THE BUSINESS TIMES

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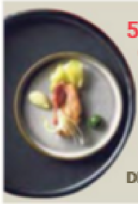
THE BUSINESS TIMES
40TH ANNIVERSARY

The Business Times celebrates its 40th anniversary in 2016. To mark four decades of reporting business news in Singapore and across the world, a special logo has been created to commemorate this important benchmark. Watch out too for enhancements to our print and digital offerings over the coming year. We hope you'll continue to enjoy reading us, and have a great year ahead.



5TH QUARTER

Confident, balanced flavours from Andrew Nocente

DINING OUT / 23

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Tong Eng Group gives new life to ageing assets

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MARKETS

	Weekly	Change
STI	2,882.73	+5.11
KL Comp	1,692.51	+29.00
Nikkei 225	19,033.71	+264.65
Hang Seng	21,914.40	-223.73
Shenzhen B	1,309.36	-36.31
Dow	17,425.03	-127.14

DAILY DIGEST

All eyes are on two events in Parliament scheduled for Jan 15 – the first session of the 13th Parliament and the President's address setting out the policies of the government. TOP STORIES / 2

If the US bull market didn't die in 2015, it suffered its biggest wound. The major indices finished in the red for the first time in the 7-year bull market. TOP STORIES / 4

Cloud-based business management software firm Deskera Holdings is planning to list on the Catalist board.
COMPANIES & MARKETS / 5

A blaze that engulfed a Dubai skyscraper on New Year's Eve has raised fresh questions about the safety of materials used on the exteriors of tall buildings in the region. REAL ESTATE / 11

Data from Greece's central bank shows that deposit outflows continued in November, even as its banks plugged capital shortfalls, and strict capital controls capped withdrawals and transfers.
BANKING & FINANCE / 13

Cheniere Energy has started production at what will become the first terminal to export natural gas from America's shale formations.
ENERGY & COMMODITIES / 14

With Washington consumed by the November elections, President Barack Obama will spend much of his final year in office travelling.
GOVT & ECONOMY / 17

A new study on long-term unemployment from the Federal Reserve Bank of St Louis has found the prospects for women over 50 darkened after the Great Recession.
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Airbus Group has won an agreement from Japan's ANA Holdings to buy three of its A380 superjumbos.
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S'pore risks fading into investment backwater as market cap shrinks

Analysts cite evaporating liquidity, decreasing depth and dearth of fund-raising

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Singapore

FRESH off its worst year for listings in at least two decades, the Singapore stock market now faces the threat of fading into an irrelevant backwater for global investors as large privatisations, small floats and a broad-based equities slump continue to erode its market value and appeal, market watchers warn.

With the number of initial public offerings (IPOs) here falling in 2015 to its lowest annual level since the Singapore Exchange (SGX) opened its doors in late 1999, the local share market has been left in the dust by regional rival Hong Kong as of late, while its neighbours in South-east Asia have begun to nip at its heels.

One crucial and worrying sign is that the sharp slide in Singapore's total market capitalisation in 2015 reflects evaporating liquidity, decreasing depth and a sore lack of interest in raising funds here as attention turns to markets with brighter prospects, analysts and asset managers say, adding that this trend could well turn into a vicious cycle.

The total market value of stocks listed on the Singapore Exchange added up to about US$463.46 billion at the close of trading on Dec 31, 2015, going by a Bloomberg gauge based on actively traded primary securities and stripping out exchange traded funds and ADRs (American depositary receipts).

This number would make the entire Singapore market cap smaller than that of Nasdaq-listed Apple, which weighed in at around US$586.86 billion at the end of last week. It also marks the Singapore market cap's lowest level since hitting US$464.41 billion at the end of 2011.

Singapore's market cap shrank a sharp US$107.18 billion or 18.8 per cent from a year ago, according to Bloomberg data. The bulk of the drop was due to a broad-based equities slump that also put a dent in other bourses across Asia. The Straits Times Index fell 14 per cent in 2015 to finish the year at 2,882.73 points, down from 3,365.15 at the end of the previous year.

> "Privatisations of many large companies in the last few years, especially in the property sector, have shrunk the investable pool of stocks in Singapore."
>
> **Kum Soek Ching, head of Southeast Asia research at Credit Suisse Private Banking Asia Pacific**

But another significant factor is a handful of big delistings that has occurred alongside a persistent dearth of sizeable initial public offerings (IPOs), analysts say.

"Privatisations of many large companies in the last few years, especially in the property sector, have shrunk the investable pool of stocks in Singapore," said Kum Soek Ching, head of Southeast Asia research at Credit Suisse Private Banking Asia Pacific.

"The absence of large and meaningful IPOs in recent years have also not been supportive to the total market cap of Singapore ... With less market participants, a smaller-cap market can suffer from liquidity issue during periods of stress."

Large delistings in 2015 included that of conglomerate Keppel Corp's property arm Keppel Land in July. KepLand had a market value of S$6.56 billion, based on 1.55 billion shares outstanding and the takeover price of S$4.38 per share that KepCorp paid.

Engineering firm UE E&C, which was worth S$337.5 million based on an offer price of S$1.25 for 270 million shares, was taken over by a private equity firm and delisted in March. Bookstore chain Popular Holdings also delisted in May. It had had a market value of around S$255.07 million, based on offer price of S$0.32 and about 797.09 million shares outstanding.

The declining total market cap points to an increasing lack of interest from companies in tapping equity capital markets here.

Against the market values of the delistings last year, there was just S$339.18 million in total IPO fund-raisings in 2015. All but one of the 13 public floats here last year were Catalist listings, and the average IPO size worked out to around a puny S$26 million.

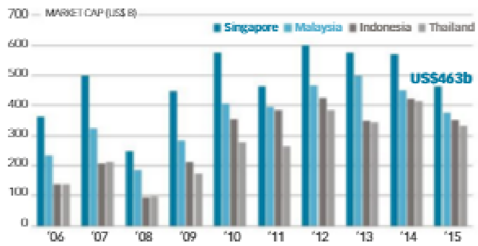
The number of IPOs and the total IPO funds raised last year were the smallest in at least two decades, going by newspaper reports. Up until 2015, the SGX had not seen fewer than 20 public floats a year. In the depths of the global financial crisis, the year 2008 had 22 IPOs raising US$931 million while 2009 had 23 floats that raised about S$3.21 billion, according to media reports then. Even in 1998, with the Asian financial crisis, SGX managed to rake in 20 IPOs that raised about S$406 million.

Continued on Page 2

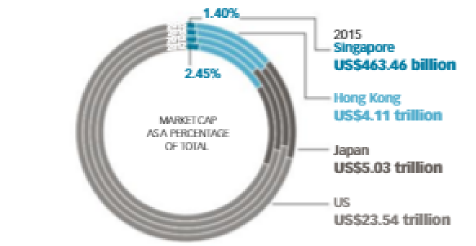
Receding into irrelevance?

Shrinkage not just due to STI

Neighbours narrowing the gap



In the grand scheme of things



Source: Bloomberg

Specialist firm coming to S'pore to spot and groom tech talent

By Jacquelyn Cheok
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Singapore

LONDON-based Entrepreneur First (EF) – not your usual startup accelerator – may prove to be a bright spark for Singapore as the latter steps up efforts to groom the next generation of tech creators and transform into a value-creating economy.

Backed by Infocomm Investments (IIPL, the venture arm of the Infocomm Development Authority of Singapore), EF seeks to assemble and fund the best technical talent – not ideas – to build startups from scratch. EF is considering expanding to Singapore, believed to be as early as this year.

Co-founder Alice Bentinck told BT: "We're the earliest-stage investor you can find: pre-idea, pre-team. We believe that really good and ambitious technical people, from computer scientists to engineers, can be groomed into world-class founders."

Even as challenges abound, observers are optimistic about EF's potential here. Said Zach Tan, director of IIPL's London office: "Being an investor of EF, we believe there are strong causes for Singapore. As Singapore recalibrates its economy, the focus will be on value creation and innovation-driven enterprises. The startup community is an important part of that."

And talent, alongside funding and market access, will be pivotal to the community's growth, Mr Tan noted. "We need to create a conducive environment where entrepreneurial talent can thrive."

Since 2013, EF has worked with 300 individuals (mostly in their twenties) and built 45 startups (from machine learning to augmented reality) that have raised over US$60 million in venture capital. Collectively, these startups are now worth more than US$250 million, never mind the fact that the co-founders had not known one another or had a business idea to speak of at the start of each six-month training programme.

"We invest in people," pointed out Ms Bentinck, especially promising individuals who might have chosen to work in finance or Google over entrepreneurship, many of whom are software engineers, "hardware guys" or mathematicians, and mostly graduates of the UK's top five universities.

Said Markus Gnirck, co-founder of Startupbootcamp FinTech: "EF will have success in Singapore if it manages to attract diverse talents from all over Asia. The advantage of the programme lies in its diversity of founders and the opportunity to unlock raw potential based on serendipity."

Continued on Page 4

TOP LINE

Tong Eng gives new life to ageing assets

Redevelopment of Serangoon Plaza to start later this year; strata office sales to start after Chinese New Year. **BY KALPANA RASHIWALA**

TONG Eng Group faced one of its most trying moments during the mid-1980s. Shortly after the group bought Serangoon Plaza and around the time it completed the development of Eminent Plaza in Lavender Street, Singapore slipped into a recession. "The property market tanked and we went through difficult times renting out the two buildings," recalls Teo Tong Lim, group managing director at Tong Eng Brothers.

"I have gone through a few recessions. The main thing is we have been able to survive because we do not overgear and so we have been able to weather the difficult times.

"Property is cyclical and we have to be ready."

One of Singapore's oldest developers, the group is now in the midst of rejuvenating the two commercial properties, which are more than 30 years old.

These days, Mr Teo and his colleagues are busy putting the final touches on plans for a redevelopment of Serangoon Plaza, a five-storey retail and office complex the most prominent tenant of which is Little India retailer Mustafa's first departmental store.

Redevelopment work is expected to start around September or October this year and the new 19-storey office, medical suite and retail complex is slated for completion in 2019.

Before construction starts, however, the plan is to launch for sale strata office units on six floors after Chinese New Year, Mr Teo told *The Business Times* during a recent interview.

Serangoon Plaza is owned by Feature Development, which in turn is 40 per cent held by Tong Eng Brothers and 33 per cent by Trend Developments; the latter is controlled by the families of Mr Teo and his late brother Tong Wah. The two are the sons of the late Teo Thye Chor, who together with his younger brother Thye Hong set up Tong Eng Brothers in the 1950s after World War II. Today, Tong Eng Brothers is controlled by the families of the two late founders. Mr Teo Thye Hong's sons Daniel and Teck Weng are also directors in the company.

Serangoon Plaza was built in the 1960s. Feature Development bought the property in 1985 and spruced it up before selling about 10 per cent of the strata area.

In late 2013, the group regained full ownership of the asset through a collective sale which priced the entire property at S$400 million. This translates to about S$1,945 per square foot of potential gross floor area.

Given the site's high development baseline, no development charge will be payable despite the significant jump in the gross floor area to about 205,560 sq ft for the new scheme from around 133,000 sq ft currently. The 68,521 sq ft freehold site boasts a prominent 120-metre long frontage along Serangoon Road, near the Kitchener Road junction.

Centrium Square, as the new development will be called, will be built to the Building and Construction Authority's Green Mark Gold status. It will have communal facilities including meeting rooms, a sky terrace and roof garden – in addition to lush landscaping throughout the project.

There will be about 3,500 sq metres net lettable area of retail space on the first two levels, with 70 per cent of this allocated to food and beverage use, and the rest to shops. In all, there will be 49 retail units ranging from 15 sq m (for a shop unit) to 530 sq m (for a foodcourt). Feature Development intends to retain all the retail space as an investment property (for rental income).

Levels 3 to 5 will house 124 carpark lots. The project will also have bicycle parking lots and shower facilities.

Levels 6 to 8 will have medical suites – all for lease. "It would be good if we can lease a chunk of space to one operator, either floor by floor, or two or three floors," says Mr Teo. "That way we can better control the mix and do not get too many repeats of the same medical specialists." Each medical floor will span 880 sq m.

Levels 9 to 19 will be offices – 900 sq m per floor. The top five floors will be retained for rental income, while the lower six office levels (levels 9 to 14) will be strata units for sale. Unit sizes for the offices will range from 53 to 93 sq m (570-1,001 sq ft). One could buy an entire floor comprising 13 units.

"All the office units in Centrium Square will have high floor-to-floor height of 4.9 metres and come with their own toilets/showers and air-con ledges – to allow office occupiers to install their own air-con unit for their overtime operation, supplementing the central air-conditioning system," says Mr Teo. These features will also apply to the medical suites. "We are anticipating to sell the office units at higher prices than our ARC 380 in Lavender Street," Mr Teo adds.

ARC 380 is a redevelopment of the former Eminent Plaza and Lavender Food Square sites by Trend Developments; 52 office units in this project were sold in early 2014 at an average price of S$2,450 psf. The other 92 office units will be held for rental income. The 16-storey freehold project, expected to be completed in 2017, will have 23 retail units; of these 19 have been set aside for sale, out of which eight have found buyers at an average price of S$5,900 psf. ARC 380's gross development value is S$370 million while that of Centrium Square is estimated at S$500 million.

The group's move to sell some space in the two projects while retaining the rest for rental income is in sync with its approach of maintaining a balance between development property and investment property.

"During a downturn, when houses don't sell or your office space does not sell, you have no regular income – whereas if you have a mix, during the slow cycle for sales, you can rely on cashflow from the tenancy of the investment properties," says Mr Teo. "We have found this to be a prudent business model."

Another of the group's investment properties is the eponymous Tong Eng Building in Cecil Street. The 26-storey block was completed in 1980 by Tong Eng Brothers, which continues to own some office space in the building in addition to all 200 carpark lots.

Besides developing and investing in commercial properties, Tong Eng Group is a seasoned residential property developer. In the early 1970s, one of its associates, Fairview Developments – an equal joint venture between Tong Eng Brothers and Yeap Holdings – acquired a tract of freehold land in Ang Mo Kio Avenue 5. So far, Fairview has carved out and completed three landed housing projects from this massive 1.8 million sq ft site – Stratton Park, Belgravia Park and Stratton Green. A fourth project – the 118-unit cluster housing project Belgravia Villas – is under development.

"There is still about 40,000 sq m (430,556 sq ft) of undeveloped land on this site," Mr Teo lets on. "The next phase will be a cluster landed housing project, for which we have already obtained written permission from URA, and beyond that, there will be two more phases for which we have not decided whether to do cluster or conventional landed homes."

A cluster or strata landed housing project, though it contains landed houses, is akin to a condo development in that the houses do not come with their own land titles; instead they have strata titles in the project and the houses have common facilities such as a swimming pool. In a conventional landed housing project, on the other hand, each house comes with its own land title and the houses do not share any facilities.

Mr Teo with an artist's impression of Centrium Square, a 19-storey project coming up on the Serangoon Plaza site. PHOTO: ARTHUR LEE

Yeap Holdings is controlled by some Singaporean members of the Yeap family that used to own the former Ban Hin Lee Bank in Malaysia.

Belgravia Villas is about 35 per cent sold.

Other Tong Eng Group residential developments on the market include two projects along Balmoral Road. Both are expected to receive their Temporary Occupation Permits this year.

Three Balmoral, a 12-storey project with 40 units, is a 50:50 joint venture between Feature Development and the Ng family behind Pan-United Corporation.

Goodwood Grand, comprising 65 apartments and eight strata bungalows, is being developed by a three-way partnership involving Feature Development (50 per cent), the Ng family (20 per cent) and a unit of listed Tiong Seng Holdings (30 per cent).

"We want to do quality buildings and do them well, with good finishes and spatial design so there is enduring value to the buyer. And in a way, we want to build a brand name arising from that," says Mr Teo when asked to describe the group's philosophy.

The group has garnered several awards for its projects – including a Singapore Property Award from FIABCI-Singapore for Poets Villas along Tagore Avenue in the residential (low-rise) category in November 2015. Completed in 2014, the project has 40 strata semi-detached houses in a verdant estate.

While the group has been able to hold its own as a privately-held property group in Singapore, it has not been spared the impact of Singapore's property cooling measures. This has spurred it to head overseas.

Over the past 12 months, Tong Eng Group has made two acquisitions in Australia. The first, in January 2015, was a A$38 million (S$39.2 million) purchase of a site at 111 A'Beckett Street in Melbourne, near the famous Queen Victoria Market. "We intend to do a 50 to 60-storey tower with around 500-600 apartments, with shops on the first two levels," says Mr Teo.

While market watchers warn that Australia home prices are toppish, Mr Teo points out that recent sales of new residential projects in the Melbourne CBD are still strong – supported by buyers from Asia.

Last month, Trend and Feature took a combined 50 per cent stake in a joint venture with Roxy-Pacific Holdings to buy 117 Clarence Street, a 14-storey office building in Sydney's CBD with about 12,570 sq m net lettable area, to be held as an investment property. The A$81 million purchase price translates to 6.2 per cent net yield, based on the current occupancy; on a fully-let basis, the net yield would be at least 7.5 per cent.

"We believe in Sydney and Melbourne as growth cities where we will continue to pursue opportunities to invest in completed commercial properties generating a good yield," says Mr Teo. Moreover, the Australian dollar is now trading almost at parity to the Singapore dollar – down from a high of A$1 to S$1.35 in February 2012. "This is an attractive time to invest in Australia," he adds.

Trained as a mechanical engineer – he holds a bachelor's degree from Queen Mary College of University of London – the 65-year-old has been working at Tong Eng Group for four decades.

What has given Mr Teo much satisfaction on the job is "seeing your development grow from a piece of land, going into design phase and finally seeing it built up and put to good use".

"After a good number of years, when the building becomes obsolete or if the site enjoys an enhancement in plot ratio or zoning, you can have another round of redevelopment to give it a new lease of life. That's even more satisfying."

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