

COMPANY INSIGHT

Opportunities abound

Yoma Strategic's major shareholder Serge Pun tells **MANO SABNANI** about the company's origins and its recipe for success

YOMA Strategic group's prospects have brightened substantially in the past year or so, with the rapid opening up of Myanmar, a country that has been in the grip of military rulers and in an economic slumber for almost 50 years. While most of Asia surged forward with open economies, Myanmar kept its doors mostly closed. There is now a big rush among businessmen everywhere to re-look the resource-rich country and participate in its economic resurgence.

Yoma is ready to not only step up the pace of its traditional activities in property, agriculture, and automotive, it is also open to new ventures in new sectors. In terms of strategy, should Yoma, as a smallish company even now, focus on one or two sectors eg. property development and agriculture, or should it spread itself all over the economy, wherever opportunity arises? In other words, should it stick to its niches or become a conglomerate?

The Myanmar government has opened doors to foreign investment, allowing foreign companies now to directly own property and other business assets in Myanmar. This has somewhat outdated Yoma's role as a conduit for investment in Myanmar. Should Yoma be merged with its Myanmar sister group SPA, or Serge Pun Associates, to form a larger entity which can then exploit opportunities more quickly and substantially? Such a merger will also eliminate possible future conflicts of interest with both Yoma and SPA groups competing for business in Myanmar. Both have as their major shareholder Myanmar citizen Serge Pun.

Mano: Tell us about your company: its origins, current business, and overall size.

Serge Pun: Yoma Strategic Holdings Limited (YSH) was listed on the SGX mainboard in August 2006, via a reverse takeover of Sea View Hotels Limited. At inception, YSH's main assets consisted of Land Development Rights (LDRs) in excess of eight million sq ft, a piling company, project management, and architectural services, all of which were located in Myanmar.

A year later, YSH acquired the development rights of 100,000 acres of agriculture land suitable for the plantation of jatropha curcas in the Irrawaddy Delta. It also invested in a mixed use real estate development in Dalian, China. In 2010, YSH entered into a strategic cooperation agreement with Dongfeng Automobile Company Ltd and Guangdong Machinery Import & Export Company Ltd to exclusively import Dongfeng trucks with a plan to assemble these vehicles in Myanmar. In summary, YSH has currently three business portfolios, namely, real estate development; plantation & agricultural; and automobile.

The total assets attributable to equity holders of the group based on the latest annual report for the year ended March 2012 was \$136 million (excluding the subsequent rights issue that raised about \$100 million). This is based on assets held at historical costs for the bulk of the assets, ie, the land bank in Yangon, which is quite a discount to market values today.

In the past 12 months, with the spate of good news on the Myanmar economy and political liberalisation, the market has woken up to the potential of Yoma, with its track record in Myanmar, and our shares have multiplied in value so that the market capitalisation of the group is now around \$350 million, a 10-fold increase from a year ago when it was a mere \$37 million.

Mano: What is your core business model and strategy and how did you get to where you are now, using your

Yoma Strategic Limited

Profit & loss

PERIOD	FULL YEAR MAR 2012 (S\$'000)	FULL YEAR MAR 2011 (S\$'000)	% CHANGE
Revenue	39,211	11,217	+249.57
Profit before tax	6,233	2,163	+188.16
Net profit attributable to shareholders	6,040	2,789	+116.57
Historical EPS (cents)	1.1400	0.5300	+115.09

Balance sheet

PERIOD	FULL YEAR MAR 2012 (S\$'000)	FULL YEAR MAR 2011 (S\$'000)	% CHANGE
Current assets	44,321	11,018	+302.26
Non-current assets	103,889	127,807	-18.71
Total assets	148,210	138,825	+6.76
Current liabilities	12,630	8,742	+44.47
Non-current liabilities	-	-	-
Total liabilities	12,630	8,742	+44.47
Shareholders' equity	135,764	130,366	+4.14
Minority interests	(184)	(283)	-
Total equity	135,580	130,083	+4.23
Total liabilities and equity	148,210	138,825	+6.76
NAV per share (\$)	0.2570	0.246	+0.04

Cash flow

PERIOD	FULL YEAR MAR 2012 (S\$'000)	FULL YEAR MAR 2011 (S\$'000)	% CHANGE
Cash generated from operations	19,955	1,666	+1,097.78
Net cash generated from/ (used in) operating activities	19,156	1,026	+1,767.06
Net cash generated from/ (used in) investing activities	(450)	865	-
Net cash generated from/ (used in) financing activities	(1,206)	(2,230)	-
Cash and cash equivalents at end	20,079	2,509	+700.28

competitive advantages?

Serge Pun: As the only Singapore-listed company with its main businesses focused in Myanmar, YSH has always availed itself as a convenient platform for investors wanting to enter this emerging market. Including, but not limited to, the current three business areas, we welcome any viable ideas from investors to establish joint ventures or cooperative agreements in Singapore. The investors will be able to find comfort that their investments are protected insofar as Singapore laws apply while business is physically conducted in Myanmar.

Additionally, we provide our partners an easy access into the economic networking and local operational knowledge through working closely with our sister company, Serge Pun Associates (SPA) Myanmar, a major business conglomerate which operates in almost all market segments in Myanmar.

In earlier years, before the recent liberalisation, the attractiveness of our competitive advantages vis-a-vis the Myanmar market had been clouded. The situation has taken a significant and positive turn since the election in No-



Mr Serge Pun: YSH has always availed itself as a platform for investors wanting to enter Myanmar

vember 2010 and the establishment of a new constitutionally elected government in April 2011. Our competitive edge can be summarised as:

- ◆ Experienced management in each of our chosen business sectors.
- ◆ Close association with one of Myanmar's leading business groups, the SPA group, which enables YSH to have access to opportunities that would otherwise be unavailable to those outside Myanmar.
- ◆ Well established in Myanmar at a time when the country is on the brink of "coming in from the cold" in terms of re-joining the global economy, likely to be accompanied by an explosion in economic growth and resulting business opportunities.

◆ YSH, its management and leading shareholder, have a positive image in the eyes of the rest of the world, not least as it is the only Myanmar-focused entity listed on a globally respected international stock exchange.

As such, it is likely to find itself being considered as the partner of choice as foreign groups seek to enter the country to benefit from the expected dramatic increase in economic activity. This is likely to present YSH with new and exciting business opportunities as it capitalises on its position as the leading window on Myanmar.

Mano: What were your success factors in earlier years? Please elaborate on whether it was people; technologies; finance; access to markets; products/services; business environment or any other factors.

Serge Pun: People have always been the main factor over the years. A genuine empowerment of our people at all levels of the organisation has been the main driving force.

Mano: You are progressing well as a group now. What are the success factors that keep your group growing?

Serge Pun: A corporate culture built on core values defined as seven focuses, namely - customer focus; quality

focus; learning focus; innovative focus; accountability focus; teamwork focus; and, last but not the least, loyalty focus, has been the bedrock in cultivating a mindset that would allow us to face any challenges as they come.

The business climate in the two markets that we operate in, Myanmar and China, is known for its volatile swings over the past decade. Regardless of the challenges or the opportunities that present themselves from time to time, we find that the faithful adherence to the core values, the reliability of our people in both management and execution levels, have been the most important factors to sustain our growth.

Mano: What are your strategies for continued success in your activities (new or old) and how are you implementing these strategies?

Serge Pun: We are experiencing a very encouraging period of reform in almost all sectors of the society in Myanmar under the present government. Consequently, we intend to fully capitalise on our strengths in terms of market position and corporate infrastructure.

In short, our success will be judged by how well we can "marry" our competitive strengths with the abundance of fresh capital that is making its way to Myanmar. In order to achieve this, we have augmented our top and middle management resources substantially and significantly in recent months. We have initiated major development of real estate projects to satisfy the sharp increase in demand.

The group has also accelerated its business plans for developing the assembly and manufacturing industry in the automobile sector. We have also embarked on studying new opportunities in sectors that are hitherto new to us by forming alliances with companies that possess the expertise and track record. In particular, the group has recently moved, with its partners, to restructure its Grand Central project in Dalian, China. The result is that Yoma now has a clear control over the shopping centre part of the project and is free to manage it or dispose of it, as appropriate.

At the same time, the group has recently completed the acquisition of land development rights for the mega Star City from its major shareholder and his private interests (the SPA group). Star City has the potential to be one of Yangon's most exciting multi-use property development projects when completed in a few years.

Mano: What could go wrong with the group, given the many risk factors in your business overall?

Serge Pun: In terms of risk assessment, political risks and foreign exchange risks remain the two major risk factors. The group has no control over changes in these areas and so it has to simply adjust and cope as best it can. But as mentioned, the political situation in Myanmar is more stable now and economic reforms look like they will stay, paving the way for a more vibrant economy.

Mano: What would you say are the learning points for people in your company/group?

Serge Pun: The success of a company no doubt depends on many factors, all of which have a bearing, albeit to different degrees. Suffice to say, however, that as long as you have set your corporate development policies and strategies on the right track, with a strong focus on people who are capable and willing to navigate through the "thick and thin", then you are bound to reach your destination.

Mano Sabnani, a veteran writer, editor, and investment adviser, wrote this piece based on a case study he completed recently on 36 successful local listed companies for the Centre for Applied Research, SIM University