

# THE BUSINESS TIMES



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Telkom looks to unlock value from data centres, invest more in startups

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What is most critical in building enduring, resilient businesses? VIEWS FROM THE TOP / 12-13

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Reality check for Singapore property as retirement asset TOP STORIES / 4



## MARK TO MARKET

Challenger taps Dymon Asia for cash to pursue strategic initiatives without excluding minorities

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## MARKETS

	Weekly	Change
STI	3,173.91	+61.10
KL COMP	1,598.28	+34.38
NIKKEI 225	29,068.63	+1019.69
HANG SENG	25,330.96	+493.11
SHENZHEN B	1,165.84	-26.98
DOW	35,294.76	+548.51

## DAILY DIGEST

LCH is accepting Singapore dollar and government securities as collateral for margin cover purposes to help clients better manage their liquidity.

TOP STORIES / 2



Singapore has overtaken Japan to be the richest Asian economy, according to a new report.

## INFLATION WATCH

# Firms may be forced to transfer rising cost to consumers

Production and supply chain disruptions have driven up costs of imported goods, raw materials and shipping; salaries have risen as labour is scarce

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### Singapore

SUBDUED sentiment has kept retailers as well as food and beverage (F&B) players reluctant to raise prices, but this might change if mounting cost pressures do not ease, firms told *The*



(RAS). But it highlighted another demand-related worry: potential unintended consequences from the increase in vaccinated travel lanes.

"A 'travel-imbalance' looms with Singapore's F&B, retail, and hospitality sectors, akin to a trade deficit," said the RAS. Singaporeans may be keen to head overseas, while overseas

# Investors see unpolished gems in Malaysia's startup ecosystem

The country has flown under the radar in venture capital deals, but new opportunities are surfacing

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## Singapore

AGRITECH, infrastructure and Islamic finance – these are some sectors that could draw more venture deals to Malaysia's startup ecosystem, as interest grows from both domestic and global investors.

Malaysia has produced many of South-east Asia's notable entrepreneurs, but its startup scene is often overshadowed by regional peers, such as Indonesia, Singapore and Vietnam.

While venture deal volumes picked up in Malaysia from 2015, its growth trajectory has been uneven, according to data from research firm Preqin (see chart).

There are a few reasons behind this. One is the perception that Malaysia – like Thailand and the Philippines – has “existing family business conglomerates that may crowd out new ventures”, said Ku Kay-Mok, man-

aging partner of Gobi South-east Asia, which has backed about 20 Malaysian startups.

The mid-sized nature of the country's domestic market has also meant less venture capital interest, as opposed to Indonesia.

In addition, political turmoil has impacted how some foreign investors view Malaysia's startup ecosystem.

“The fluid Malaysian political scene in the last few elections lessened confidence in the Malaysian government being able to orchestrate the digital transformation of the economy and growing the tech ecosystem,” said a venture capitalist, who requested anonymity.

But there are also factors that make Malaysia a favourable place for deal-hunting: the availability of tech talent, cost advantages relative to Singapore, a sizeable domestic market and homegrown expertise in sectors such as agriculture and manufacturing.

There are strategic sectors where Malaysia's startups stand out, investors told *The Business Times* (BT). Rachel Lau, managing partner at Malaysia-based RHL Ventures, cites agritech and foodtech as fresh opportunities.

For instance, RHL recently backed Fefifo, a startup that specialises in “co-farming”, through which small-holder farmers can rent ready-to-farm greenhouses or open farm space with managed farm services, accommodation and other shared facilities. Fefifo has piloted the concept in Perak, with plans for expansion.

Lau said: “There are young agriculture graduates who want to go into farming. Food security is a very big thing, especially with the pandemic situation, so it's about investing in the right people.” Malaysia is also equipped with land and labour resources for such startups to thrive, she added.

Ku, too, is bullish on Malaysia's agritech startups. “The country is already well-known for durian, but with the shift to alternative proteins and other health food products, Malaysia could emulate the Netherlands, which is a smaller country yet a global agriculture export powerhouse,” he said.

He cites construction tech as another promising sector: The relocation of the Indonesian capital from Jakarta to Kalimantan could provide good spin-off opportunities for smart infrastructure development in East Malaysia.

## Notable Malaysian tech deals in 2021

COMPANY	BUSINESS	DEAL SIZE (US\$M)	MONTH ANNOUNCED	INVESTORS
Carsome	Used car marketplace	170	Sep	MediaTek, Catcha Group, Asia Partners, Gobi Partners, 500 Global
BigPay	E-wallet operator under AirAsia	(up to) 100	Aug	SK Group
Socar Mobility Malaysia	Car-sharing app; joint venture between SK and South Korean startup Socar	55	Sep	EastBridge Partners, Sime Darby
Fave Group	Payments and rewards platform	45	Apr	Acquired by Pine Labs
CapBay	Supply chain financing	20	Jan	KK Fund, angel investors
PolicyStreet	Digital insurance platform	6	Sep	Altara Ventures (backed by Koh Boon Hwee), Gobi Partners, AusPac Investment Management
iStore iSend	E-commerce logistics	5.5	Jan	Gobi Partners, EasyParcel
Fefifo	Co-farming	3.1	Oct	RHL Ventures and KB Investment (co-investment partners of Penjana Kapital)

Sources: Preqin, media reports

“This is in line with the move to a circular economy, where construction tech can be deployed to make the building process more environmentally friendly, and make buildings smarter in terms of energy usage and waste management,” he said.

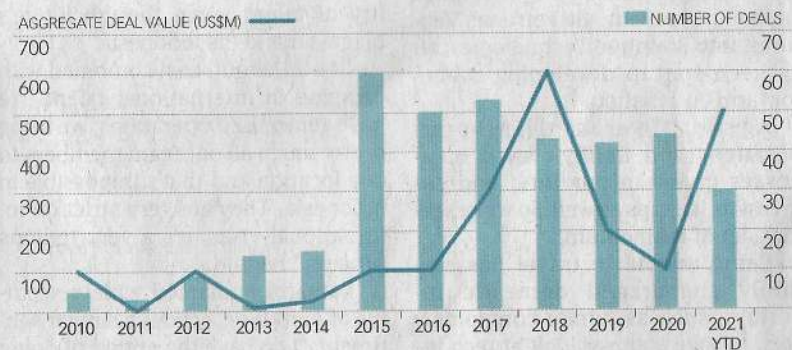
Islamic finance is also a bright spot in the Malaysian market, said Khaileh Ng, managing partner at 500 Global, as startups in this sector can also target Indonesia and the Middle East.

“Actually, there are plenty of seed opportunities in Malaysia,” said Ng, who previously co-founded two Malaysian startups, Says.com and GroupsMore.

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## Cari lobang

Venture capitalists' deal activity in Malaysia has fluctuated, but could pick up



Source: Preqin

## What is the open electricity market?

Singapore's opening up of the retail electricity market has been a gradual one that first began in 2001 with larger businesses.

The OEM is an initiative by the Energy Market Authority (EMA) that gives consumers a choice of their electricity provider. This initiative was progressively rolled out nationwide from November 2018 to May 2019.

hourly depending on demand-supply dynamics in Singapore's wholesale market, has hit multi-year highs many times in the past 3 months.

In July, the USEP rose to S\$1,514.86 per megawatt-hour (MWh). The sustained high prices over two days pushed up July's average USEP to a six-year high of S\$167.04 per MWh.

On Oct 12, the USEP hit S\$3,008 per MWh as the supply cushion in the wholesale electricity market reached

Nearly all of Singapore's electricity is produced from natural gas. Gas has typically been imported through pipelines from Indonesia and Malaysia. These prices are linked to oil prices, as gas is often sold under long-term contracts linked to the prices of oil.

But there have lately been more liquefied natural gas (LNG) imports into Singapore. LNG has become increasingly spot traded, and its price is more volatile.

of electricity in Singapore as well as spot surges.

To protect themselves in case spot prices move against them, electricity retailers hedge their positions in the futures market.

With spikes in spot electricity prices, retailers have been unable to hedge adequately due to the lack of natural sellers. Companies are also at risk of losing customers if they are unable to price their packages competitively.

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Singapore

LCH, which is majority-owned by the London Stock Exchange Group (LSEG), is now accepting Singapore dollar (SGD) and government securities as collateral for margin cover purposes to help clients better manage their liquidity.

Effective Monday, the Singapore dollar joins a select group of currencies accepted as cash margin at LCH, the world's largest clearing house for major international exchanges and platforms as well as a range of over-the-counter (OTC) markets. A clearing house stands between two parties in a deal, guaranteeing the trade in the event of a default.

The acceptance of SGD collateral comes shortly after the announcement of the expansion of LCH SwapClear opening hours to 24 hours per day. Both announcements are important steps in making it easier for Asian clients to access and use the premier service at LCH.

LCH accepting SGD collateral will be an important tool in improving liquidity management and helping members and clients optimise their margin costs.

LCH and the member community are looking forward to a broad market adoption.

LCH continues to expand its collateral services to provide members with new opportunities to use a broad range of collateral in new settlement locations, said its chief executive officer Isabelle Girolami.

"This latest development is vital to meeting the needs of the local Singapore market and a strategic point of engagement with our Singapore clients. It also marks another move by LCH to become laser focused on the Asia-Pacific region."

Rohit Verma, LCH's head of Asia-

# Investors see unpolished gems in Malaysia's startup ecosystem

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Part of the problem has also just been the lack of good data and coverage of the growth of Malaysia's startup ecosystem, he added.

500 Global has over 40 portfolio startups in Malaysia. A number of them have gone on to attract global venture funding, such as drone tech startup Aerodyne Ventures and used car marketplace Carsome. The latter also recently became Malaysia's first unicorn.

The possibility of more homegrown unicorns has stirred interest not just from foreign investors, but domestic ones as well. Corporate venture activity is picking up in Malaysia. For instance, in June 2020, energy giant Petronas made its first venture capital investment, via Petronas Ventures, into Braintree Technologies, an agritech startup developing robots for farm automation.

Ng said: "We've had different corporations and family-owned businesses invest in our fund and co-invest in startups as well. So we're seeing a lot of momentum."

Being unable to travel has certainly encouraged domestic investors, such as family conglomerates, to take a closer look at tech investments, said Lau of RHL.

"If you're stuck here and your kids keep telling you about Spotify and HappyFresh, then you're like okay, what is this? They're being forced to learn these things," she said, citing the music streaming service and grocery delivery service. The pandemic has also compelled old-school entrepreneurs to think about how to catch up digitally.

Malaysia-based startup founders BT spoke to reckon that the country can actually be a good test market, even though it is not widely viewed as such.

David Chmelar, co-founder of e-commerce startup iPrice, chose Malaysia as the headquarters for his startup mainly due to the relatively lower costs than Singapore and the availability of talent, even though iPrice's biggest market is Indonesia.

"It was (about) cost combined with bringing in international talent. We have centralised operations; we bring pretty much all our team members to one location and that's impossible in Indonesia. They are very strict on international visas, it's a very tedious process," he said.

Kamarul Muhamed, chief executive of Aerodyne, echoes a similar sentiment: "I do have the option of doing this in Japan or even Singapore... But I

have stayed here, because we have good diversity in our talent pool; I can get talent quite easily. And it's also a thriving ecosystem."

Malaysia's loss of good startup deals to other countries has been a "wake-up call" for the country, reckoned Kamarul.

"I've been making a lot of noise – Malaysia needs to be a tech powerhouse; we need to do the right thing, we need to invest more to provide a thriving ecosystem. Funding needs to be there."

The Malaysian government has been stepping up efforts. Last year, it launched a fund-matching programme, Penjana Kapital, with a RM1.2 billion (S\$389.5 million) target.

Half of the capital, or RM600 million, comes from selected domestic and foreign investors. The Malaysian government matches the other half. Participating investors have since poured in more capital than the target, bringing the total fund size to RM1.57 billion.

Views have been mixed about whether Penjana can make a dent on the startup scene, with previous media reports highlighting concerns about its opaque structure and whether it can be well-executed.

RHL is a participant in Penjana, to-

gether with South Korea's KB Investment. Addressing the reports, Lau said: "As with every new initiative and innovation that takes place, there will be plenty of naysayers... (Penjana) is determined to help Malaysia grow its digital ecosystem and it has done a great job in attracting foreign capital."

As investors watch how the Malaysian government's efforts pan out, those on the ground are confident about the fundamentals of the country's startups – it just needs more polishing.

Carsome chief executive Eric Cheng reckons that streamlining and simplifying the process to apply for government-sponsored grants would be useful for startups. The private sector also has a role to play, and more partnerships can take Malaysian startups "to the next level", he said.

"The market offers outstanding fertile ground for startups, and people need to understand this. Malaysia's consumer base is strong, it has excellent cost advantages, talent is outstanding and people are highly motivated," said Cheng.

As he sees it, "Malaysia is easy to overlook, but should not be".

Garage is BT's startup vertical. Read more news, analyses and opinions at [bt.sg/garage](http://bt.sg/garage)