Years) — Tenaga Nasional Bhd (Nazariah Ibrahim, senior general manager [Group Accountant, Group Finance])

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Corporate Malaysia's BIGGEST AWARDS NIGHT

The crème de la crème of Corporate Malaysia descended on the ballroom of Hilton Kuala Lumpur for the seventh annual instalment of *The Edge* Billion Ringgit Club (BRC) gala dinner on Aug 15. Coming together for what was easily the biggest awards night in the corporate calendar, the men were dapper in their tuxedos and the women elegant in their evening gowns.

OCBC Bank (M) Bhd anchored the event as the main sponsor for the seventh consecutive year.

Swiss luxury timepiece maker Jaeger-LeCoultre, the supporting sponsor for a second year, showcased a dazzling collection of its finest watches to the elite crowd. It also presented the remarkable Duomètre Unique Travel Time to *The Edge* BRC Value Creator: Malaysia's Outstanding CEO Tan Sri Azman Mokhtar, managing director of Khazanah Nasional Bhd, for his contribution to Corporate Malaysia.

Mercedes-Benz returned as the official car. Qatar Airways, which was recently voted the best airline by air travellers' group AirHelp, was the official airline for a second year — presenting Company of the Year Nestlé (M) Bhd managing director Alois Hofbauer with RM55,000 worth of air tickets, equivalent to two business-class tickets to New York.

Editors, writers and senior staff of *The Edge*, led by The Edge Media Group publisher and group CEO Ho Kay Tat, welcomed the guests as they started the evening with cocktails while being entertained by the talented 10-year-old Kuik Jie En on a baby grand piano. A sleek white Mercedes-Benz from the newly launched E-Class (E300 AMG Line) set the tone for a glamorous evening as guests entered the ballroom and took their seats for the gala dinner.

Ho, in his welcome address, presented the key highlights of the overall performance of this year's *The Edge* BRC members.

Nadia Heng was the compère for the evening while Filipino jazz songstress Junji Delfino serenaded the guests as they dined.

The awards ceremony commenced as guests finished their dessert. Apart from giving out the Value Creator: Malaysia's Outstanding CEO award, Ho, alongside OCBC Bank (M) Bhd CEO Ong Eng Bin, Jaeger-LeCoultre managing director of Southeast Asia and Oceania Maxence Kinget, Mercedes-Benz Malaysia president and CEO Dr Claus Weidner, Qatar Airways country manager for Malaysia and Brunei Datuk Muzammil Mohamad and *The Edge Malaysia* editor-in-chief Azam Aris, presented 34 awards to 29 companies.

"It is very inspiring to witness the commitment of corporates in consistently achieving outstanding profitability whilst reaching out and giving back to society through meaningful social responsibility endeavours. Congratulations to this year's winners for being an inspiration to others. OCBC is pleased to be involved once again in recognising the success of these true performers," Ong said.

With all the awards given out and the winners' group photograph taken, the night drew to a close, but many guests stayed on to congratulate the winners and celebrate with them.

BILLION RINGGIT Club

1. Ho Kay Tat delivering his welcome speech
2. From left: Ho, Ong Eng Bin (OCBC Bank), Tan Sri Azman Mokhtar (Khazanah Nasional) and Tan Ai Chin (OCBC Bank)
3. The Edge BRC corporate award trophies
4. Azman, Datuk Muzammil Mohamad (Qatar Airways) and Datin Khuraiza Mohamed
5. Ho, Reena Tan (Jaeger-LeCoultre), Sharon Teh (The Edge) and Maxence Kinget (Jaeger-LeCoultre)
6. Karin Tan, Wei Shi, Claus Weidner (Mercedes-Benz Malaysia) and Ho
7. Junji Delfino serenading the guests


THEEDGE
BILLION
RINGGIT Club
1


2


Mercedes-Benz


THEEDGE
BILLION
RINGGIT Club
OCBC Bank
QATAR
11


RINGGIT Club
10


3

4


5


6

1. Ong and his team from OCBC Bank
2. Azman receiving the Value Creator: Malaysia's Outstanding CEO award
3. Datuk Koe Peng Kang (S P Setia) appreciating the watches displayed by Jaeger-LeCoultre
4. Tan Sri Tay Ah Lek (Public Bank) with Ho
5. Ho and Datuk Wong Tuck Wai (S P Setia)
6. From left: Syed Abdull Aziz Jailani Syed Kechik, Helmi Abdul Jabar (both from OCBC Bank), Kenji Fujita and Lee Kit Seong (both from AEON Credit Service)
7. Nikki Ng, Leong Kit May (both from Axis-REIT Managers) and Tan Ai Chin (OCBC Bank)
8. Datuk Jeffrey Ng (Sunway REIT), Datuk and Datin Paul Koon (Press Metal) and Datuk Lim Chai Beng (CB Industrial Product Holding)
9. Datuk Kelvin Tan (TSH Resources), Datuk Gan Kim Huat (SKP Resources), Datuk Beh Kim Ling (VS Industry), Ivan Goh (SKP Resources) and Puvanesan Subenthiran (Westports Holdings)
10. Ho with Kinget and his team from Jaeger-LeCoultre
11. Muzammil and his team from Qatar Airways


9


8

7

Jaeger-LeCoultre for the global traveller

A number of signature timepieces indicate two time zones but the Jaeger-LeCoultre Duomètre Unique Travel Time is among only a handful with a second time zone that is adjustable to the minute. And that ability now comes with a sumptuous hand-engraved dial.

Useful as it is, the real point is to show how well Jaeger-LeCoultre designs and makes its timepieces.

A fresh interpretation of the revolutionary Dual-Wing movement, the Duomètre Unique Travel Time watch in pink gold reflects the technical breakthroughs achieved by the manufacture in the field of world-time watches and offers original solutions for travellers with a love of fine watchmaking.

A worthy heir to the Duomètre line, the pink gold Duomètre Unique Travel Time is a celebration of technical and precious fine watchmaking, vividly illustrating over 180 years of history while prefiguring the watchmaking of tomorrow.

In keeping with the technical and aesthetic spirit of the creations in the Duomètre line, the Duomètre Unique Travel Time asserts itself as an absolute reference in terms of mechanical watchmaking and of the intrinsic elegance with which all creations from the grande maison have been imbued since 1833. Past, present and future converge in perfect harmony in this exceptional creation.

For this movement, the Dual-Wing system is divided into two distinct mechanisms: the first is devoted to displaying the local time, and the second to showing that in a second time zone. The two mechanisms share the same regulating organ but each has an independent source of energy, thereby avoiding losses due to the interaction between the mechanisms. The operation of the dual time zone display does not in any way influence the running of the watch, a fact that considerably enhances the precision of the timepiece.

Each mechanism has a 50-hour power reserve and, governed by a wish to achieve ideal user-friendliness, the same crown serves to wind both barrels. The timekeeping barrel is wound by a counter-clockwise rotation, and the travel-time barrel by a clockwise rotation.

Given the complexity of the functions, the finely grained dial provides impeccable clarity. Two magnificent symmetrically arranged subdials lend a perfectly balanced touch to this horological creation: the first subdial at 2 o'clock sets the stage for the hour and minute hand while the second at 10 o'clock hosts the jumping hour and minutes of the travel time.

The globe at 6 o'clock displays a world map surrounded by the time-zone indications and the day/night ring. The globe is synchronised with the travel time. The single crown is used to adjust the local time in position 2 and the travel time in position 1, as well as to wind the mainsprings when in position 0.

Once both time zones are synchronised, the traveller can simply use the push-pieces at 8 o'clock and 10 o'clock to adjust the jumping hours in the left subdial according to the destination. And in case of a non-standard time zone, the minutes can be adjusted separately using the crown in position 1.

Jaeger-LeCoultre Calibre 383, a remarkably beautiful and exquisitely finished movement, is revealed through the sapphire crystal caseback. Its bridges and gear trains are hand-chamfered and feature polished sinks. The moving parts, also hand-chamfered or adorned with polished sinks, feature a snailed or smoothed finish. These decorative touches are clearly inspired by the grand tradition of the brand's pocket watches and lay new milestones through their exceptionally refined finishing. The engraved names of the cities corresponding to the world's 24 time zones are also visible through the back.

This remarkable timepiece will delight connoisseurs around the globe. The downside is that you will need to get to a Jaeger-LeCoultre boutique to own one yourself as this one is the property of *The Edge* Billion Ringgit Club's Value Creator: Malaysia's Outstanding CEO!

1. Guests taking photos of the award winners
2. From left: Roy Quek (TMC Life Sciences), Anne Tong (The Edge Singapore) and Erica Lam (TMC Life Sciences)
3. Mohd Raslan Sharif, Datuk Hisham Hamdan and Imran Ahmad (all from Khazanah Nasional)
4. Ho with Ruben Gnanalingam (Westports Holdings)
5. Koe, Tan Ai Chin (OCBC Bank), Mr and Mrs Chia Song Kun (QL Resources), Ho Hon Sang (Mah Sing Group) and Au Foong Yee (TheEdgeProperty.com)
6. Mike Duong, Russell Tan (both from Amway (M) Holdings) and Datuk Carl Bek-Nielsen (United Plantations)
7. Jimmy Lai, Stanley Teo, Sue Ann Lee (The Edge) and Yee Wing Peng (three from Deloitte Malaysia)


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8. From left: Maslinda Yusof, Azam Aris (The Edge), Reena Tan, Kinget (both from Jaeger-LeCoultre), Puan Sri Mastura Abd Rahman, Azman (Khazanah Nasional), Ho, Karin Tan, Wei Shi, Weidner (Mercedes-Benz Malaysia) and Ong (OCBC Bank)
9. Shane Thakurta, Chia Kee Loy (both from Gamuda), Kamarul Azhar, Kathy Fong, Jose Barrock (all from The Edge), Datuk Soam Heng Choon, Wan Salwani Wan Yusoff, Liew Hau Seng and Ng Fui Ling (all from Gamuda)
10. Jenny Ng (The Edge), Yogeswari Thangavelu (Maxis) and Johnni Wong (The Edge Galerie)
11. Tho Li Ming (The Edge), Dau Ming Seling and Cairil Irwan (both from Hong Leong Bank)
12. Ho with Kelvin Tan (TSH Resources)

BILLION RINGGIT Club

1. From left: Lim Shiew Yuin (The Edge), Leong Mei Sim (OCBC Bank), Philip Koh (Mah-Kamariyah & Philip Koh), Dorothy Teoh (The Edge Education Foundation) and Jeffrey Teoh (OCBC Bank)
2. Chua Kheng Sun, Ngan Chee Meng, Datuk Abdul Sahak Safi, Datuk Paul HaTiing Hai, Datuk Ubull Din Om and Chow Chee Wah (all from Gamuda)
3. Chung Soo Kiong (Sunway Construction), Sarena Cheah (Sunway Bhd), Tan Wee Bee (Sunway Bhd) and Liew Kok Wing (Sunway Construction)
4. Kuan Mun Keng and Kuan Mun Leong (both from Hartalega Holdings)
5. Ong Ju Xing and Ong Ju Yan (both from OSK Holdings)
6. Ho with Meei Wong, Lina-Yap Abdullah, Yee Yang Chien and Rozainah Awang (all from MISC)

BILLION RINGGIT Club

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7. Datuk Lee Hau Hian (Kuala Lumpur Kepong), Datin Paduka Tan Siok Choo (United Malacca), Leong Choy Ying (PPB Group), Yee (Deloitte), Ho and Cindy Yeap (The Edge)
8. Datuk Seri Mohamed Hassan Kamil (Syarikat Takaful Malaysia) and Datin Seri Zalila Che Ba
9. Teh, Ho, Elaine Hew and Jamie Wong (both from Mercedes-Benz Malaysia)
10. Alois Hofbauer with his team from Nestlé Malaysia
11. Wefie time for Albern Murty and his team from DiGi.Com
12. Datuk Robert Wong (Oriental Holdings) and Datin Loh Ean
13. Mac Ngan Boon (Muhibbah Engineering) and wife
14. Ghiam Say Khoon, Vincent Seow (both from Berjaya Sports Toto), Eliza Mohamed (Nestlé Malaysia) and Joyce Goh (The Edge)
15. Datuk Chang Khim Wah with his team from Eco World Development Group

COMPANY OF THE YEAR

Nestlé Malaysia

A market leader that continues to deliver

BY CINDY YEAP

PATRICK GOH/THE EDGE

Hofbauer (third from left) with Sultan of Selangor Sultan Sharafuddin Idris Shah, who officiated at Nestlé's Seri Muda factory in Shah Alam in October last year

Malaysians drink about six million cups of Milo a day and consume 600 million packets of Maggi instant noodles a year. Milo and Maggi are such household names in Malaysia, it would probably surprise many that these consumer products — and other popular brands like Nescafé and Kit Kat — are in the stable of the world's largest food company, Switzerland's Nestlé SA.

This year's *The Edge* Billion Ringgit Club (BRC) Company of the Year, Nestlé (M) Bhd is the only company that has appeared on the BRC top 20 list in six of the seven annual rankings since 2010 for doing well in both quantitative and qualitative criteria.

Since it started out here in 1912 as the Anglo-Swiss Condensed Milk Co, Nestlé Malaysia has been manufacturing simple and nutritious food and, today, makes more than 300 halal products in eight factories. Judging by the popularity of Maggi instant noodles, it is no surprise that its Batu Tiga Maggi line is the biggest noodle factory in Malaysia. A testament to its commitment to invest in Malaysia, Nestlé Malaysia's Shah Alam manufacturing site is one of the largest in the Nestlé family.

In 2015, six of its eight factories successfully maintained "Zero Landfill Status", recycling all solid waste materials — one of many reasons Nestlé Malaysia ranks highly in terms of corporate responsibility and sustainability efforts. Through sustainable contract farming schemes such as the Nestlé Chili Club and Nestlé Paddy Club, local farmers get better yields and income while Nestlé Malaysia gains high-quality, sustainable agricultural produce.

Other than keeping consumers happy, investors would also be pleased with its earnings and dividends.

Pre-tax profit grew an average of 4.5% a year for the past three years to RM727.7 million in FY2015 from RM637.67 million in FY2012 — decent for a company its size. Net profit grew to RM590.73 million in FY2015 from RM505.35 million in FY2012.

Not only has the company been paying out more than 95% of its earnings as dividends for at least the past eight years, the quantum has also increased significantly with the growth in its profit. Collectively, it paid out RM3.7 billion in dividends between FY2008 and FY2015.

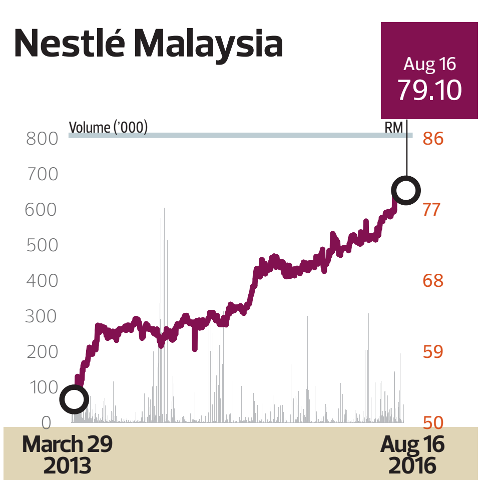
Going by the projected consensus dividend per share (DPS) of RM2.63 for FY2016 and RM2.76 for FY2017, yield is 3.3% and 3.5% as at Aug 16's RM79.10 close. Indicative yields are 3.6% to 3.8%, if one were to believe the highest DPS projection of RM2.84 to RM3, according to Bloomberg data.

Eleven of the 12 analysts tracking the stock are "neutral", with the single "outperform" call coming from Kenanga Investment Bank, which has an RM82.10 target price on Nestlé Malaysia. Its target price is based on 27.1 times FY2016 earnings. Kenanga was impressed by its first-quarter earnings, which saw the company benefit from lower input costs and improved operational efficiency.

"We anticipate the group [will] stay committed in marketing and promotional activities in order to stimulate consumer sentiment and encourage spending," Kenanga analyst Soong Wei Siang wrote in an April 27 note when the stock was upgraded.

Despite the share price's high absolute amount, total shareholder returns still gained an average of 12.2% a year for the past three years as the price went from about RM54 at end-March 2013 to RM76.90 at end-March this year.

In any case, Nestlé Malaysia's return on equity (ROE) is among the highest of all Malaysia-listed companies. Its ROE grew from 72% in FY2012 to 79.5% in FY2015, making it one of seven BRC members with more than 50% weighted three-year ROE and one of 13 with over 30% three-year weighted ROE. This is no small feat as 92.6% of the 176 BRC 2016 members have less than 30% three-year weighted ROE.



Nestlé Malaysia continues to strengthen the market position of its brands through proactive management of its value chain. From an input cost perspective, commodity prices in 2015 were more favourable overall compared with 2014, but the company concedes that there are challenges ahead.

"We expect 2016 to continue to be very tough, both locally and globally, particularly with volatile market conditions, global economic uncertainty and more intense competition. Taking this into account, it will not be an easy year ahead, but we are well poised to weather these challenges, due to our strong operations, powerful brands and our top-notch people. We are confident we will be able to continue delivering sustainable growth, even during tough times," says Nestlé Malaysia managing director Alois Hofbauer.

"It is truly an honour for Nestlé Malaysia to be recognised as one of Malaysia's biggest and best performing companies. This recognition is a true testament of our unwavering commitment and dedication to bringing 'good food, good life' to Malaysian consumers, and a reflection of how we have sustained a legacy of over a century by demonstrating that the successes of business and society can be mutually reinforcing. This is what we call creating shared value, or simply put, — 'doing well, by doing good'," he says. E

THE EDGE BILLION RINGGIT Club 2016

CONGRATULATIONS

THE WINNERS OF *THE EDGE* BILLION RINGGIT CLUB CORPORATE AWARDS 2016

VALUE CREATOR:
MALAYSIA'S OUTSTANDING CEO
Tan Sri Dato' Azman Mokhtar
(Managing director of Khazanah Nasional Bhd)

COMPANY OF THE YEAR
Nestlé (Malaysia) Bhd

CONSTRUCTION SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | Hock Seng Lee Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | IJM Corporation Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Muhibbah Engineering (M) Bhd

CONSUMER PRODUCTS SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | British American Tobacco (Malaysia) Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | Hup Seng Industries Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Hup Seng Industries Bhd

FINANCE SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | AEON Credit Service (M) Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | AEON Credit Service (M) Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Syarikat Takaful Malaysia Bhd

INDUSTRIAL PRODUCTS SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | Hartalega Holdings Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | V.S. Industry Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | V.S. Industry Bhd

PLANTATION SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | Kulim (Malaysia) Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | Kulim (Malaysia) Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Kim Loong Resources Bhd

PROPERTY SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | KSL Holdings Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | OSK Holdings Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Eco World Development Group Bhd

REIT SECTOR
HIGHEST RETURN ON EQUITY OVER THREE YEARS | KLCCP Stapled Group
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | IGB Real Estate Investment Trust
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Al-'Aqar Healthcare REIT

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY SECTORS
HIGHEST RETURN ON EQUITY OVER THREE YEARS | DiGi.Com Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | Yinson Holdings Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Inari Amertron Bhd

BIG CAP COMPANIES
(COMPANIES WITH RM10 BILLION TO RM40 BILLION MARKET CAPITALISATION)
HIGHEST RETURN ON EQUITY OVER THREE YEARS | DiGi.Com Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | MISC Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Hap Seng Consolidated Bhd

SUPER BIG CAP COMPANIES
(COMPANIES WITH MORE THAN RM40 BILLION MARKET CAPITALISATION)
HIGHEST RETURN ON EQUITY OVER THREE YEARS | Maxis Bhd
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS | Public Bank Bhd
HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | Tenaga Nasional Bhd

BEST CR INITIATIVES
BELOW RM10 BILLION MARKET CAPITALISATION
United Plantations Bhd

BIG CAP COMPANIES
(RM10 BILLION TO RM40 BILLION MARKET CAPITALISATION)
Gamuda Bhd

SUPER BIG CAP COMPANIES
(MORE THAN RM40 BILLION MARKET CAPITALISATION)
Axiata Group Bhd

Main Sponsor
OCBC Bank

Supporting Sponsor
JAEGER-LECOULTRE

Official Car

Official Airline
QATAR AIRWAYS القطرية

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

SUPER BIG CAP COMPANIES — ABOVE RM40 BILLION MARKET CAPITALISATION

Public Bank

Making headway in a difficult environment

BY ADELINE PAUL RAJ

Public Bank Bhd entered its 50th year of operations in Malaysia this year on a high note. The country's third largest banking group by assets has managed to maintain an unbroken track record of profitability since commencing operations in 1966 despite going through several economic crises. And it continues to consistently stand out in the industry by outdoing its peers on a number of fronts such as return on equity, cost efficiency and asset quality.

Over the last three years, its profit before tax (PBT) has grown to a new record of RM6.49 billion in the financial year ended Dec 31, 2015 (FY2015) from RM5.05 billion in FY2012 — translating into an 8.75% compounded annual growth rate. This is slightly below that of some finance stocks, but is the highest among its peers with at least RM40 billion market capitalisation in the Super Big Cap category.

In FY2015, while most banks saw margins slide and profit growth decline amid an increasingly tough macroeconomic environment and competitive banking landscape, Public Bank managed to post commendable PBT growth of 11.6% over the previous year, surpassing the

RM6 billion mark for the first time. Net profit grew to RM5.06 billion from RM4.42 billion the year before.

Its net return on equity, while having come down from above-20% levels since FY2014, stood at 17.8% in FY2015 — still the highest in the industry. Also, its cost-to-income ratio, despite having inched up to 30.5% in FY2015 from 30% the year before, remains the best.

It also remains unrivalled in asset quality, with its gross impaired loan ratio having come down consistently over the years to just 0.5% in FY2015 — a testament to its founder and chairman Tan Sri Teh Hong Piow's belief in running the bank prudently.

But there are signs of the strong growth seen in earlier years tapering as the challenging times continue.

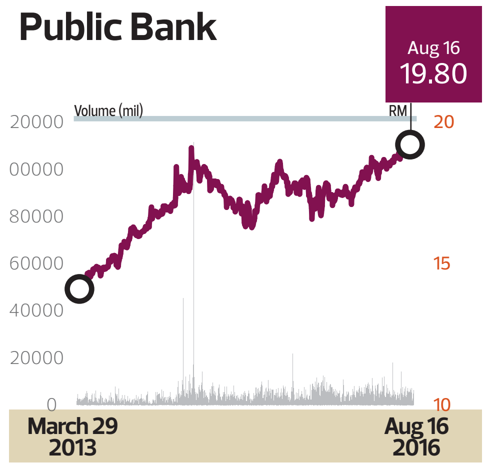
Its 1H2016 net profit of RM2.49 billion represented a slower year-on-year growth of 5% compared with 14.2% in 1H2015. This came amid lower income and slightly higher operating expenditure.

Public Bank's loans grew 9.5% y-o-y while deposits expanded 5.5%, trumping the industry's average growth of 6.2% and -1.1% respectively. However, the pace was slower than that in 1H2015, when both loans and deposits grew more than 11%.

Its 1H2016 performance was nevertheless within analysts' expectations. Most continue to like the stock as they see the group continuing to outperform its peers.

On July 27, Public Bank trimmed its base rate and base lending rate by 23 basis points to 3.52% and 6.72% respectively, after Bank Negara Malaysia lowered the overnight policy rate (OPR) by 25 basis points to 3%. This is likely to weigh on its net interest margin (NIM) over the next few quarters.

"Management maintains that 2H2016 will be challenging. Loan growth is expected to be slower as the pipeline of loan approvals moderated, for 1H2016 loan approvals contracted by 20% y-o-y. Management expects deposits



to have a flattish momentum with the cost of funds temporarily receding, abetted by a suspension of deposit-taking due to the cut in OPR. However, management fears that a new round of deposit-taking campaign could come sooner than expected," Kenanga Investment Bank Research says in a July 29 report.

Prior to the OPR cut in July, Public Bank raised its base rate by 10 basis points in May on account of higher funding costs. As such, analysts feel the bank should be able to weather NIM compression better than most peers.

AllianceDBS Research is one of several research houses that has Public Bank as their top pick in the banking sector. "Despite the domestic macro headwinds, we expect Public Bank to continue to deliver above-industry growth and [have a] dominant market share in the mortgage, automotive and SME segments. Contributions from the unit trust business will continue to differentiate it from its peers," it says. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

SUPER BIG CAP COMPANIES — ABOVE RM40 BILLION MARKET CAPITALISATION

Tenaga Nasional

Lower earnings risk, higher profit visibility

BY KATHY FONG

Tenaga Nasional Bhd (TNB), which won the Company of the Year award last year, also bagged an award at *The Edge* Billion Ringgit Club this year — the highest returns to shareholders over three years among the largest companies listed on Bursa Malaysia.

The utility giant's share price slightly more than doubled between 2013 and 2016, giving a three-year compound annual return of 27.5%. It climbed from RM6.42 as at end-2012 to a high of RM14.67 in January 2015 before retracing to RM13.94 as at end-March this year.

In fact, the heavyweight blue chip was hovering around RM6 levels for most of 2013. Investors who had snapped it up then should be patting themselves on the back. The stock is probably also one of the better safe havens among the 30 component counters of the FBM KL Composite Index at a time economic headwinds are blowing strong.

The powerful upward trend of TNB's share price was mainly fuelled by the implementation of the imbalance cost pass through (ICPT) mechanism last year and an electricity tariff hike prior to that. The low prices of fuel, namely coal, which gave a much-needed boost to earnings, added to TNB's appeal among investors.

The ICPT mechanism, which allows TNB to pass down incremental fuel costs to consumers without profiteering, is considered a major game changer for the group. Gone are the days when TNB had to live with margins being squeezed whenever it had to burn expensive fuels while tariff hikes happened only once in a blue moon. In a nutshell, the ICPT mechanism is expected to lighten the social obligation burden on the government-linked company. With the mechanism in place, TNB will have better earnings visibility.

The group's revenue and net profit rose between the financial year ended Aug 31, 2012 (FY2012), and FY2015, driven by higher tariffs and steady fuel costs as well as an increase in electricity sales. Revenue increased from RM35.85 billion in FY2012 to RM43.29 billion in FY2015 — a historical high. Pre-tax profit grew at a three-year compound annual growth rate of 7% to RM7.13 billion in FY2015 while net profit expanded from RM4.41 billion in FY2012 to RM6.12 billion FY2015.

Thanks to the improved earnings, TNB has been generous in rewarding its shareholders. It declared a dividend per share of 25 sen in FY2013 and 29 sen in both FY2014 and FY2015. The group's dividend policy is to pay out 40% to 60% of annual free cash flow from operations (less normalised capital expenditure and interest servicing).

HIGHEST RETURN ON EQUITY OVER THREE YEARS

SUPER BIG CAP COMPANIES — ABOVE RM40 BILLION MARKET CAPITALISATION

Maxis

Working hard to stay ahead

BY BEN SHANE LIM

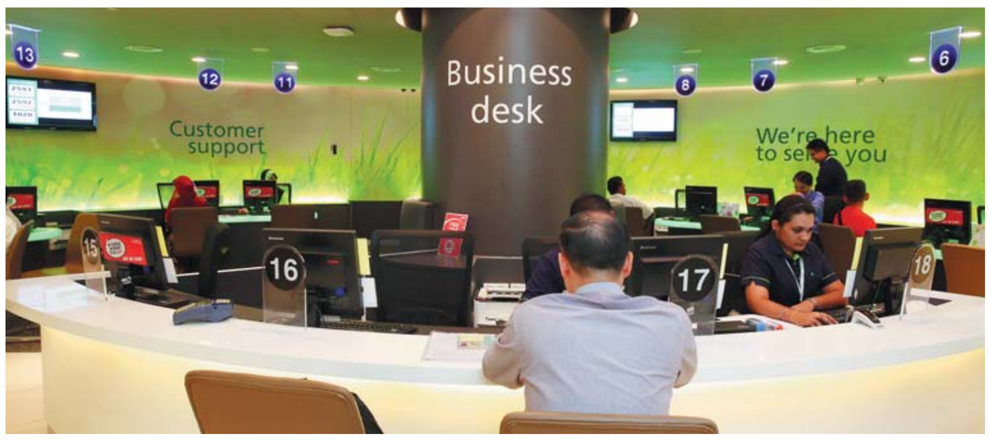
The larger the company, the tougher it is to generate high return on equity (ROE). Yet, in an industry that is facing unprecedented competition, Maxis Bhd still manages to stand out as the most profitable company in the newly created super big cap category.

This is Maxis' debut win in *The Edge* Billion Ringgit Club, but it comes in one of the most challenging years yet for incumbent telcos.

Price competition has been brutal over the past one year. As at June 30, Maxis' total mobile subscriber base had fallen by 9.82% year on year to 11.02 million. That is a loss of 1.2 million subscribers in the span of a year.

The exodus was noticeably from Maxis' prepaid customers, which saw a loss of 960,000 subscribers or 10.6% to 8.11 million. However, the postpaid segment remained relatively insulated, losing only 0.43 % of subscribers in the same period.

In a way, this underscores Maxis' resilience in an increasingly competitive industry. The company managed to retain its high-value customers while losing some of its low average revenue per user (ARPU) subscribers. The net result was a 5.88% increase in blended ARPU to RM54 a month (for 2Q2016), up from RM51 the previous year. This is impressive, given that the other telcos saw a decline in ARPU. In fact, Maxis' postpaid ARPU of RM102 a month remains the highest in the industry.

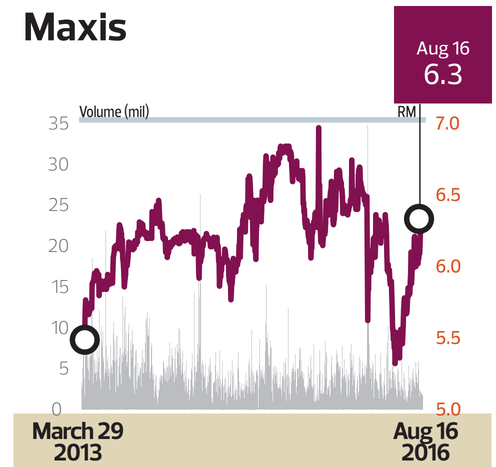


Nonetheless, Maxis still felt a pinch to its bottom line. For the first half of the year, the group's revenue fell 0.4% y-o-y to RM4.24 billion while net profit saw a sharp 7% decline to RM905 million. However, this was mainly due to higher marketing and expenses as well as traffic costs. In other words Maxis' profitability should recover slightly once the marketing expenses normalise in the second half.

For the time being, Maxis still saw its prized earnings before interest, taxes, depreciation and amortisation (Ebitda) margins fall below 50% to 47.9%. That said, it is important to note that Maxis still has the highest Ebitda margin in the industry. In fact, it has one of the highest in the industry worldwide.

With these margins and the high dividend payout each year, it is no wonder that Maxis stood out among large cap companies in terms of ROE, which grew to 39.05% in FY2015 compared with 24.53% in FY2012.

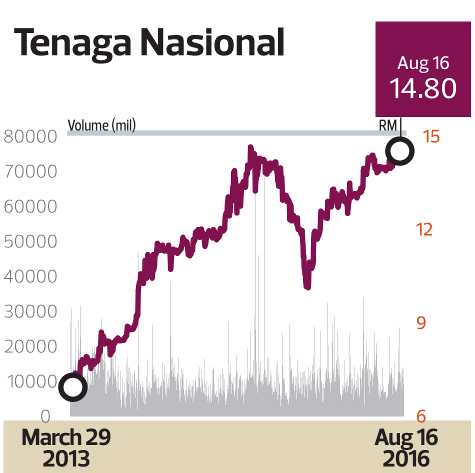
In previous years, Maxis' dividend payout was in excess of its earnings. In fact, one of Maxis' more attractive qualities has been its dividend payout. But following a rally in the company's share price to RM6.34 on Aug 10, dividend yield compressed to 3.1%. In a nutshell, Maxis does not have much room to trim dividends if it wants to keep shareholders happy.



Meanwhile, the company's cash pile has been dwindling, falling by 27.1% to RM973 million. It is still sizeable, but the current dividend payout may not be sustainable.

Furthermore, Maxis will have to contend with the entry of Telekom Malaysia Bhd-backed webe that will increase competition. "The entry of webe is dilutive to Maxis' postpaid dominance. We estimate that Maxis could lose a portion of its postpaid leadership with the entry of webe amid weak consumer sentiment. Based on our scenario, Maxis' 2018 net profit could fall by 12%. We have already factored in ARPU erosion arising from webe as a fifth mobile player as we project 5% ARPU contraction by 2018," writes UOB Kay Hian in a recent note. UOB Kay Hian has "hold" call and RM5.65 target price for Maxis.

It is going to take a lot of hard work for this super big cap telco to retain its title. E



For the nine months ended May 31, 2016, its net profit rose to RM5.61 billion from RM5.29 billion in the previous corresponding period. The higher profit was in line with a 6% year-on-year increase in revenue to RM33.29 billion.

Should an investor have bought 10,000 TNB shares at RM6.40 apiece on Jan 4, 2013, his investment of RM64,000 would have increased to RM132,300, based on the last traded price of RM13.23 on Dec 31, 2015. In addition, the investor would also have received dividends totalling RM8,300 during the three financial years. For the three-year period, the return to the investor would have been 120% — a handsome gain for such a heavyweight counter.

Meanwhile, the value of the block of 10,000 TNB shares continues to appreciate — it was worth RM144,200, based on the Aug 5 closing price. Analysts who track the stock believe that the rally still has legs as the blue chip is trading at mid-teen earnings multiples.

As the ICPT mechanism has removed a sizeable earnings risk from TNB, some fund managers opine that the stock deserves better premium on clearer earnings visibility going forward. However, a downside risk is the likelihood of TNB being asked to invest in power generation projects with parties that may lack the expertise or financial muscle. E

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

BIG CAP COMPANIES

MISC

Keeping the ship on an even keel

BY KATHY FONG

The global shipping industry could well have long forgotten the phrase "plain sailing". The choppy waters through which shipping firms have been sailing in recent years have sunk many a weak player.

Although MISC Bhd has long-term contracts to transport liquefied natural gas (LNG) for its major shareholder, Petroliam Nasional Bhd (Petronas), it was not spared from the tough challenges caused by the overcapacity that has kept freight rates under pressure.

Nonetheless, the harsh conditions forced the shipping giant to change its strategy, not just for survival but also for sustainability. The group went on a divestment spree, hiving off non-performing assets, including its loss-making liner business. And that put it on a better footing to withstand the downcycle.

Now, MISC, which is 62.67%-controlled by Petronas, is the winner of *The Edge* Billion Ringgit Club's highest growth in profit before tax over three years award in the trading/services, hotels, IPC and technology category.

This speaks well of MISC, the world's leading LNG tanker operator.

Its pre-tax profit surged to RM2.22 billion in its financial year ended Dec 31, 2013, from RM1.52 billion in FY2012. Pre-tax profit continued to expand to RM2.41 billion in FY2014 and RM2.57 billion in FY2015. In effect, PBT grew at a compound annual growth rate of 19.17% over the three years.

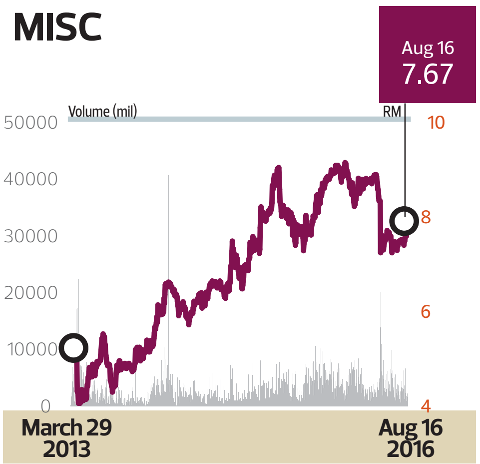
Revenue exceeded the RM10 billion mark in FY2015, compared with RM9.29 billion in FY2014 and RM8.97 billion in FY2013.

With the improved financials, MISC has been generous in paying dividends. It declared a dividend per share of 30 sen in FY2015, substantially higher than the 10 sen in FY2014 and five sen in FY2013.

The earnings growth momentum reversed the downward trend of MISC's share price at the start of 2013. The stock has climbed steadily since then, from RM3.80 as at end-2012 to RM9.02 at end-2015 — up 137% over the three years when most shipping counters were heading south.

MISC not only delivered impressive earnings growth during the period but also strengthened its balance sheet by paring its borrowings substantially.

Total borrowings more than halved from RM14.19 billion in FY2011 to RM6.5 billion in FY2015. Consequently, its net debt-to-equity ratio declined to barely 0.02 in FY2015 from 0.48 in FY2011. Its cash balance stood at RM5.65 billion as at Dec 31, 2015.



To stay ahead, MISC began a five-year mission — MISC2020 — at the start of the year. The corporate strategy aims to achieve a sustainable level of secured profit by 2020 and a sustainable return on average capital employed (ROACE) of more than 10% by 2020.

"In order to achieve a sustainable level of secured profit by 2020, MISC must work over the five-year timeframe to absorb all fixed costs and overheads as well as losses from our cyclical business segments during the worst of the cycles," says its president and CEO Yee Yang Chien in the latest annual report.

"This will ensure that we never fall into the red in the worst of times. To deliver a sustainable ROACE of more than 10% by 2020, MISC must instil the discipline to spend wisely and make the right investment decisions." E

HIGHEST RETURN ON EQUITY OVER THREE YEARS

BIG CAP COMPANIES
TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY

DiGi.Com

Innovating its way forward

BY BEN SHANE LIM

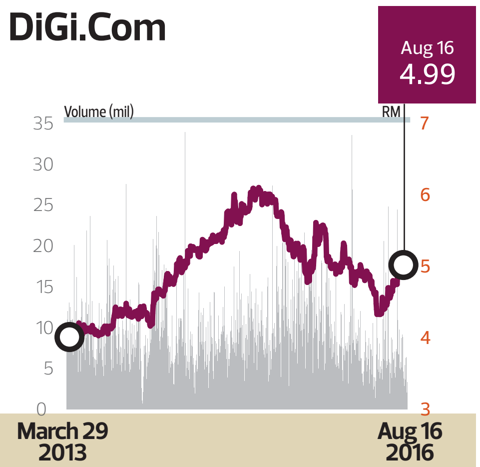
DiGi.Com Bhd makes yet another appearance in *The Edge* Billion Ringgit Club this year, bagging the highest return on equity (ROE) award in its category and sector for the third year running. Recall that it was the BRC's Company of the Year in 2013. It is also the only BRC member that has appeared on the top 20 list for all seven years the BRC awards have been in existence.

In fact, if DiGi's market cap (now RM38 billion) had been slightly higher during the evaluation period, it would have been the most profitable company in the newly created Super Big Cap category (for companies with market cap of more than RM40 billion).

DiGi's ROE came in at 286% in FY2015, compared with 301% in FY2014. In FY2012, it was 144%. DiGi's weighted three-year ROE was the highest among BRC members this year. For the most part, DiGi's high ROE can be attributed to the high dividend payout and capital return that kept its shareholders' equity low.

Maintaining this level of performance, however, is not easy. Quite a lot has changed in the past one year, namely the price war that has broken out. Telecommunications companies have been throwing data at consumers and lowering prices in a bid to defend market share. This year, two new players joined the fray — Telekom Malaysia Bhd's webe and YTL Communications Sdn Bhd's YES 4G LTE services.

"It has been an interesting year. I have been with DiGi for a while (since 2002), so I know the challenges and the opportunities that are coming. It is an extremely interesting period to take up this challenge," CEO Albern Murty told *The Edge* in an interview in May.



He has only been at the helm for slightly over a year and it has been one of the most challenging periods for the industry.

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

BIG CAP COMPANIES

Hap Seng Consolidated

Diversified conglomerate puts on spectacular performance

BY ESTHER LEE

Diversified conglomerate Hap Seng Consolidated Bhd has proved to be a propitious investment as its stock price has surged over five times in three years.

Total shareholders' returns grew at a three-year compound average growth rate (CAGR) of 73.4% over the judging period of March 29, 2013, to March 31, 2016 — one of the highest among the 176 members of *The Edge* Billion Ringgit Club 2016.

Hap Seng's share price surged from RM1.42 at end-March 2013 to RM7.39 on March 31 this year, reaching a high of RM7.79 on Aug 1.

The rally was not entirely a surprise, given that the company's pre-tax profit rose at a three-year CAGR of 17.9% — from RM681.6 million in FY2012 to RM1.1 billion in FY2015. Net profit more than doubled from RM427.1 million in FY2012 to RM908.5 million in FY2015.

Based on the company's 2015 annual report, its property division generated 40% of its operational income, followed by credit financing, plantations, trading of building materials and petroleum products, fertiliser trading and automotive.

Hap Seng has been generous with its dividends, with dividend per share doubling from 16 sen in FY2013 to 30 sen by FY2015. Its RM7.75 close on Aug 11 implied a 3.9% yield for FY2015.

It will be tough for the company to maintain the high returns. In its 2015 annual report, the diversified group says it believes 2016 will likely be a difficult year, given the weak and uneven global growth on top of heightened volatility in the global financial markets.

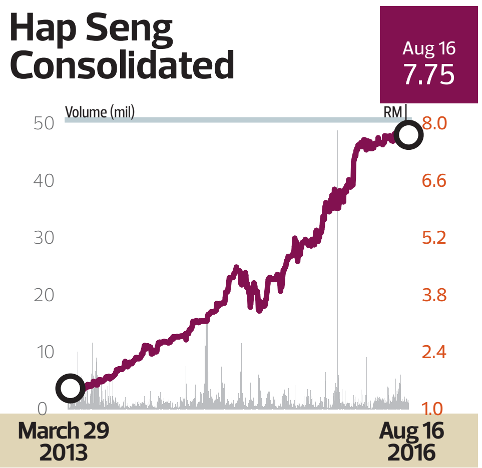
"The slowdown in the economic growth of China, Malaysia's largest trading partner, may limit the nation's export growth prospects. Although the expected full-blown El Niño phenomenon may result in the easing of the high palm oil stockpile, and hence, stronger crude palm oil (CPO) prices, the overall impact may be somewhat offset by the lower CPO production caused by the extremely dry weather," Hap Seng says.

Its plantation division, held through listed subsidiary Hap Seng Plantations Holdings Bhd, has a total area of 39,803ha in Sabah and faces higher labour costs due to the higher minimum wage. It will, however, continue ongoing efforts to improve its fresh fruit bunch yields, CPO and palm kernel extraction rates.

As for property, the diversified group expects the sector to be subdued as a result of the stringent lending measures and the oversupply risks in the high-end residential segment.

Hap Seng's developments cater for the high-end market, such as its maiden premier serviced residence in Jalan Tun Razak — The Horizon Residences — and Nadi Bangsar Service Residence in Bangsar, Kuala Lumpur. Nadi Bangsar is slated for completion in 2017. It also has an ongoing development, D'Alpinia Business Park, in Puchong South.

"However, the relatively weaker ringgit may create an opportunity for foreigners to enter the property market in Malaysia at a substantial discount, which we believe will continue to support and shore up demand for high-end residential properties at prime enclaves in the Kuala Lumpur city centre. Despite the muted property market outlook for 2016, we are optimistic about the long-term growth trajectory of property developments in the prime locations of the Klang Valley," the company says.



Hap Seng expects its automotive division to perform better with the anticipated introduction of newer and more exciting models despite the Malaysian Automotive Industry's forecast of a slight reduction in total industry volume this year.

Hap Seng is a dealer for Mercedes-Benz luxury passenger cars and distributes Mitsubishi and Mercedes-Benz commercial vehicles. The introduction of a new range of Mercedes-Benz SUVs — the GLC, GLE and GLE Coupe — and the launch of the new E-Class and A-Class will further support sales in 2016, it says. E

Against this backdrop, DiGi has been able to defend its subscriber base. For the second quarter ended June 30, its subscribers grew 4.5% to 12.347 million. However, its average revenue per user (ARPU) fell from RM45 to RM42 amid stiff competition. Hence, service revenue slipped by a marginal 2% year on year to RM1.557 billion.

Nonetheless, DiGi made some impressive gains in the postpaid segment, which grew 10% to 1.95 million subscribers. It still has the smallest postpaid segment among the incumbents, but is quickly closing that gap. At the same time, DiGi's prepaid subscriber base grew to 10.39 million, up 3.5% y-o-y. However, prepaid ARPU fell from RM38 to RM34 in the same period due to stiffer competition.

"There were two choices — one is we just defend, but that is not what we did. We went out there and innovated," Murty said.

Moving forward, his strategy is to monetise DiGi's digital services. It is a vision that is supported by the company's 49% Norwegian shareholder, Telenor.

The goal is to increase the share of digital services revenue from 30% currently to 50%. DiGi's advantage is that it can lean on Telenor to do so. Telenor has its own technology arm, Telenor Digital, which has been actively acquiring tech companies. For example, Telenor earlier this year acquired Prabhu Money Transfer Sdn Bhd, a licensed money services business based in Malaysia.

On a positive note, DiGi this year was also awarded additional spectrum after the recent re-farming exercise. It was allocated the 900MHz and 1,800MHz bands for 15 years. However, full implementation will only come next year. But for shareholders, this will not boost earnings and subsequently, dividend payouts in the near term. DiGi's stagnant revenue growth is likely to continue until the telecoms industry consolidates and competition eases.

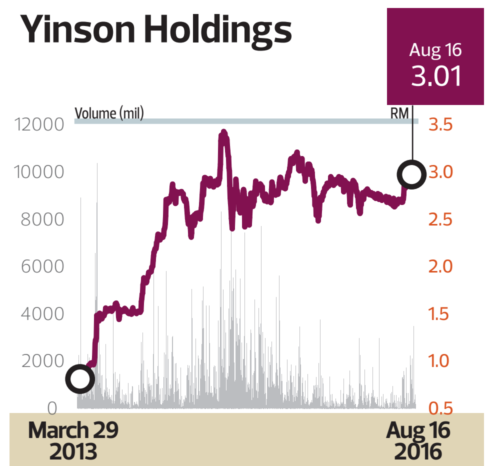
Interestingly, one way for DiGi's share price to rise further is additional interest rate cuts by Bank Negara Malaysia, as it allows for more yield compression. For the time being, that seems to be the main short-term catalyst for the stock. E

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY

Yinson Holdings

Stellar earnings despite low oil price environment



BY BILLY TOH

Yinson Holdings Bhd, the world's sixth largest floating production, storage and offloading (FPSO) company by fleet size, is one of the few companies in the oil and gas (O&G) sector that has remained profitable despite the prevailing low oil price environment. Underpinning its earnings is a strong order book of long-term contracts.

The company started out as a humble transport agency in Johor Baru in 1984. Its foray into O&G happened in 2011 when it entered into a joint venture with PetroVietnam Technical Services Corp.

In 2014, Yinson acquired Fred Olsen Production ASA, an established FPSO player listed on the Norwegian stock exchange. Subsequently, Yinson decided to transform itself into a full-fledged FPSO company by divesting itself of all its non-O&G businesses.

While pre-tax profit of RM292.76 million for the financial year ended Jan 31, 2016 (FY2016) was only a low single-digit growth from RM280.7 million in FY2015, the company benefited from a low base in FY2012 and FY2013 when profits were below RM50 million — about six times less. Between FY2012 and FY2015, profit before tax grew at a three-year compound annual growth rate of over 100% — earning Yinson top placing among its industry peers.

Its earnings growth is also reflected in its share price, which has more than tripled in the past three years — although it is currently about 10% off its peak seen in 2014 when crude oil commanded better prices.

Liaw Thong Jung, an analyst with Maybank Investment Bank Research, says Yinson is still searching for growth opportunities in this challenging environment. "In its tender pipeline are two to three firm FPSO prospects worldwide (Asia and Africa). Securing an FPSO job or re-deployment opportunities via its 51%-owned FPSO *Four Rainbow* is a long-term catalyst, which would extend its growth trajectory beyond FY2019," he says in a recent note.

Yinson secured its largest FPSO contract to date from Eni Ghana Exploration & Production Ltd in 2015 on a long-term basis. The vessel will be working in Offshore Cape Three Points in Ghana. The contract has an aggregate value of up to US$3.256 billion and the FPSO vessel is expected to achieve its first oil by mid-2017.

In Yinson's 2016 annual report, executive chairman Lim Han Weng says, "The morale of the team is boosted by the fact that all of our chartered FPSO [vessels] are operating on a consistent uptime of above 99% and therefore, Yinson is committed to maintain the excellent track record for many years to come."

On July 26 this year, the company announced the completion of the disposal of its non-O&G subsidiaries to Liannex Labuan Ltd for RM223.2 million, slightly lower than the initial offer price of RM228 million announced in January. According to the announcement, the total consideration is subject to an audit that is expected to be completed in October. Pending the audit completion, Yinson intends to declare a special dividend of up to RM160 million or 15 sen per share (ex-date Aug 14 and payable on Aug 18).

The completion of the divestment will turn Yinson into a pure FPSO company, in line with the board's and management's vision to focus on growing its O&G business.

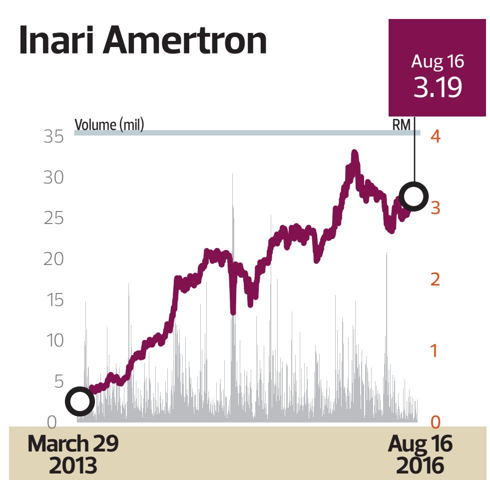
At the time of writing, four of the five analysts tracking Yinson had a "buy" recommendation on the stock with target prices ranging from UOB Kay Hian Research's RM3.03 to Maybank's RM4.35, averaging at RM3.65, Bloomberg data shows. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

TRADING/SERVICES, HOTELS, IPC AND TECHNOLOGY

Inari Amertron

From penny stock to billion-ringgit tech pick



BY LIEW JIA TENG

Inari Amertron Bhd was a thinly traded penny stock just a little over three years ago. Closing at RM3.09 on Aug 9, the company was worth easily 10 times more at nearly RM3 billion — and that is one-fifth off its peak of RM3.6 billion in December 2015, when sentiment on Apple Inc's global iPhone sales was still relatively strong.

Even so, shareholders who bought Inari's shares early on would still be sitting on very good gains. Not only has the country's largest semiconductor player been generous in paying dividends, it has also delivered a stunning share price performance.

Based on *The Edge* Billion Ringgit Club awards' judging criteria, total returns on Inari's shares were more than 130% between end-March 2013 and end-March this year.

Specifically, the stock has grown an impressive 11 times in the last three years from 26.4 sen on March 29, 2013. It has also been consistently paying at least 30% of its earnings annually as dividends since its listing in June 2011. In fact, the RM51 million paid out in FY2015 was significantly above FY2012's RM9.9 million and FY2013's RM17.2 million, although the payout ratio was highest in FY2013 at 47.5%.

Today, Inari's institutional investors include the Employees Provident Fund, Kumpulan Wang Persaraan (Diperbadankan), Norges Bank Investment Management, Prudential Unit Trusts, Rochdale Investment Management and Kenanga Unit Trust Bhd.

Most analysts see limited upside in the coming months, though. There are five analysts with a "buy" recommendation versus five saying "hold" and no "sell" call, Bloomberg data shows at the time of writing. Target prices ranged from Macquarie Research's RM2.58 a share to Affin Hwang Investment Bank's RM3.54, averaging at RM3.17 — not that far away from current levels.

In a note to clients on May 18, CIMB Equity Research analyst Mohd Shanaz Noor Azam blames the stock's decline on weak sentiment across the sector following the decline in Apple's iPhone production and strengthening of the ringgit against the US dollar. CIMB has a RM3.15 target price and an "add" recommendation.

Similarly, Affin Hwang Capital analyst Kevin Low highlights in a June 14 note that Inari's near-term outlook remains encouraging with a likely earnings rebound set for 4QFY2016 following key customer Broadcom Ltd's upbeat guidance for its wireless segment. Moreover, long-term drivers are in place as Inari further entrenches itself in the data network segment.

Apart from the usual strong seasonal ramp-up, Low opines that the next-generation phones are also expected to see higher radio frequency (RF) content, which is consistent with his projection for Inari's RF segment.

"We reaffirm our 'buy' rating and 12-month target price of RM3.54, based on an unchanged 18 times 2017 price-earnings ratio. Key risks to our call would be a slowdown in global demand for smart devices, rapid average selling price erosion, loss of customer base and the introduction of new technologies that may render Inari's products obsolete," he says, adding that Inari remains a country top pick for 2016.

Moving forward, Affin Hwang expects Inari to maintain a dividend payout ratio of 40% from FY2016 to FY2018. On a per share basis, the company is expected to pay a net dividend of 6.5 sen, 7.6 sen and 9.2 sen, offering a yield of 2.2%, 2.6% and 3.1% for FY2016, FY2017 and FY2018 respectively.

A quick check of Inari's balance sheet shows that the company should be able to maintain its dividend payouts as its cash and bank balances have increased steadily from RM15.39 million in FY2011 to RM298.59 million in FY2015. E


Hey you. Yes you
who makes a hundred phone calls a hundred times a day, who closes deals on paper, Whatsapp, email and video call, who travels the world every day on the world wide web, who sees the world not in black and white but through Facebook, Instagram and YouTube.
Because of how you use your Internet at home, on the go, on call, on the road, overseas, on your mobile, we have been tirelessly improving what we do so you can get more of what you do. And because of that, we have been awarded the company with 'The highest return on equity over three years' in the Big Cap Companies, and Trading/Services, Hotels, IPC and Technology Sectors categories.
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HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

PROPERTY

OSK Holdings

Reaping returns from consolidation

BY BILLY TOH

OSK Holdings Bhd saw significantly better results last year with the completion of the merger of OSK Property Holdings Bhd with PJ Development Holdings Bhd.

Profit before tax (PBT) for its financial year ended Dec 31, 2015 (FY2015) increased 180% to RM604.7 million from RM215.6 million in FY2014. However, its PBT was lower compared with the RM987.65 million recorded in FY2012, in the absence of the RM857.69 million gain on disposal of its investment bank to RHB Capital Bhd. Excluding this one-off gain, PBT has risen more than four times in three years.

Following the recent merger, OSK Holdings now owns 89.4% of PJ Development and 99.9% of OSK Property, which has been delisted from Bursa Malaysia. The internal reorganisation of the group has resulted in a more dynamic and well-organised institution, which now sees its property division edging over contribution from financial services. Apart from an increase in its bottom line, the group's total assets tripled to RM7.69 billion in FY2015 from RM2.63 billion in FY2012.

In FY2015, the property division contributed 71% of OSK Holdings' revenue and 12% of earnings. According to its 2015 annual report, the group has unbilled sales of RM1.39 billion, which will help to sustain its revenue for the property division in the coming three years on a progressive basis.

"In this coming year (FY2016), our property division is gearing up for the launch of several new projects across Peninsular Malaysia with a total gross development value (GDV) of over RM1 billion," it said, adding that the division continues to search for suitable land bank.

With a low gearing of 0.43 times as at Dec 31, 2015, along with a low level of unsold stock, OSK Holdings is in a good position to ride the property wave when a revival comes.

Contribution from OSK Holdings''s financial services division comes from the equity accounting of its 10.13% stake in RHB Capital and its financing business under OSK Capital Sdn Bhd.

Last year was a good one for the construction division with the completion of one external and six internal projects with a contract sum of RM429.9 million. As at Dec 31, 2015, its construction order book stood at RM259 million and it targets to secure over RM700 million worth of contracts this year.

The industries segment comprises cable manufacturing under Olympic Cable Company Sdn Bhd (OCC) and industrialised building system manufacturing under Acotec Sdn Bhd. OCC saw some decline in business last year as the cable market remained challenging. OSK Holdings, however, plans to diversify from conventional power cables and expects to commence the manufacturing of oil and gas cables.

Through its hospitality arm, OSK Holdings runs the leading vacation club in Malaysia under the SGI Vacation Club (SGIVC) brand as well as the Swiss-Garden Hotel chain. As at Dec 31, 2015, SGIVC maintained its pole position as the No 1 vacation club operator in terms of size and number of members.

OSK Holdings, with Tan Sri Ong Leong Huat at the helm, has seen a major reorganisation since the disposal of its investment arm to RHB Capital. The latest merger has also resulted in a much larger and more diversified business group. While 2016 is expected to be a challenging year, the group is well positioned to continue growing its business for the long term, non-executive chairman Datuk Nik Mohamed Din Nik Yusoff said in the 2015 annual report. E

HIGHEST RETURN ON EQUITY OVER THREE YEARS

PROPERTY

KSL Holdings

Earnings to withstand softer market

BY KATHY FONG

Low-profile KSL Holdings Bhd is probably not the first name that comes to mind when talking about property developers in Malaysia. Nonetheless, in terms of earnings and return on equity (ROE), the Johor-based developer has outshone many of its peers.

KSL's earnings have been on an upward trajectory in the past three years despite hitting a speed bump in its financial year ended Dec 31, 2015 (FY2015), as the domestic property market cooled. Still, its annual profit of RM266.1 million that year was the second highest that KSL had posted since its listing in 2002.

The developer achieved a record high net profit of RM342.3 million on revenue of RM801 million in FY2014, thanks to brisk property sales in Johor and steadily rising recurring income from its shopping mall and hotel, KSL City Mall and KSL Resort, in Johor Baru.

Pre-tax profit grew at a three-year compound average growth rate of 25%, from RM173 million in FY2012 to RM338.55 million in FY2015, although this was a drop from the RM431.8 million booked in FY2014.

Its impressive earnings put KSL among *The Edge* Billion Ringgit Club members with outstanding ROE in the property sector.

Shareholders of KSL enjoyed double-digit ROE of between 12.3% and 23.7% from FY2012 to FY2015 with a weighted three-year average of about 17%.

Given the sharp rise in its earnings, KSL resumed dividend payments in FY2014 after a three-year hiatus. It declared a gross dividend per share of 10 sen in FY2014 and two sen in FY2015.

With a massive land bank in Iskandar Malaysia and the second-tier cities of Johor, such as Muar and Kluang, KSL was riding high when the property sector was booming in the southern state.

It also has township developments in Klang, Selangor.

In 2010, KSL hogged the limelight in the investing fraternity when Templeton Emerging Markets Group took up a 5% stake in it through a placement. Templeton Asset Management Ltd executive chairman Mark Mobius said at the time that KSL was a leading Malaysian property developer with a strong track record and an experienced management team. "We are impressed with KSL's diversified property projects and business model," he noted in a statement.

Before its peers and others from outside the property industry had jumped on the shopping mall bandwagon for rental income, KSL had already opened its first mall — KSL City Mall — in JB in December 2010. Running a mall can be a challenge but KSL seems to have found the right formula. Singaporean and local tourists in Johor Baru are currently the captive market for KSL City Mall and KSL Resort.

Its mall and hotel division is a significant revenue contributor at present. In FY2015, its property investment segment generated revenue of RM157.9 million, which accounted for 23% of KSL's total revenue of RM680 million, and a pre-tax profit of RM134.1 million, which included gains on fair value adjustment of RM56.1 million. Investment analysts and fund managers opine that the rental income from the mall and hotel will act as a cushion for KSL as property sales slow down.

In fact, the company is growing its investment property portfolio following the success of KSL City Mall and KSL Resort. It launched the KSL City Mall @ Klang project late last year. This is poised to be the biggest mall in Klang, almost three times the size of its predecessor in Johor Baru.

KSL's major township developments include Taman Nusa Bestari, Taman Bestari Indah, Taman Kempas Indah and Taman Daya in Johor, as well as Bandar Bestari in Klang. E

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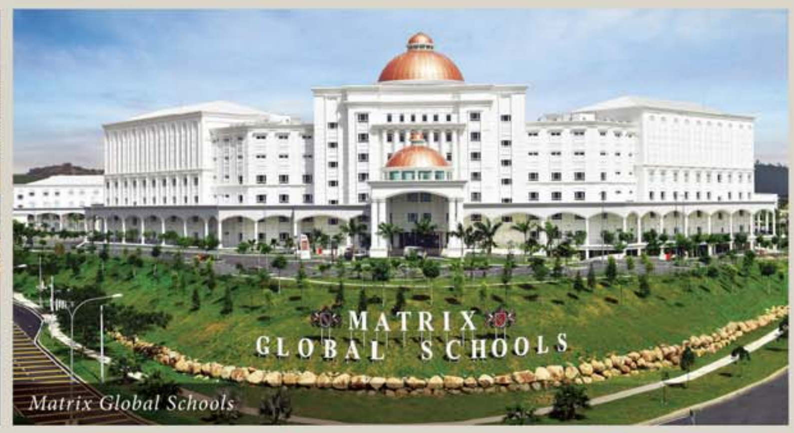

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HIGHEST RETURN ON EQUITY OVER THREE YEARS

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

FINANCE

AEON Credit Service

Steady growth fuelled by easy payment schemes

BY ADELINE PAUL RAJ

AEON Credit Service (M) Bhd (ACSB), a provider of micro credit financing, has seen remarkable profit growth over the last few years, driven by its vehicle easy payment schemes, which make up over half of its total loan book.

Not only has it consistently grown annual revenue at a double-digit pace since its listing in 2007, its profit before tax (PBT) grew in each of its last four financial years, peaking at RM301.59 million in the fiscal year ended Feb 29, 2016 (FY2016). PBT grew at 31.2% on average to RM233.88 million in FY2015 compared with RM128.06 million in FY2012.

Its return on equity (ROE) has stayed at a commendable level of above 30% in each of those years, peaking at 35.98% in FY2014, before coming down to about 30% in FY2016. Still, its three-year weighted average from FY2012 to FY2015 was above 35%, making it the leader among finance stocks.

But as the Malaysian economy and consumer sentiment weakens, analysts believe its profit growth may start to moderate further even as loan growth tapers. There is also a concern that, like banks, ACSB may see its asset quality weaken.

Historically, ACSB's loan growth has been robust, exceeding the 50% mark in FY2013 and FY2014. However, this began to taper off in late FY2015 as consumer sentiment started to wane.

"Going forward, we do not expect a pickup in loan growth as consumer sentiment remains weak," says Alliance DBS Research in a July 1 report. The research house sees ACSB's loans growing 18% in FY2017, similar to FY2016.

Its vehicle easy payment schemes include those for motorcycles and mainly used cars — segments that banks tend not to focus on due to the small ticket size. ACSB tends to enjoy high loan yields, proportionate to the higher risk it takes compared to banks. Its cost of funds remains relatively low, with sources of funding including term loans and bonds.

Vehicle loans accounted for 59% of its total loan book of RM5.45 billion in FY2016. Apart from vehicles, ASCB also offers general easy payment schemes (9%) for household appliances, as well as credit cards (10%) and personal financing (22%).

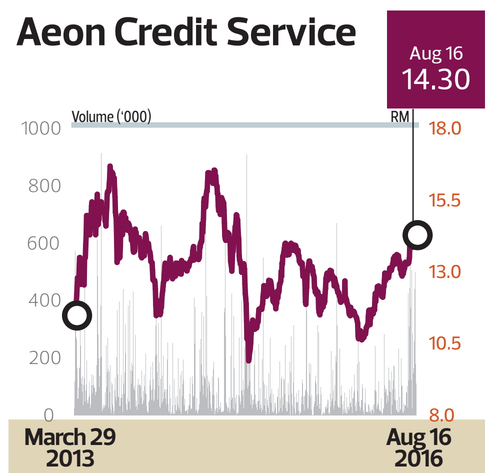
"Mirroring the banking sector, we believe there are concerns on asset quality. We stay cautious on ACSM's portfolio of customers as more than 70% of its customers earn less than RM3,000 per month, which renders them as a vulnerable income group. Amid rising cost of living, we believe the debt-servicing ability of this group may face added pressure," Alliance DBS says, maintaining a "hold" recommendation.

In the past, ACSB managed to maintain a stable non-performing loan (NPL) ratio of below 2%. However, the ratio inched up to a high of 3.1% in 3Q2015, before improving to 2.8% at the end of FY2016.

ASCB's recent 1Q2017 results came in within analysts' expectations. Net profit grew 7.7% to RM62.72 million in the quarter from a year ago, but fell by 7.9% in the preceeding quarter due to higher allowance for impairment losses and high overheads. Even so, its NPL ratio improved marginally to 2.42%.

Despite some concern about its growth prospects, analysts increasingly see the stock as one of the better alternatives for investors among the listed non-bank financial intitutions (NBFI) and banks. Of the five analysts tracking the stock, three have a "buy" call and two, a "hold", Bloomberg data show. The average 12-month target price was RM15.76. The stock has appreciated 7.6% so far this year to RM14.20 on July 29.

"Besides its healthy loan growth, we also like ACSB for its decent asset quality with NPL expected to hover between 2% and 3% (on seasonality); healthy capital adequacy ratio which is expected to be at a comfortable 20% versus Bank Negara Malaysia's capital ratio requirement of 16%; higher ROE of over 20% estimated in FY2017-FY2018, as well as decent dividend yields of 4.9%-5.3%, which are better than other NBFIs as well as most of the banking stocks," Kenanga Investment Bank Research says in a July 1 report. E



HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

FINANCE

Syarikat Takaful Malaysia

Rare shariah-compliant gem

BY ESTHER LEE

Investors who bought into Syarikat Takaful Malaysia Bhd three years ago would be reaping good returns today. Based on capital appreciation alone, these investors would have seen the stock surge 241.85% from RM1.19 to RM4.06 between April 1, 2013 (FY2013), and March 31, 2016.

Part of the gain was likely due to a one-for-five share split in February last year, which made the takaful operator's shares more affordable to a wider group of investors. Prior to the corporate action, Syarikat Takaful was trading at around RM11 apiece.

Not only that, investors would have also enjoyed a stellar and consistent return on equity (ROE) of over 20% each year from FY2012 to FY2015.

The takaful operator has been distributing cash to shareholders as well with a payout ratio of more than 80% in FY2013 and FY2014. But this dropped to 40% in FY2015 — about the same as in FY2012 — but the absolute payout in FY2015 was higher at RM57 million compared with RM41 million in FY2012. Yields, too, were compressed, from more than 6% in FY2012 to 1.88% in FY2015.

Still, Syarikat Takaful's profit before tax and zakat grew steadily at a three-year compound annual growth rate of 17.6% from RM125.46 million in FY2012 to RM204.21 million in FY2015.

Moving forward, it is expected to continue benefiting from Malaysia's position as an Islamic finance hub.

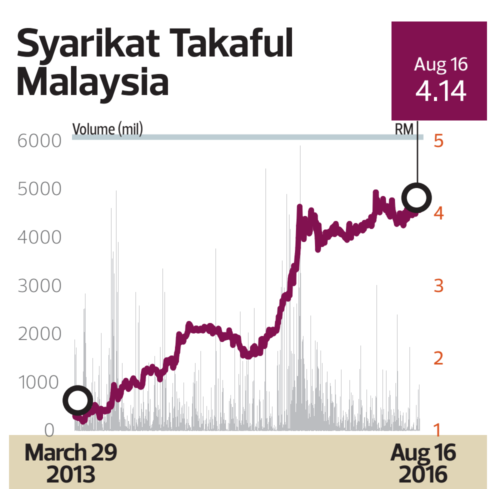
"We believe the group will benefit from the potential expansion of takaful insurance based on banks' focus on growing Islamic loans compared with conventional loans in the next three to four years. Management also sees the group benefiting from banks' focus on SMEs, which will offer growth to both its family and general takaful products," says MIDF Research in an April report.

One of Syarikat Takaful's strategies is to concentrate on growing the corporate client business of both its family and general takaful insurance. The group is expecting its unique proposition of 15% cash-back rebate for its general takaful products to continue to help it gain market share.

As the insurance and takaful industry goes through regulatory changes over the next few years, Syarikat Takaful says in its 2015 annual report that mergers and acquisitions are expected to take place in the coming years.

MIDF Research, for one, is confident that Syarikat Takaful will be able to grow its net earned contribution on the back of its 15% cash-back rebate. It also expects the group to continue to benefit from the vast untapped takaful market in the country.

"Although the liberalisation of the motor and fire tariff may increase the risk of lower net earned contribution due to intense pricing competition, we opine that the group's low cost of coverage for its existing takaful products has already enabled it to price lower than the market. We don't see its existing customers with good claims experience switching to other takaful insurers," says the research house. E



TMC LIFE SCIENCES BERHAD
(624409-A)

Malaysia's Fastest Growing Private Healthcare Group

Transforming Healthcare Delivery in Malaysia and Beyond

Strategically located in the heart of Iskandar Malaysia and in Johor Bahru's City Centre, Vantage Bay will bring to the State of Johor the proposed Vantage Bay Healthcare City. Within 1-km from the Causeway connecting Johor Bahru and Singapore, the 11-hectare Vantage Bay Healthcare City overlooks the Straits of Johor, with spectacular views of the Johor waterfront and the Singapore skyline.

Vantage Bay Healthcare City is designed to be an integrated health and wellness development that is made up of medical, wellness and educational facilities. The project will be developed by Singapore's Rowsley Ltd with strategic partner TMC Life Sciences Group (TMCLS). First up in Vantage Bay, the Thomson Iskandar medical hub will be developed by TMCLS as part of the Group's plans to expand and extend its healthcare operations in Malaysia. Thomson Iskandar will have a 500 bed general hospital, 400 medical suites, training centre and retail mall.

Besides Thomson Iskandar, Vantage Bay Healthcare City will also house a specialist hospital, a community hospital, long-term care facilities, and health sciences education, training and research facilities. There will also be a purpose-built urban wellness hotel and resort, incorporating retail and other lifestyle-related services.

Vantage Bay Healthcare City will create a fully integrated healthcare service platform that is unique to the region. This existing new project will accelerate the development of high quality medical and wellness services in the State of Johor.

VANTAGEBAY
HEALTHCARE CITY

ABOUT TMC LIFE SCIENCES BERHAD

TMC Life Sciences Berhad (TMCLS) is one of the fastest growing private healthcare groups in Malaysia. It has been listed on the Main Market of Bursa Malaysia Securities Berhad since 2005. Its flagship 200-bed hospital Tropicana Medical Centre in Kota Damansara (TMCKD) is strategically located in the golden triangle of Petaling Jaya, and houses more than 100 consultant specialists. TMCKD handles over 18,000 admissions a year. TMCKD's multi award-winning and internationally renowned Centre of Excellence - TMC Fertility Centre - was recently named the "Best Fertility Centre 2016" by Frost & Sullivan Malaysia; "Fertility Service Provider of the Year 2016" by Global Health & Travel and; "International Fertility Clinic of The Year 2016" by International Medical Travel Journal.

TMCLS has embarked on a major expansion programme, with significant additional capacity and capabilities projected to come on stream by 2019. The plans include expanding TMCKD onsite to a 600-bed hospital with additional critical care units and specialist centres. A new integrated medical hub – Thomson Iskandar – will be developed in the proposed Vantage Bay Healthcare City in bustling Johor Bahru. Located just off the Causeway linking Johor and Singapore, Thomson Iskandar will house a 500-bed tertiary hospital, specialist medical suites and related health and wellness facilities.

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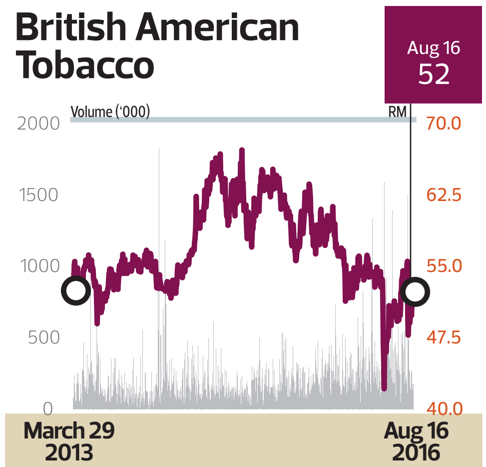
HIGHEST RETURN ON EQUITY OVER THREE YEARS

CONSUMER PRODUCTS

British American Tobacco

Resilience in the face of adversity



BY ADELINE PAUL RAJ

With the operating landscape having become increasingly tough for cigarette makers in the last few years, it is to British Amercian Tobacco (M) Bhd's (BAT) credit that it has managed to show investors a reliable measure of resilience in adversity.

The country's largest cigarette maker and its two rivals here, JT International Bhd and Philip Morris Sdn Bhd, face a key challenge in the form of high excise taxes — cigarette taxes have increased 110% over the last five years — which has ultimately driven up volumes in the illegal market to an unprecedented high.

Given the stark retail price gap between legal and illegal cigarette packs — a legal pack of 20 sticks now sells for RM17 compared with about RM3 for an illegal equivalent — players like BAT face an uphill battle trying to boost their sales volume amid weak consumer sentiment. Adding to the industry's problems are the government's increasingly tough stance against smoking and the likelihood of new regulations under a National Strategic Plan for Tobacco Control.

Still, BAT has remained one of the most profitable consumer companies, delivering to shareholders solid return on equity (ROE) and generous dividend payouts. Those familiar with BAT would not be surprised to know that it is the incumbent winner for the "highest ROE over three years" award, having won it for all seven years since this award began in 2010.

BAT kept its ROE above the 160% mark through FY2012 to FY2015, peaking at 175% in FY2014 before easing to 170% in FY2015. Its net profit grew over the last three fiscal years to hit RM913.3 million in FY2015 from RM798.39 million in FY2012. Nevertheless, the pace of growth slowed to just 1.7% in FY2015 from 8.8% in the previous year.

BAT is seen by investors as a relatively defensive stock, given its ability to sustain high cash flow generation and provide decent dividend yields of 4% to 5%. It paid out higher dividends between FY2012 and FY2015, declaring a dividend per share of RM3.12 in FY2015 (representing 97.9% of its earnings) compared with RM2.71 in FY2012 (97.4%).

Given the challenging operating environment, managing director Erik Stoel, who came on board on June 1 this year after his predecessor Stefano Clini vacated the seat, has his work cut out to maintain the company's performance.

"Malaysia will undoubtedly present a more unique challenge, especially due to the rampant illegal cigarettes that had reached 45.6% as at December 2015 following high excise hikes," the 48-year-old Dutch national says.

BAT saw its domestic sales volumes contract 13.5% last year, mainly as a consequence of an unprecedented excise increase of close to 40% in November. Things came to a head in February this year when BAT announced a plan to restructure its business operations in Malaysia, a move that involves the company closing its factory in Petaling Jaya in stages. It will now resort to sourcing its tobacco products for the domestic market from other BAT Group factories in the region, potentially from Indonesia, Singapore and South Korea.

BAT said the drastic move to shut down the factory was "unavoidable" and was in line with its efforts to realise a new and more sustainable business model amid the increasingly difficult business environment.

Last month, it turned in a sharply lower net profit of RM47.72 million for the second quarter of FY2016, a 72.4% drop on a quarter-on-quarter basis and 78.2% lower year on year, prompting a string of analyst downgrades.

"We believe that a cloudy earnings outlook could weigh on its stock price. High illicit trades and regulatory uncertainties remain the key downside risks for the group," says AllianceDBS Research, which downgraded the stock to "fully valued" in a July 27 report. It will be interesting to see what plans Stoel comes up with to keep BAT on the growth path. E

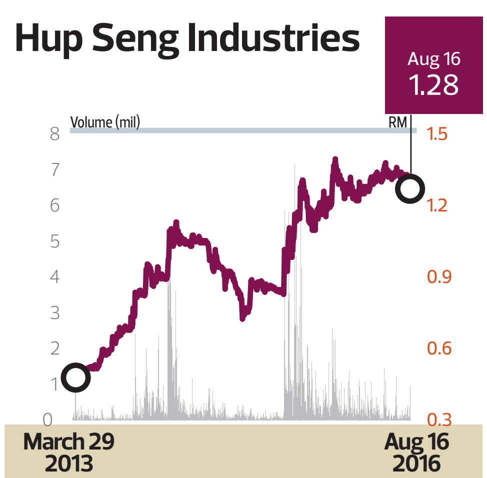
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

CONSUMER PRODUCTS

Hup Seng Industries

Expanding manufacturing capacity



BY BILLY TOH

A household name when it comes to quality biscuit manufacturing, Hup Seng Industries Bhd has seen significant growth in the past 10 years and is one of the few outperformers on Bursa Malaysia. Its market capitalisation went past the RM1 billion mark late last year and remains so, earning it a spot among the 176 selected members of *The Edge* Billion Ringgit Club for the first time this year.

Throughout the last three years, the company has seen its earnings grow consistently under its capable and experienced management team while maintaining a healthy balance sheet. In its financial year ended Dec 31, 2015 (FY2015), the biscuit and beverage maker recorded a profit before tax of RM73 million, which translated into a three-year compound average growth rate of 18.05% from RM44.4 million in FY2012.

The key drivers of its growth during the period were a stronger US dollar and soft commodity prices, which worked in its favour. The company's cash pile grew 51.1% from FY2012 to RM120 million in FY2015.

For the company's shareholders, the rewards have been satisfying. From July 1, 2013, to June 30, 2016, Hup Seng has given a total return of 155.5%, which translates into an annual return of 36.7% in the last three years. Its dividend payout in FY2015 was six sen per share, which means a yield of 4.51% on its RM1.33 share price at the time of writing. With its sturdy operating cash flow and low capital expenditure requirement, the company should have no trouble in maintaining its dividend at this level.

What is even more impressive about Hup Seng's achievements is that it did it without any borrowings and despite adopting a dividend policy since 2009, under which at least 60% of its net profit is distributed to shareholders.

In recent years, the company has taken steps to diversify and expand its business. Cream crackers have been its main product since it was founded in the late 1950s but the company has also been manufacturing other products, such as the oat cookies launched under the Naturell brand last year. It also broke into the instant beverage segment when it acquired In-Comix Food Industries Sdn Bhd in 2005.

In fact, the company has grown so much that its existing facilities are congested and its current capacity may not be enough to cater for demand next year, which is why it paid RM17.49 million for two parcels in Batu Pahat, Johor, this year.

"The proposed acquisitions will enable the group to rationalise and modernise its production lines with the addition of new lines and corresponding support facilities and improve the layout of its packaging areas for efficient product processes," it said in March this year.

The acquisitions will be funded by internally generated funds, in line with the group's philosophy to not invest using borrowings due to the risk posed by fluctuating interest rates, according to Hup Seng executive director Kerk Chian Tung.

Valuation-wise, Hup Seng is considered expensive. It was trading at a price-earnings ratio of 18.4 times and 6.4 times its book value as at Aug 16 while its market capitalisation stood at RM1.02 billion. The high valuation though is a reflection of its strong fundamentals, prudent management and well-known brand name, apart from its impressive return on equity.

Kerk told *The Edge Financial Daily* earlier this year that the group expects 2016 to be challenging. She said it will continue to focus on improving productivity in all areas of operation amid a slowdown in the global and domestic economies. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

PLANTATIONS

Kim Loong Resources

Efficient niche planter and miller

BY LIEW JIA TENG

Plantation stocks may have been out of favour last year, but Kim Loong Resources Bhd did its part to help make it worthwhile for shareholders to stay invested.

Including a 10 sen special dividend in June 2015, Kim Loong paid a 23 sen dividend per share for the financial year ended Jan 31, 2016 (FY2016), which translated into a handsome 7.6% yield. The RM71.58 million total payout represents about 97% of profit attributable to shareholders.

Kim Loong has consistently paid decent dividends for the last three financial years. The 13 sen each it paid in FY2014 and FY2015 gave shareholders a 4.7% to 5% yield.

Shareholders have also enjoyed decent capital appreciation in recent years. Commanding a RM1.01 billion market capitalisation as it closed at RM3.26 on Aug 10, the stock is up 7.6% year to date and is 48% above its 52-week low of RM2.20 reached last August. During the award's three-year judging period until March 31, 2016, its share price has nearly doubled to RM3.59 from RM1.84 on March 31, 2013.

Kim Loong's efficiency has enabled it to stand out among the country's smaller crude palm oil (CPO) millers and growers. Unlike its peers, the Johor-based planter's milling operations continue to generate strong earnings even as CPO and fresh fruit bunches (FFB) fetched lower prices.

Kim Loong is 64% owned by the Gooi family, which also owns locally-listed property development firm Crescendo Corp Bhd. Gooi Seong Lim, one of the top 50 richest people in Malaysia, shares his fortune with three younger brothers — Seong Heen, Seong Chneh and Seong Gum.

In an interview with *The Edge* in June, Seong Heen, who is managing director of Kim Loong, acknowledges that the group's milling operation is facing challenges, in view of the drastic decrease in the oil extraction rate (OER) and a shortage of crops, mainly due to the hot and dry weather caused by the El Niño phenomenon. The uneven ripening of FFB in recent months will further impact the OER, which is one of the measures plantation analysts use to track efficiency.

The company's mill in Kota Tinggi, Johor, which is capable of processing 100 tonnes of FFB per hour, is the most seriously affected. Kim Loong operates two other mills — in Keningau and Telupid in Sabah — with an FFB processing capacity of 90 tonnes and 60 tonnes per hour respectively. The three mills can process 1.8 million tonnes of FFB annually, but are only running at 80% to 90% capacity.

Given the abnormal ripening of FFB leading to lower OER, Seong Heen expects the profit margin and earnings contribution from the downstream business to decline in FY2017.

In FY2016, the milling business accounted for more than 50% of profit, but it is now expected to drop to 40% in FY2017, mainly due to the better profitability of the plantation business.

In a June 30 report, UOB Kay Hian Research analyst Ooi Mong Huey expects Kim Loong to deliver a net profit of RM74 million in FY2017, RM99.5 million in FY2018 and RM102.8 million in FY2019. She has a "buy" call and RM4.20 target price and expects Kim Loong to offer decent dividend yields of 3.9%, 5.3% and 5.4% in FY2017 to FY2019 respectively. E

HIGHEST RETURN ON EQUITY OVER THREE YEARS

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

PLANTATIONS

Kulim

Decent four-decade run for JCorp unit

BY MEENA LAKSHANA

Johor Corporation's diversified oil palm planter Kulim (M) Bhd delivered decent returns to its majority and minority shareholders before delisting on Aug 4, following a RM2.26 billion selective capital repayment exercise.

The RM4.10 apiece offered to buy out minority shareholders — who collectively held a 59% stake — was 24.24% above the then prevailing market price and 1.06 times its audited net asset per share of RM3.88 as at end-2015. The trading of Kulim's shares was suspended on June 17 at RM4.06.

The decision to go private followed Kulim's disposal of one of its key assets — its 48.97% stake in New Britain Palm Oil Ltd (NBPOL) to Sime Darby Bhd for £525.4 million (about RM2.8 billion) on Feb 26 last year. NBPOL contributed RM2.1 billion or 65.73% to Kulim's revenue for FY2014 and represented RM2.73 billion or 48.72% of the group's net assets in the same period.

Following the disposal, Kulim's major revenue contributing assets are its Malaysian oil palm plantations and its 50.6% stake in E.A. Technique (M) Bhd, a shipowner and operator of offshore marine vessels.

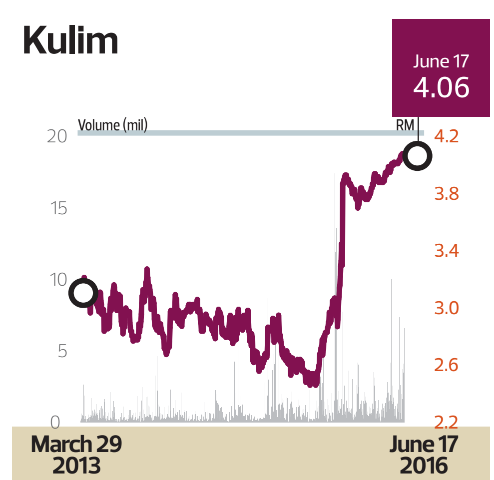
Kulim has announced its intention to expand into oil exploration in Indonesia, particularly the niche upstream exploration, development and production activities. It may require additional capital expenditure, and the operations there are unlikely to be immediately earnings accretive. Thus, the company said the selective capital repayment was a chance for minority shareholders to realise cash from their investment.

Independent adviser AmInvestment Bank deemed the RM4.10 offer price to be "reasonable", considering the premium to the market price and JCorp's holding, although not entirely fair as it falls short of its sum-of-parts valuation of RM6.25 million or RM4.78 per share.

In any case, Kulim provided decent returns to shareholders despite lower crude palm oil (CPO) prices the past four years — helped by the RM1.32 billion gain from the disposal of NBPOL.

Its return on equity rose to an all-time high of 32.6% in FY2015 from only 5.5% in FY2012.

Kulim's pre-tax profit grew at a three-year compound annual growth rate of 22% to RM162.51 million in FY2015. The jump in profit before tax was also due to a higher contribution from its oil and gas support services segment, thanks to E.A. Technique, which clinched two new contracts at the end of FY2015 and delivered floating storage and offloading (FSO)



vessel Nautica Tembikai to an oilfield in July last year. Kulim holds a 50.6% stake in E.A. Technique — which was listed on Bursa Malaysia on Dec 11, 2014 — via Sindora Bhd.

Moving forward, the outlook for Kulim's plantations segment is less than rosy on sluggish CPO prices. E.A. Technique's outlook, though, looks brighter as 91% of its fleet of 35 vessels are on long-term charters. Only four vessels have contracts expiring in 2017 and 2018; the rest have tenures stretching to December 2025. E

BILLION RINGGIT Club

HIGHEST RETURN ON EQUITY OVER THREE YEARS

INDUSTRIAL PRODUCTS

Hartalega Holdings

New products could bolster growth

BY ALEX CHONG

Rising healthcare expenditure has fuelled the global demand for rubber gloves, driving the double-digit growth of Malaysian glovemakers in the last five years. Demand for examination gloves is expected to grow exponentially from 194 billion pieces per year in 2015 to 245 billion in 2018, the Malaysian Rubber Glove Manufacturers' Association estimates.

Thanks to its first-mover advantage in the nitrile glove segment, Hartalega Holdings Bhd has been a prime beneficiary of the switching of demand from latex (natural rubber) to nitrile rubber gloves, particularly in developed countries.

Hartalega's Next Generation Complex (NGC), a RM2.2 billion expansion project located in Sepang, Selangor, will more than double its current production capacity from 16 billion gloves a year to 42 billion in 2020. The flagship project is expected to provide earnings growth over the next five years and cement its position as the leader in the nitrile glove market.

In tandem with the progressive commissioning of production lines at Plants 1 and 2, Hartalega's revenue for the fourth quarter ended March 31 (4QFY2016) jumped RM95 million or 31% year on year to RM400.4 million. The RM95 million increase in the top line makes Hartalega the biggest contributor to the sector's revenue growth in the first quarter of CY2016 vis-à-vis Kossan Rubber Industries Bhd's RM43 million, Top Glove Corp Bhd's RM11.1 million and Supermax Corp Bhd's RM1.8 million.

Nonetheless, net profit for 4QFY2016 grew by a smaller 12% to RM61.7 million as a result of a 9.1 percentage point contraction in operating profit margin to 13%. The company attributed the margin compression to more competitive pricing, increased raw material price and labour costs, higher electricity and natural gas tariffs as well as the high start-up cost of NGC.

The weaker margins could indicate more intense competition and oversupply of gloves in the market, especially in the nitrile glove sector. Top Glove, the world's largest rubber glove manufacturer by sales volume, has set its sights on becoming the world's largest nitrile glove manufacturer by adding capacity.

Indeed, Hartalega's quarterly margins fell below the industry average for the first time since its listing in 2008, according to TA Securities. Additional nitrile glove capacity aside, analysts believe that the downward price pressure is due to its concentrated customer base with its top 10 customers accounting for more than 60% of its sales. Hartalega ramped up its sales force to broaden its client base, which resulted in higher utilisation rates and better economies of scale.

Amid the rising cost environment, management undertook several measures to help ease the pressures on margins, including revising its product pricing to factor in the movement of

the ringgit against the greenback.

Hartalega is not concerned about oversupply as it sees any mismatch as temporary. It is also researching and developing three new types of gloves and plans to launch a new product by end-2016, which it believes is less susceptible to price competition.

Success could bring forth new growth for Hartalega, whose return on equity (ROE) has declined from 36.16% in FY2012 to 18.97% in FY2015. On a three-year basis, however, Hartalega's weighted ROE still points to the company making decent returns on every shareholder dollar it has — enough to win the award for "Highest ROE over three years" in the Industrial Products Sector. E

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

INDUSTRIAL PRODUCTS

V.S. Industry

Sales performance outpaces forex normalisation

BY ESTHER LEE

VS Industry Bhd was still a penny stock just a year ago when its stock price was half of what it is today. In fact, its stock price had tripled within a year in early 2015 but the ringgit's slide against the US dollar last year catapulted the company firmly past the RM1 billion market capitalisation mark. It almost hit RM2 billion when the ringgit was near its weakest in late 2015 and currently stands at about RM1.6 billion.

Over the last three financial years, VS Industry's profit before tax (PBT) has surged 227% from RM48.79 million in FY2012 to RM159.69 million in FY2015, for a three-year compound average growth rate (CAGR) of 48.5%. The company, which manufactures, assembles and sells electronic parts and components and plastic molded parts, saw the most growth between FY2014 and FY2015, when PBT surged 280% to RM159.69 million.

A large chunk of the surge in its PBT can be attributed to the depreciation of the ringgit — by over 20% — against the greenback in 2015. About 90% of VS Industry's sales proceeds and 63% of its cost of sales are US dollar denominated, making it a beneficiary of the greenback's appreciation against the ringgit, says JF Apex Securities Bhd.

Its revenue grew 12.9% year on year to RM1.94 billion in FY2015 on the back of larger sales orders, mainly for export markets.

Despite the ringgit's rebound this year, which normalises the advantage VS Industry enjoyed from the foreign exchange difference, JF Apex opines that the company could overcome the headwinds as sales growth more than offset the weaker average selling price in ringgit terms.

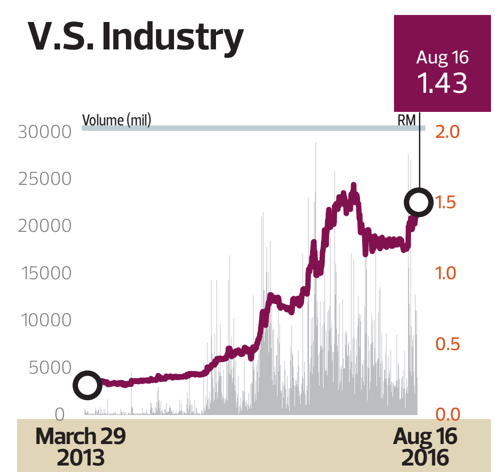
"For the bottom line, the group's gross profit margin may slide marginally or stay flat in view of the rising cost of material coupled with recognition of limited forex gain or even forex loss incurred following the uptick of the ringgit against US dollar. But this will be mitigated by operational efficiency and earnings improvement in overseas productions with both Indonesia and China operations returning to the black," the research house wrote in a recent note.

VS Industry's three main customers are Keurig, Dyson and Zodiac, which contribute about 55% of revenue. Customers from the US contribute the largest chunk to revenue at about 30%, followed closely by Malaysia at 28.7%.

In its 2015 annual report, the company said the Southeast Asian region is becoming increasingly attractive as an outsourcing destination with its relatively affordable labour cost, protection of intellectual property rights and propensity to achieve higher standards of product quality. This provides it a chance of expanding its clientele base even further, given its proven track record of servicing renowned international product market leaders.

It will also be placing greater emphasis on capturing higher value-added activities in research and development and designing, so that it can achieve superior features for its customers on top of greater cost savings.

Going forward, JF Apex opines that the company could clinch more orders in respect of box build full assembly for the new model of vacuum cleaner from Dyson. "The company could bag as much as RM300 million new orders per annum



from Dyson starting FY2017F over a period of three to five years. Hence, this shall lift the company's earnings by 12.6% for FY2017 and 10.8% for FY2018F. This is on top of the existing Dyson's model with job scope worth estimated RM650 million in FY17F," says the research house.

Besides that, the company added that it will also be considering the merger and acquisition route of related businesses to complement organic growth. "While mindful of the challenges that lie ahead, backed by these growth plans, we are confident that the coming years would surely be an exciting phase for VS Industry, as we make our mark in the global EMS sector," it said.

Four analysts had a "buy" call on the stock with target prices ranging from JF Apex' RM1.50 to RHB Research Institute's RM1.72, averaging at RM1.64, Bloomberg data show at the time of writing. E

Kulim (Malaysia) Berhad (23370-V)

RESOURCEFUL. RECIPROCAL

PROGRESSIVELY Surging Ahead

Kulim.

We are a leading palm oil group with a diversified business portfolio in Intrapreneur Ventures and Oil & Gas. We are constantly surging ahead to achieve our potential and realise all opportunities. Strengthen with the experience built over the years and supported by the foresight of professional expertise, we are firmly focused on our inherent resources to spearhead the organisation to a new and exciting era of growth and sustainability.

Forming a solid foundation of strength, our people are highly motivated in delivering results that matters. In being a responsible corporate entity, we strive to ensure that value is created for all our stakeholders, shareholders and communities. We will constantly reciprocate to give back as much as we take whilst maintaining value for all.

We are **resourceful** and **reciprocal**. And we are strategically positioned to progressively surge ahead.

For further enquiries, please contact:

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HIGHEST RETURN ON EQUITY OVER THREE YEARS

CONSTRUCTION

Hock Seng Lee

A stellar Sarawak story

BY ALEX CHONG

Hock Seng Lee (HSL) got off to a good start this year as one of the few construction players that managed to secure the very early phases of major infrastructure projects in Sarawak. The award of new big contracts has never been timelier for the company.

While revenue reached an all-time high of RM654.7 million last year, HSL's order book had shrunk over two years to just RM600 million as at end-2015. As a result, in the first quarter ended March 31, revenue declined 24% year on year to RM142.3 million while net profit fell 17% to RM16.3 million.

The company attributed the weak quarter to lower progressive claims due to the completion of certain major projects and new projects still being in the start-up phase. However, its recent wins of two sizeable jobs worth RM1.8 billion in March have significantly boosted its order book and starkly improved its earnings outlook for the next three to four years.

Contracts from the RM705 million Kuching wastewater management package and Phase One of the RM1.7 billion Pan-Borneo Highway expanded its outstanding order book to a record RM2.4 billion in the first quarter — 3.7 times the annual revenue of 2015. Moving forward, HSL will continue its bidding efforts to grow its order book as it says it has the capacity to take on more jobs.

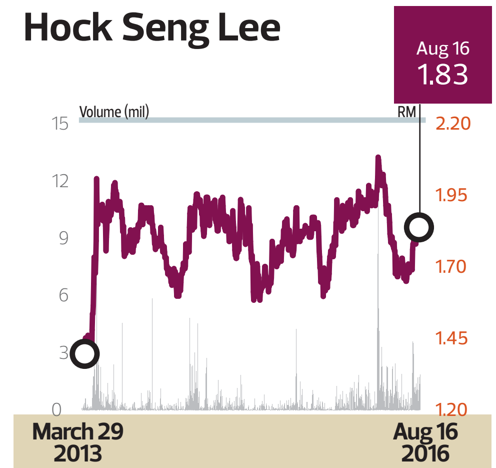
Nonetheless, HSL will be more selective about bidding for new jobs with its focus being infrastructure and reclamation works that command higher margins, says Public Investment Bank, which recently met the management. Specifically, HSL is eyeing sub-station jobs with its current partner Larsen & Toubro of India and could also bid for other Pan-Borneo Highway subcontract packages.

The job wins have made analysts more positive about the construction company and they have raised their target prices for it. Looking ahead, HSL is expected to benefit from the rise in construction activity in Sarawak, driven by the Sarawak Corridor of Renewable Energy initiative, the RM16.1 billion Pan-Borneo Highway project, continued urbanisation and rural development in the country's second largest state.

Given its dominant position in Sarawak's construction sector and less competition from a smaller pool of contractors, HSL has been enjoying higher margins vis-à-vis its peers in the peninsula, notes RHB Research. The company has a solid debt-free balance sheet and is sitting on net cash of RM137.3 million, which is equivalent to 14% of its market capitalisation.

THE EDGE

With unbilled property sales of RM60 million, HSL foresees its property development arm making a bigger contribution to the group and is preparing for new launches in the second and third quarters of 2016. Note that pre-tax profit from property development has more than tripled, from RM2.3 million a year ago to RM8.1 million in 1Q2016, accounting for 37% of its 1Q2016 pre-tax profit.



With Phase One of La Promenade sold out, HSL is looking to unveil Phase Two with a gross development value of RM100 million and a new planned industrial park with a gross development value of RM200 million from 2Q2016 onwards. La Promenade is HSL's gated and guarded luxury residential development that has a total GDV of more than RM1 billion and is located about 7km from the Kuching city centre.

HSL ventured into property development in 2000 and has successfully launched several residential and commercial projects in and around Kuching.

To be sure, HSL's return on equity slipped below 15% in FY2014 and FY2015 but thanks to its 20.4% showing in FY2012, weighted returns over three years are still above those of its peers in the construction sector. Whether or not it can shore up earnings, HSL's track record in Sarawak makes it a must-watch for anyone bullish on growth prospects for the Land of the Hornbills. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

CONSTRUCTION

Muhibbah Engineering

Still going strong despite tough times

BY TAN SIEW MUNG

Muhibbah Engineering Bhd's share price halved from its peak of RM3.17 in July 2014 to RM1.56 in December that year, thanks to a plunge in crude oil prices. Concerns about the group's future earnings mounted, given that many of its contracts were from the oil and gas (O&G) industry.

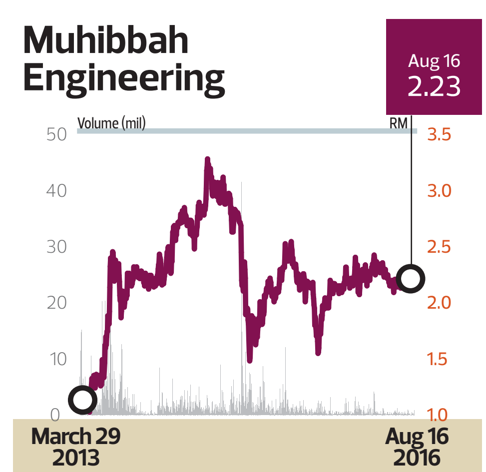
Still, those who held on to their shares over the past three years have reason to pop the champagne. Muhibbah's share price more than doubled during the review period for The Edge Billion Ringgit Club awards from end-March 2013 to end-March 2016, rising at a three-year compound annual growth rate of 27.6%. This made it the company with the highest returns to shareholders over three years in the construction sector.

And the stock continues to gather steam as the company has posted strong earnings, and is currently trading at more than RM2.

In addition, the group declared total dividends per share of 13.5 sen between FY2013 and FY2015. If one had bought 10,000 shares at 78 sen apiece, his investment value would have ballooned to RM18,500, plus a dividend of RM1,350 — which is a 154% return over the past three years.

Muhibbah's earnings have been on an upward trend over the past three years, although crude oil prices remained below US$50 a barrel most of the time.

The group returned to profitability in its financial year ended Dec 31, 2013 (FY2013) with a pre-tax profit of RM132.57 million. It had suffered a pre-tax loss of RM34.9 million in FY2012 due to a provision of RM245 million for the Asia Petroleum Hub project.



The group's pre-tax profit grew 8.4% to RM143.69 million in FY2014 and expanded nearly 15% to RM165.06 million in FY2015.

While most O&G players have been badly hit by the soft crude oil prices, Muhibbah seems to have weathered the tough conditions well as it benefited from its diversification. Its con-

HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

CONSTRUCTION

IJM Corp

The advantages of diversification

BY CHUA SUE-ANN

Last year was a challenge for many businesses across different sectors of the economy. Weak domestic sentiment coincided with uneven global growth, low commodity prices and foreign exchange fluctuations. Even the strongest companies were not spared.

IJM Corp Bhd's FY2015 was certainly no improvement on the preceding year. Revenue dipped 9.82% to RM5.45 billion from RM6.01 billion the year before, and pre-tax profit fell 28.02% to RM1.02 billion from RM1.42 billion. Revenue was dragged down by lower construction earnings while pre-tax profit was lower in FY2015 as the preceding year saw a number of one-off recognitions in its infrastructure and property divisions.

Excluding all these non-recurring transactions and unrealised foreign exchange fluctuations, IJM Corp's core pre-tax profit would only have been 5.5% lower at RM1.03 billion in FY2015 compared with RM1.09 billion the year before, chairman Tan Sri Abdul Halim Ali says in the group's 2015 annual report.

Yet, IJM Corp managed to weather the storm last year and outperform its peers in the construction industry. Its pre-tax profit grew at a compound annual growth rate of 8.34% from FY2012 to FY2015.

Significantly, FY2015 was the second consecutive year in which IJM Corp's core pre-tax profit exceeded the RM1 billion mark — thanks to the diversified revenue base that the group has built over the years.

While property development and infrastructure earnings took a dive in FY2015, IJM Corp's bottom line was buffered by the less severe losses in its construction, manufacturing and quarrying, and plantations businesses.

The pre-tax profit of its property division fell 34% to RM494.66 million in FY2015 from the preceding year, which saw one-off gains, including a revaluation gain of RM222.7 million on its stake in Bandar Rimbayu. Its infrastructure division, meanwhile, posted a sharply lower — down 77.6% — pre-tax profit of RM21.27 million.

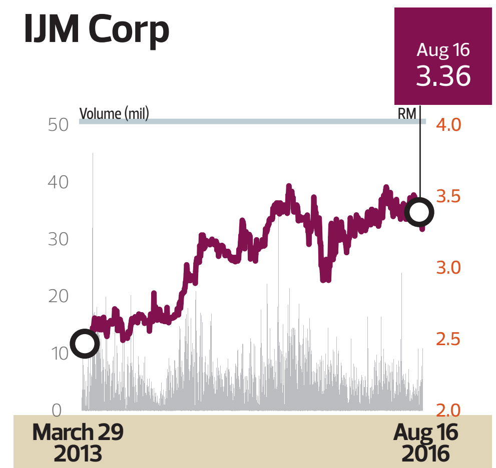
The division that brought in higher year-on-year revenue was construction. It also saw higher investment income of RM82.56 million compared with RM55.05 million the year before. Pre-tax earnings gained some 10% to RM184.84 million despite a 41% dive in revenue to RM1.224 billion.

By division, IJM Corp's property development business contributed the lion's share — 37% — to total group revenue in FY2015. This was followed by construction (20%), infrastructure concessions (17%), manufacturing and quarrying (15%) and plantations (11%).

Apart from diversity in its core businesses, the group also has operations in different markets outside Malaysia. For example, it has property development projects in London and China; investments in major infrastructure projects in Argentina, India and Vietnam; and is expanding its oil palm plantations in Indonesia.

Many of IJM Corp's core businesses seem to have recovered, particularly its core construction segment.

CIMB Research points out that IJM Corp's construction division just closed its financial year ended March 31, 2016 (FY2016), with a record order book of over RM8 billion, beating the previous record high of RM7 billion for FY2015. This includes the recent RM1.5 billion northern portal viaduct package that the group won for the Mass Rapid Transit 2 (MRT2) project.



According to CIMB, the MRT2 package's margins are expected to be more lucrative than those of the MRT1 package — estimated at about 4% to 5% — which IJM Corp won in 2012. "Construction earnings visibility is good for FY2017, which should offset the challenges the property division is facing in the light of the soft domestic environment," the research house says in a recent note.

However, CIMB notes that IJM Corp's property arm, IJM Land Bhd, is still going ahead with the launch of RM1.5 billion worth of projects in its financial year ending March 31, 2017. This is despite the current weakness in the domestic property market.

"With a record construction order book, execution and acceleration of billings are key. The only downside risks in the medium term are likely to be the property development and plantation divisions," says CIMB, whose target price of RM4.09 implied a 19% upside for the stock at the time of writing. E

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cession business is providing a good cushion against the impact of the severe slowdown in the O&G industry.

Muhibbah stands out from its peers with its strong order book of RM2.5 billion. In addition, it has an effective stake in Cambodia Airports, which manages three international airports — Phnom Penh, Siem Reap and Sihanoukville Airports — in a consortium with Vinci SA, a French conglomerate. These airports are charting double-digit growth in passenger traffic. The concession period for the three international airports ends in 2040.

In FY2015, total passengers for the three airports reached 6.47 million, a 13% increase from 5.73 million in FY2014.

Not many may be aware that Muhibbah also owns 21% equity interest in Roadcare (M) Sdn Bhd, which has a 10-year concession to maintain 7,100km of roads in central Peninsular Malaysia.

The concession business is generating steady recurring income for Muhibbah.

In June, the group unveiled its proposed RM2 billion Kuantan Maritime Hub project. It has entered into an agreement with Pahang State Secretary Corporation to buy 500 acres in Kuantan for RM26.45 million for the project, which is to be developed over 10 years.

Muhibbah managing director Mac Ngan Boon sees the project as a future growth driver. He believes it will help pave the way for Muhibbah to become a major shipbuilder in five years. Revenue from the shipyard division is also expected to double upon the completion of the yard in Kuantan.

Mac believes the Kuantan Maritime Hub is a strategic move that will propel Muhibbah to greater heights in the next 10 years.

However, its 60%-owned subsidiary, Favelle Favco Bhd, is facing headwinds due to the slowdown in the upstream segment of the O&G industry. That said, the company's earnings have grown in the past three years. Its pre-tax profit grew from RM66.68 million in FY2012 to a record high of RM118.27 million in FY2015.

While raising the contribution from the maintenance of cranes and increasing its exposure to tower cranes to mitigate the decline in demand for offshore cranes that cater for the O&G industry, Favelle Favco is looking at mergers and acquisitions to take the crane business to the next level of growth, says Mac.

Analysts generally believe FY2016 will be another strong year for Muhibbah's infrastructure division amid expectations of more jobs coming from Petroliam Nasional Bhd's Refinery and Petrochemical Integrated Development project in Pengerang, Johor, plus the rollout of public rail transport-related projects, such as the Mass Rapid Transit 2 and Light Rail Transit 3. E

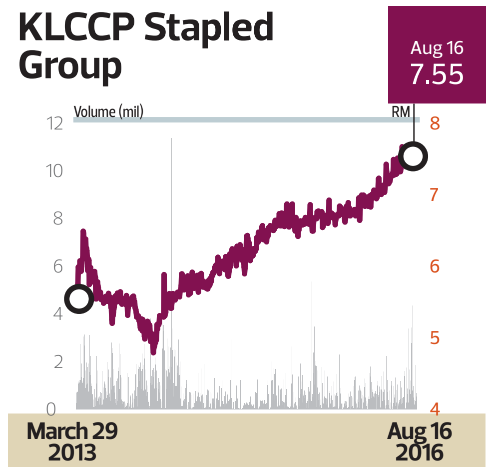
HIGHEST RETURN ON EQUITY OVER THREE YEARS

REITS

KLCCP Stapled Group

Superior properties with secure tenancies

BY KAMARUL ANWAR



Tun Dr Mahathir Mohamad said he was only joking when he told then president and group CEO of Petroliam Nasional Bhd (Petronas), the late Tan Sri Azizan Zainul Abidin, that the structure which would become the Petronas Twin Towers should be the tallest in the world. But Azizan took the words to heart and told the buildings' architect, César Pelli, to increase the number of floors to 88 — an auspicious number for Asians — in each tower.

By the time the Petronas Twin Towers opened on Aug 1, 1996, they got the world's attention. The sheer stature and the design's infusion of postmodernism and Islamic architecture forever changed Kuala Lumpur's skyline.

Now, the towers' owner, KLCC Real Estate Investment Trust (REIT) — an entity stapled with KLCC Property Holdings Bhd since May 9, 2013 — is one of the largest companies on Bursa Malaysia with a market capitalisation of RM13.54 billion.

Together, the stapled structure's portfolio consists of several buildings that make up the Kuala Lumpur City Centre development: Menara 3 Petronas, Menara ExxonMobil, Menara Maxis, Mandarin Oriental Kuala Lumpur, and Suria KLCC — plus Petronas' old headquarters, Kompleks Dayabumi. From Dec 31, 2013, to March 31, 2016, its asset size grew by RM2.55 billion to RM17.55 billion.

The superior appreciation and premium rental rates of its properties allowed KLCCP Stapled Group to enjoy a high return on equity (ROE) compared with other REITs. In the financial year ended Dec 31, 2015 (FY2015), the average revenue per sq ft of the properties in its portfolio was RM786.53, over three times the average of Sunway REIT, another investment trust with similar property types, in the same period.

The stapled group's ROE saw a weighted three-year compound annual growth rate (CAGR) of 21.3%, from 18.82% in FY2012 to 24.5% in FY2015. However, it should be noted that, like most REITs, the growth of KLCCP Stapled Group's bottom line tends to outpace its distributable income, given that the former also includes surpluses from revaluations, which are non-cash.

To illustrate, KLCCP Stapled Group's FY2015 distributable income of RM641.32 million grew by an average of 6.02% from FY2013's RM570.51 million (the year that KLCC REIT's units were stapled to KLCC Property Holdings' shares). However, the CAGR of its profit attributable to shareholders in the same period was 17.08% to RM1.13 billion.

A major reason factored into KLCCP Stapled Group's big revaluation gains is its high-income rental increases and long-term lease agreements. Petronas Twin Towers, which made up 31.6% of the group's revenue of RM1.34 billion in FY2015, is leased to the ultimate shareholder, Petronas, under a 15-plus-15-year triple net lease agreement, which requires the tenants to meet all outgoing expenses.

Investor concern mounted earlier this year, since the downturn in the oil and gas sector resulted in lay-offs all over the world — not sparing Exxon Mobil Corp, a major tenant of KLCCP Stapled Group.

KLCC Property Holdings CEO Datuk Hashim Wahir said ExxonMobil did renew its lease with the investment trust for 27 years but the international corporation will take up only 70% of the net lettable area. Nonetheless, Hashim told reporters in April that the group was confident of filling up the remaining area.

For now, KLCCP Stapled Group's debt-to-asset ratio of 14.7% is the lowest of all Malaysian REITs. Its price-to-book ratio of 1.09 times as at Aug 16 was the lowest among the five biggest REITs, which can go as high as 1.52 times. Thus, KLCCP Stapled Group needs a catalyst to boost its yield, which stood at only 4.64%. E

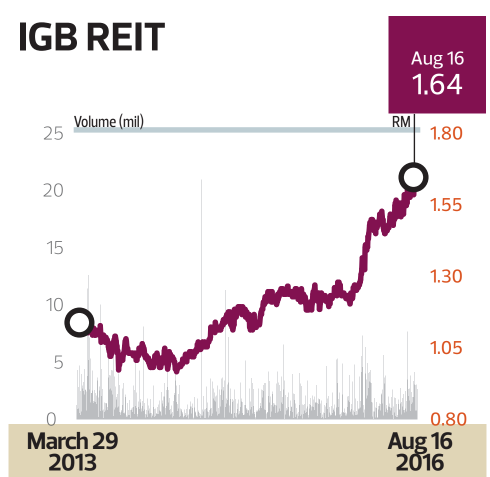
HIGHEST GROWTH IN PROFIT BEFORE TAX OVER THREE YEARS

REITS

IGB REIT

Malaysia's pioneer megamall owner-manager

BY KAMARUL ANWAR



With more investors turning to real estate investment trusts (REITs) in these times of low returns and depressed sentiment, it was timely for The Edge Billion Ringgit Club to recognise the sector's best in its own category.

The bottom lines of REITs do not grow at jaw-dropping rates, although their income source — rental payments — produce stable and sustainable returns. For IGB REIT, its three-year compound annual growth rate of 18.33% in pre-tax profit from FY2012 to FY2015 was the best among the qualified REITs.

In FY2015 ended Dec 31, IGB REIT's pre-tax income was RM254 million compared with RM153.29 million in FY2012. The investment trust's pre-tax profit in FY2014 was higher at RM317.62 million but it took into account the surplus from revaluing its properties.

For REITs, it is more apt to measure their distributable income and for IGB REIT, this grew 366.82% from FY2012, or an average of 67.13% per year, to RM290.98 million in FY2015, the biggest among that of its peers.

The feat was even more impressive, given that IGB REIT has not relied on asset injection for growth since it listed four years ago.

Different REITs have different investment strategies to maximise returns to unit holders and their growth potential. IGB REIT is blessed with three things — location, location, location — which every property owner and developer covet.

The investment trust owns only two properties, namely Mid Valley Megamall and its premium sister The Gardens Mall, and it would not be a surprise if almost every Klang Valley resident has visited these malls at least once. Mid Valley City is, after all, surrounded by affluent Kuala Lumpur neighbourhoods. It is right next to the Federal Highway — the spine that runs through the Klang Valley and a terminus for residents from nearby states to Kuala Lumpur.

And the malls have taken advantage of their location to distinguish themselves further from others.

In fact, it could be argued that Mid Valley Megamall popularised lifestyle malls in Malaysia in the early 2000s. It was the first home to fast fashion brands Topshop, Zara and Forever 21 when they expanded to this country, and it was where PPB Group Bhd-owned Golden Screen Cinemas debuted its Gold Class cinema hall.

When The Gardens Mall opened its doors in late 2007, the then owner IGB Corp Bhd had a dedicated home for luxury brands, further cementing Mid Valley Megamall's status as the "it" shopping mall — even when Kuala Lumpur's shopping mall scene was getting crowded.

As at December last year, Mid Valley Megamall and The Gardens Mall had a combined net lettable area of 2.64 million sq ft — double that of the uber-glamorous Pavilion Kuala Lumpur — enabling IGB REIT to host retailers of various types that cater for a whole spectrum of consumer income levels.

It might be difficult to put a value on branding but analysts have said that IGB REIT's malls have, over the years, had rental reversion rates in the teens. They have also consistently registered full occupancy even when consumer sentiment began to wane in the third quarter of 2014.

This year might be IGB REIT's toughest yet as another part of the REIT's success is its high reliance on percentage cuts from tenant sales, which AllianceDBS Research Sdn Bhd said made up over 10% of the REIT's revenue. Thus, many analysts have pointed out that the risk to their calls is if shoppers spent substantially less amid weakened consumer sentiment.

And it might seem a bit too late to jump on the IGB REIT bandwagon. Its units had jumped nearly 20% year to date as at Aug 16, the most among all REITs. However, at RM1.60 per unit, analysts see 5.5% yield. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

PROPERTY

Eco World Development Group

Fast-tracked growth

BY CINDY YEAP

Eco World Development Group only turns three this December but its chairman Tan Sri Liew Kee Sin is a seasoned veteran in property development, having proved his salt during his 18 years at S P Setia Group through to April 2014.

His son, Tian Xiong, together with Tan Sri Abdul Rashid Abdul Manaf and Datuk Eddie Leong, took control of property development company Focal Aims Holdings Bhd in October 2013 — reviving interest in the lacklustre penny stock, which has since more than tripled in value, despite being off its peak of RM2.23 in April 2014.

It is little wonder that EcoWorld is the best performing stock among *The Edge* Billion Ringgit Club members in the property sector for the third straight year. Coming from a very low base, its share price was up an average 106.3% a year between end-March 2013 and end-March 2016.

At least 11 sizeable projects have been announced in the past two years. Thanks to a sizeable jump in property sales, its pre-tax profit grew at an enviable three-year compound annual growth rate of 109.02% from RM8.09 million in the financial year ended October 2012 (FY2012) to RM73.92 million in FY2015. Return on equity (ROE) is at low single digits, though it did improve year on year in FY2015.

To finance its expansion, EcoWorld raised RM2.8 billion in May last year, following a 20% placement to institutional investors. The order book was subscribed by 1.41 times, despite tough market conditions, a testament to its repute and investors' expectations of EcoWorld replicating the growth seen at S P Setia.

"Going forward into FY2016, the group's prospects are expected to improve markedly. This positive outlook is supported by the strong cumulative sales of RM6.2 billion secured in FY2014 and FY2015, which has enabled EcoWorld to carry forward a high level of unbilled progress billings amounting to RM4.16 billion as at Oct 31, 2015," Liew said in the company's 2015 annual report.

Sales recorded in FY2015 came from four projects in the Klang Valley (RM1.58 billion), six in Iskandar Malaysia (RM1.21 billion) and two in Penang (RM224 million). Its land bank grew from 4,925.7 acres in FY2014 to 7,443.9 acres in FY2015 while gross development value increased to RM81 billion from RM47 billion in FY2014.

Its 1HFY2016 net profit came in at RM58.9 million, accounting for 50.3% of the consensus estimate of RM117 million. Growth was driven by billings in projects such as Eco Majestic in Semenyih, Eco Botanic, Eco Sky, Eco Sanctuary and its Eco business park developments. As at May this year, unbilled sales stood at RM4.5 billion, which UOB Kay Hian Research says should sustain earnings for the next two years.

Analysts remain largely bullish on EcoWorld, with nine "buys" versus only one "hold", according to Bloomberg data. Target prices range from UOB Kay Hian's RM1.20 to UBS' RM1.80, averaging at RM1.58. This implies a 15.3% upside potential from its RM1.37 close on Aug 16.

EcoWorld's plan to de-gear by selling a stake in three projects to a joint-venture partner has been well-received by analysts. The Employees

Provident Fund has been invited to participate in its developments in Mukim Ijok (Eco Gardens and Eco Business Park V), Setia Alam (Eco Ardence) and Batu Kawan (Eco Horizon and Eco Sun), Maybank Investment Bank Research says in a June 29 note.

Investors are also keeping watch on the Eco World International (EWI) initial public offering, which is expected to proceed this year despite concerns about Brexit. EcoWorld plans to take a 27% stake in EWI, which owns mainly UK and Australian assets.

Though the challenging operating environment could limit its upside, analysts see potential for the stock to move higher should EcoWorld achieve stronger-than-expected sales, significantly improve margins and make value-accretive development deals. E

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

REITS

Al-'Aqar Healthcare REIT

A defensive healthcare trust

BY KAMARUL ANWAR

Al-'Aqar Healthcare REIT barely passed *The Edge* Billion Ringgit Club's billion ringgit market capitalisation criterion, and only has three analysts actively tracking it.

But before real estate investment trusts (REITs) were back in favour amid further central bank rate cuts, Al-'Aqar — which owns hospitals under the KPJ Healthcare Bhd banner — had registered a total return of 35.14% between April 1, 2013, and March 31, 2016, for a three-year compound annual growth rate of 11.52%.

Other REITs only caught up later this year, when fund managers turned defensive in the uncertain market. For the same period, other REITs at best only made half of what Al-'Aqar did.

That does not mean that the healthcare REIT was immune to selling pressure, though — historically, it loses less value whenever investors switch to higher-beta stocks.

When the yield spread between REITs and Malaysian Government Securities narrowed in the second quarter of 2013 after the US Federal Reserve hinted that it was going to phase out its asset purchasing programme, Al-'Aqar fell 4.41% over two months, compared with the double-digit percentages seen among the sector's big caps.

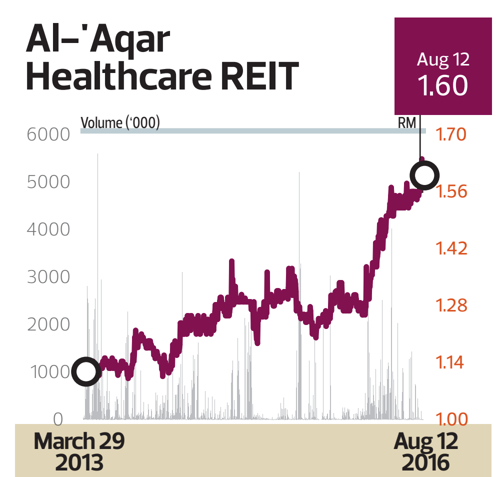
At RM1.60 on Aug 16, Al-'Aqar is up 14% year to date. However, the price-to-book ratio of 1.33 times is close to IGB REIT's 1.52 times — the highest among Malaysian REITs. The current consensus target price for Al-'Aqar is RM1.80, which indicates an upside potential of 12.5% and a 4.8% yield, according to Bloomberg data.

Is Al-'Aqar being overlooked by funds? The investment trust only has 3.31% of investors classified as "insurance companies" and "investment advisers", Bloomberg data shows, compared to the big caps, that have such investors in the double digits. It is also less liquid than many other REITs, with a free float of just 16.9%.

Compared with other REITs, Al-'Aqar seems to be more aggressive in its investment strategy. For one, it is one of only two locally listed REITs (the other being YTL Hospitality REIT) with international real estate in its portfolio. In FY2015, the group's sole property in Australia, Jeta Gardens Aged Care & Retirement Village, constituted 10.96% of its net rental income of RM104.57 million.

This also means that it has foreign exchange risk exposure. In the same year, Al-'Aqar sold its two properties in Indonesia and recorded RM3.51 million in realised forex loss in its books. Its debt-to-asset ratio of 41.04% as at 1QFY2016 was also the fourth highest among listed REITs.

Al-'Aqar's distribution per unit (DPU) has also been flat over the past five financial years. In the course of two years ended FY2013, its DPU rose by 2.08% to 7.85 sen. It fell by 2.55% to 7.65 sen the following year, with DPU in FY2015 increasing a mere 0.65% despite a 2.17% increase in total distributed income to RM54.42 million due to new units placed that year. In 1QFY2016, Al-'Aqar's net rental income fell 4.31% to RM24.87 million



due to the lack of rental income from its former two Indonesian properties, with DPU falling to 2.53 sen from 3.79 sen a year earlier.

Al-'Aqar can take comfort in the healthcare industry being described as "recession-proof" and KPJ Healthcare's support helping the trust achieve full occupancy of its properties under investment. It has sought a waiver twice from Securities Commission Malaysia to buy vacant land for the new wing of its hospital and nursing college.

With KPJ Healthcare's group of companies undertaking the developments, an earnings accretive acquisition for the REIT would be ideal. In its FY2015 annual report, chairman Datuk Kamaruzzaman Abu Kassim said KPJ Healthcare had plans to inject new hospitals or undertake expansion exercises. E

The power of collaboration in changing our schools

BY DOROTHY TEOH

In 2012 at The Edge Billion Ringgit Club gala dinner, The Edge Education Foundation (TEEF) launched the Programme for After Class Enrichment (PACE).

PACE, a tuition-cum-mentoring programme, was implemented in 2013 at two schools in Sentul. It benefited about 40 Form 1 students by providing tuition in three subjects (English, Bahasa Malaysia and Mathematics) and mentoring by volunteers from the private sector. Students were also exposed to learning opportunities outside the classroom through field trips.

The programme was sponsored by BRC member Kuala Lumpur Kepong Bhd.

Last week, TEEF held a simple ceremony at Taylor's University Lakeside Campus to mark the "graduation" of the 40 students from the programme, which officially ended at the end of 2015 when these students had completed Form 3. The students were from SMK Convent Sentul and SMK (L) Methodist Sentul or MBS Sentul.

According to 'The State of Households' report by Khazanah Research Institute, statistics show that in Malaysia, one in six children does not make it to Form 4 and of those who do, a large majority do not continue to post-secondary education. Students who drop out of school before completing secondary education will struggle to find living-wage jobs. So seeing all but one of these students continue into Form 4 was a gratifying experience for TEEF and its PACE partners — EY, KLK Oleo and Taylor's University.

Keeping these students in school was one of the aims of PACE when we launched the programme three years ago. Another was to ensure that the students did better in school by the end of the programme. As low income often correlates with low academic performance for a host of reasons, this proved to be a tougher challenge. Pentaksiran Tingkatan 3 (PT3) results showed their struggles, especially with Mathematics. And while 90% of the Convent Sentul students obtained A's and B's in several

HARIS HASSAN/THE EDGE

TEEF and PACE partners EY, KLK Oleo and Taylor's University with PACE participants and mentors at the graduation ceremony on August 10 at Taylor's University Lakeside Campus

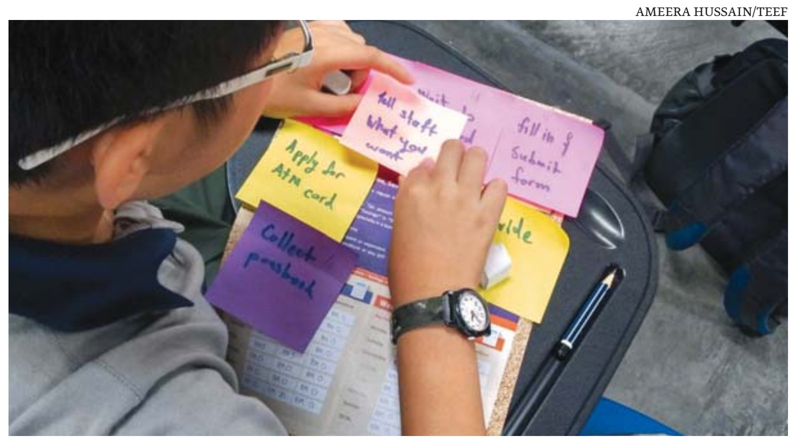
subjects, unfortunately, these were not the three core subjects.

Still, considering where these students started from when they were in Form 1, the foundation and our partners as well as the school principals believe PACE has helped them academically. At both schools, a fifth of the PACE students have moved up to a better class in Form 4.

Where PACE seems to have done best is in the area of socio-emotional competency. Over the three years, we saw improvements in two areas: confidence in relating to adults and ability to articulate. One of the biggest challenges when we first started working with PACE students in Form 1 was getting the students, especially those from Chinese vernacular primary schools, to speak, much less to speak in Bahasa Malaysia or English because of lack of confidence and low proficiency in the two languages.

But the constant interaction with Taylor's students at both schools and mentors from EY (at Convent Sentul) and KLK Oleo (at MBS Sentul), plus exercises where PACE students had to do class presentations and "market" products as part of learning how to do a small business project, seem to have paid off. I was thrilled when several months ago, Ms Chew-Cheah Yee Choo, principal of MBS Sentul, sent me a photograph of two of the Chinese PACE students acting out a Bahasa Malaysia skit on stage! A

AMEERA HUSSAIN/TEEF



A Money & Me participant learning the steps in opening a savings account at a bank. The programme, designed by The Edge Education Foundation, is implemented in collaboration with partners.

AMEERA HUSSAIN/TEEF

A GE volunteer facilitating a Money & Me session at La Salle Sentul. GE is one of five partners for the programme this year. The others are Citibank, EY, Methodist College Kuala Lumpur and PwC.

PACE student at MBS came in second in his class and eighth out of some 80 students in the entire form in the first-term examination, making him the best-performing ex-PACE student so far this year.

It is stories like these that keep us going. We wish, however, that we could help more students. And that is why we are looking at approaches to education improvement that would have wider impact on students and schools. The foundation is currently exploring a potential project with some members of the Faculty of Education at the University of Malaya.

As a small foundation, collaboration is a necessity. But it is also an integral part of our philosophy and practice. For three years, we worked with Taylor's University, EY and KLK Oleo to implement PACE in the two Sentul schools. In March this year, we launched the "Money & Me: Youth Financial Empowerment Programme" in partnership with Citibank, EY, GE, PwC and Methodist College Kuala Lumpur at five schools in Kuala Lumpur. "Money & Me" is a free financial literacy-cum-basic entrepreneurship skills programme for Form 4 students from low to lower-middle income homes that was designed by The Edge Education Foundation. The programme is funded by Citi Foundation.

The challenges facing our education system and schools are immense. They are way too big for any one company or foundation to tackle. And results take time to achieve. There are no quick fixes for our schools today — the problems have been too many years in the making.

Our schools need help, and who better to provide that help than members of The Edge Billion Ringgit Club? BRC members are in a unique position to bring about change because of their size, clout and resources. Many BRC members are already involved in schools and in supporting education. As a judge for the Corporate Responsibility component of the BRC awards, I know that BRC companies pour a huge amount of money into scholarships, infrastructure, school improvement and meal programmes, among others. There is no shortage of programmes. But the fragmented CR landscape when it comes to education can lead to duplication and working in silos, something that collaboration addresses.

As the philanthropic arm of The Edge Media Group, the foundation welcomes enquiries from BRC members that would be interested in working together to improve the state of our schools. E

Dorothy Teoh is CEO of The Edge Education Foundation

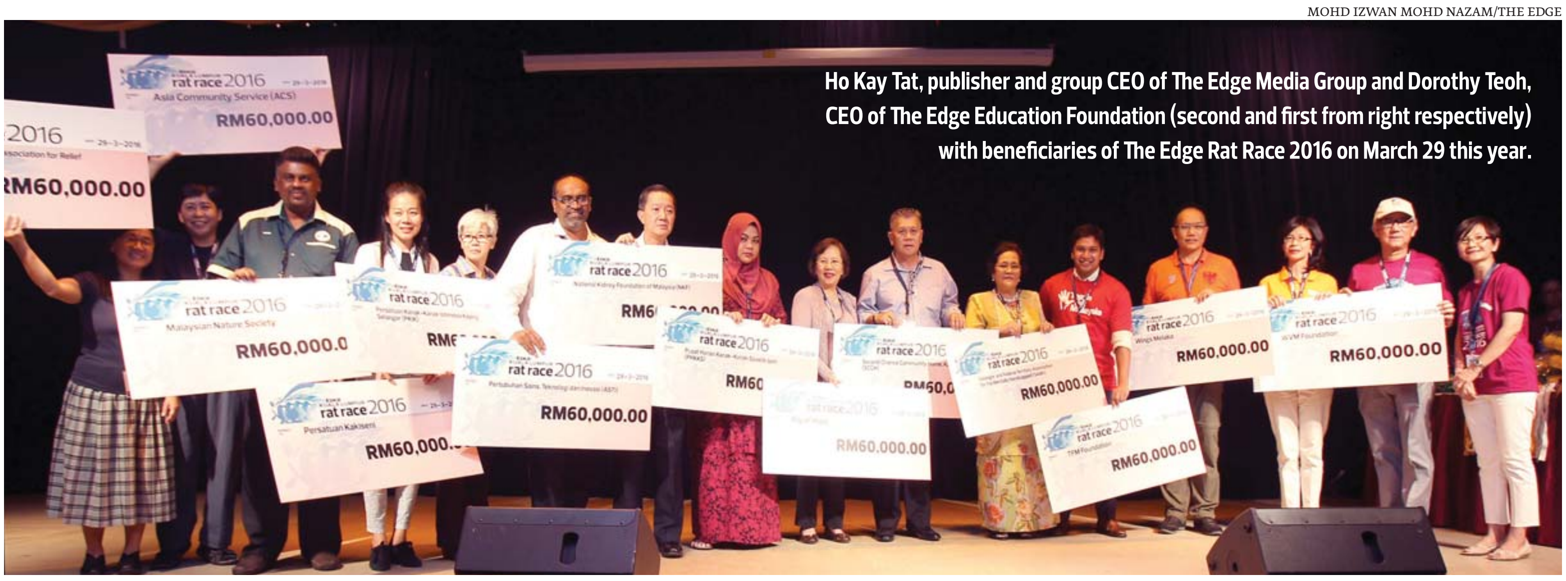
Working together for education

Aside from running its own programmes to promote financial literacy and English proficiency, in particular among disadvantaged students in secondary school, *The Edge* Education Foundation (TEEF) together with *The Edge* also raises funds for charity through *The Edge* Kuala Lumpur Rat Race. The Rat Race counts many Billion Ringgit Club companies among its participants. This year, the foundation disbursed close to 70% of the approximately RM1.3 million raised from the Rat Race to 15 charities. The remaining 30% will go towards funding the foundation's programmes which include a small scholarship programme.

Among the 15 Rat Race 2016 beneficiaries are Teach for Malaysia (TFM) Foundation whose mission is to end education inequity in the country and Pertubuhan Sains, Teknologi dan Inovasi (ASTI) which promotes science education in Tamil primary schools. We are grateful for the generosity of Corporate Malaysia which enables us to do what we do to help marginalised Malaysians get a leg up in life.

As a small foundation, we are also grateful for our partners from the private sector and academia who provide the volunteers to enable us to run our programmes. "Money & Me", for example, taps the services of volunteers from various companies to facilitate sessions in schools as well as field trips and its upcoming Enterprise Boot Camp to teach entrepreneurship skills to Form 4 students participating in the programme. E

MOHD IZWAN MOHD NAZAM/THE EDGE



Ho Kay Tat, publisher and group CEO of The Edge Media Group and Dorothy Teoh, CEO of The Edge Education Foundation (second and first from right respectively) with beneficiaries of The Edge Rat Race 2016 on March 29 this year.

HARAP KUANTAN

VINCENT BOEY/KLK OLEO

PBSNS

The Edge Education Foundation (TEEF) works to promote education and training through its own programmes and by supporting programmes of The Edge Rat Race beneficiaries.
1. Students in an after-school English programme launched by TEEF and funded by Rat Race proceeds. The programme was to prepare them for the Pentaksiran Tingkatan 3 English examination. **2.** Children having a good time in an English class run by Rat Race 2014 beneficiary Pertubuhan Komuniti Harap Kuantan. **3.** Special needs youths undergoing a training programme at Persatuan Berdikari Seremban Negeri Sembilan. PBSNS was also a Rat Race beneficiary in 2014. **4.** A KLK Oleo volunteer explaining the Bank Negara Malaysia logo to 'Money & Me' participants during a visit to the Numismatic Museum at Sasana Kijang in April.

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