ASIAN INVESTING Summit

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Selected Session Highlights from Asian Investing Summit 2020

The following snapshots have been provided by the respective instructors or compiled by MOI Global using information provided by the instructors. The following is provided for educational purposes only and does not constitute a recommendation to buy or sell any security.

Ning Jia

Jiangsu Yanghe Brewery (China: 002304) is the third-largest baijiu (spirits) company in China. The baijiu industry, especially the premium and super premium segment of the industry, has one of the best business models in the world due to the unique nature of the product and unique characteristics of China's spirits market.

Jiangsu Yanghe Brewery has relentlessly and carefully built one of the most recognizable premium and super premium baijiu brands since 2003, as well as a best-in-class distribution network. As a result, the company has compounded sales and profits at an annual rate of 19+% since the IPO more than a decade ago. While Yanghe is facing significant short-term challenges due to a variety of factors, management has taken targeted actions to get back to sustainable growth, with promising early signs of improvement.

Based on Ning's analysis, the recent market quotation of Yanghe offers a sufficient margin of safety and potentially substantial upside for long-term investors.

Deepinder Bhatia

Bajaj Holdings (India: BJHI) is an Indian holding company, 46% owned by the Bajaj Group, with a market capitalization of $2.6 billion. BJHI's major listed holdings are: (a) Bajaj Auto (31.5% owned by BJHI), founded in 1926, and (b) Bajaj Finserv (39.3%).

Bajaj Auto is the second-largest global motorcycle manufacturer and the global leader in three-wheelers, with ~42% volume (by value) exported to Egypt, Nigeria, Sri Lanka, and other countries.

Bajaj Finserv is a diversified financial services company encompassing lending and insurance businesses via (a) 55%-owned Bajaj Finance, which offers consumer loans (~2% market share,

37% five-year loan CAGR, 31% growth in customers in 2018); and (b) 74% of Bajaj Allianz Life Insurance and 74% of Bajaj Allianz General, both unlisted.

Bajaj Holdings provides exposure to the underpenetrated and highly profitable Indian consumer financial services space as well as increasing penetration of two-wheelers across India and other emerging markets. BJHI shares recently traded at a deep discount to NAV (66%, as compared to an average of 58% over the past five years) and a low P/E multiple (5.2x) based on normalized look-through earnings.

The weakening economic environment in India will severely test financial services companies. Bajaj Finance, the consumer lending subsidiary of Bajaj Finserv -- and the business most at risk at the moment -- has a capital adequacy ratio of around 26%. Even a ten-fold increase in non-performing assets (up from Bajaj's industry-best normalized 0.7% to ~7.0% of assets), if it occurs, will be an adverse "earnings event" and not result in impairment to shareholders' equity or reserves. Deepinder expects liquid, well-capitalized, and conservatively managed players such as Bajaj Finserv, Bajaj Finance, and Bajaj Auto to emerge as long-term winners.

Rajeev Agrawal

KRBL (India: KRBL) is the world's largest rice miller and the biggest player in the branded basmati rice market. KRBL's brand, *India Gate*, has 35% market share in the Indian basmati market. KRBL is also the largest player in the Middle East, the largest export market for basmati rice. The company has continued to increase market share in India and most export markets.

KRBL has reported ROE of 20+% and ROCE of 20+% over many years. The company has grown revenue three-fold over the last decade and has grown EBITDA seven-fold in the same period. This growth has been achieved without any equity dilution.

Insiders own 59% of the company. Management has increased its stake from 53% in 2008 to 59% in 2020, driven by open market purchases. The company does not grant employee stock options. Management compensation is under 1% of earnings. Over the past three months, management has bought 38 crores of stock at an average price of INR 252 per share.

Amit Chander

Shalby Hospitals (India: SHALBY) is India's seventh-largest hospital chain in terms of bed capacity. Founded by a reputed orthopedic surgeon, the hospital is a market leader in the field of joint replacement surgery. In the last six years, the company has undertaken significant

capex, expanding bed capacity three-fold and increasing the scope of services to position itself as a multi-specialty platform. The share of joint replacement surgeries is down to 48% of revenue, with increasing contribution from oncology, cardiology, neurology, and nephrology. Shalby has a track record of being an extremely efficient operator, with lowest capex per bed in the industry and with tight management of doctor costs and overhead. It has industry-leading margins. Mature hospitals in the Shalby network sustain ROCE in excess of 25%.

Due to high FCF generation from mature units, only 40% of the expansion was funded with debt, which was repaid from IPO proceeds in early 2018. Debt to equity recently stood at 0.2x. Post-IPO growth has not kept pace with inflated investor expectations as the new units have been in ramp-up phase. The new hospitals have broken even, and earnings are positioned to accelerate due to strong operating leverage in the system. Revenue growth is likely to be 10-11% (underlying market growth), with 16% profit growth due to operating leverage.

Mr. Market seems to have lost patience, and the pre-COVID stock price had dropped to a 70% discount to the IPO price, implying EV/EBITDA of 7.7x and P/B of less than 1.0x, putting zero value on the new hospitals, resulting in an attractive risk-return tradeoff. In light of COVID-related lockdowns and the postponement of routine doctor visits and elective surgeries like joint replacement, business will likely suffer in Q1, and the share price has fallen further in anticipation of this weakness. Hospitals should see faster business recovery as activity normalizes given the essential nature of the services. Leading Shalby is a 55 year-old founder who is highly driven, ambitious, and actively involved in running the business, with high alignment of interest (80% post-IPO stock ownership).

Mehul Bhatt

Nesco (India: NESCO) converted into a pure lease rental business in the 1990s. Nesco owns 65 acres of land in the Mumbai suburb of Goregaon. The land parcel has excellent connectivity and is in close proximity to both Bombay airports. It is located along the western express highway (an arterial road) and the western railway line. This makes the 65-acre land parcel formidable for Nesco's key revenue source: lease income from an exhibition center and IT park.

Nesco has four key lines of business: (1) exhibition center, (2) IT business park, (3) hospitality, and (4) an engineering business. Nesco has a "clean" business, a strong balance sheet, and transparent management. A history of healthy return-on-capital ratios, combined with an attractive valuation, offers attractive return prospects. Future growth plans, sufficiency of internally generated capital for funding growth, the size and locational advantages of the asset, a competent management, and a decent valuation make Nesco a viable investment idea.

Rohit Chauhan

Mahindra Logistics (India: MAHLOG) is an asset-lite third-party logistics company operating in the automotive, pharmaceutical, and e-commerce segments. The company is a subsidiary of the Mahindra & Mahindra group (revenue of $15 billion in 2019), which is active in the automotive, farm equipment, and IT services industries. Mahindra Logistics started as a division of M&M, responsible for the logistics operations of the vehicle and farm equipment divisions. It was spun out of M&M via an IPO in late 2017.

Mahindra Logistics is the largest third-party logistics provider in India, with revenue of INR 39 billion and net profit of 900 million in FY19. Revenue has grown at a CAGR of 15+%, driven by the formalization of the logistics sector, governmental focus on the sector, and migration of retail to online channels. The business has a long runway of growth, while the shares are quoted at ~20x FCF. The coronavirus pandemic does not impact the company's long-term prospects.

Max Hu

GMO Internet (Japan: 9449) is a diversified internet company, mainly engaged in the internet infrastructure business. It is a market leader for domain names and web hosting services in Japan. It also runs online advertising and media, internet financial services, mobile entertainment, and cryptocurrency.

The company has a $2 billion market capitalization, and the shares recently traded at a 2020 forward P/S of 1x, EV/EBIT of 9x, and P/E of 20x. Revenue and earnings should grow by 10% and 20% annually, respectively, over the next three years. While the stock is under the radar of global investors, the internet infrastructure business should benefit from the COVID-19 crisis and digital transformation.

The company is also entering the bitcoin mining and stable coin businesses. The stock is unique because, at the recent quotation, it provides a free option on the bitcoin and cryptocurrency ecosystem. This option could provide significant upside on a five- to ten-year time horizon.

Peter Kennan

Emeco (Australia: EHL) is the largest mining equipment rental company in Australia, with dominant market share. The company provides fully maintained equipment and has in-house capability to overhaul and rebuild equipment, providing Emeco with a competitive advantage.

The shares recently traded at 2.8x EV/EBITDA and 2.5x free cash flow. At 2x net debt to EBITDA, leverage is relatively low and declining. Peter had originally presented Emeco in 2015.

Vinod Moras

Indian Energy Exchange (India: IEX) is India's largest energy exchange with 97% market share but still a small fish in a large pond as it trades ~4% of India's energy consumed. Power consumption is a structural growth theme in India due to the low per-capita consumption. On top of this, the industry dynamics are driving both the power supply and demand from the long-term to the short-term market, benefiting the energy exchanges.

IEX has been taking market share from other products in the short-term market as the company is providing real solutions to industry problems. Since launching eleven years ago, IEX has established itself as a dominant exchange and built a wide moat due to a high-quality management team, wide network of buyers and sellers, technological edge, and product innovation. Business economics are attractive, with low operating cost, fixed cost, and maintenance capex resulting in strong FCF and ROICs of 40+%.

The market quotation is attractive, with the shares trading at ~20x trailing earnings, despite long-term double-digit growth visibility. The company also has new products in the pipeline, where the potential opportunity is large, which offers option value.

Amey Kulkarni

Indian Energy Exchange (India: IEX) is a competitively advantaged platform business on the cusp of breakout growth. The Indian Energy Exchange (IEX), in operation since 2008, is an electronic system-based power trading exchange regulated by the Central Electricity Regulatory Commission. In light of the underlying structural and regulatory changes in the industry, Amey estimates that the company can grow revenue at a CAGR of 20+% over the next decade.

Amit Kumar

Titan Company (India: TITAN) is a joint venture between the Tata Group and the Tamil Nadu Industrial Development Corporation. It is the world's fifth-largest wrist watch manufacturer and India's leading producer of jewelry and watches. The company makes watches, jewelry, precision engineering, and eyewear. It manufactures precious jewelry under the Tanishq brand name and watches under the brand names Titan, Fastrack, Sonata, Nebula, RAGA, Regalia, Octane & Xylys. The company exports watches to 32 countries around the world. Titan's retail chain had nearly 1,800 stores at the end of 2019, with total retail area of 2.3 million square feet.

Titan, recently valued at $10 billion, has annual revenue of $2.5 billion and is long-term play on Indian urbanization and the trend toward branded consumer goods. There is a large presence of unorganized players in the jewelry and watches sectors in India. Gradually, those informal players are ceding market share to Titan and other branded players, driven by increased compliance, business scale advantages, distribution channels, and consumer preferences in favor of brands. There appears to be a long trajectory of growth, with a strong competitive edge, for Titan in Indian market. Earnings should grow fairly consistently for many years to come.

Andrew Macken

Prudential (UK: PRU) is a 170 year-old life insurance company in Asia. Prudential has a market-leading position in nine Asian markets and is well-positioned to take advantage of the multi-decade structural tailwinds associated with (i) an emerging Asian middle class; (ii) growth in financial wealth in Asia; (iii) growing insurance penetration across the region; (iv) growing demand for retirement income; and (v) growing demand for asset management, particularly in equities and bonds.

The company has consistently generated high economic returns and double-digit growth in earnings and embedded value. Yet, the shares recently traded at just 60% of estimated liquidation value, likely due to the following reasons: (i) Brexit-related uncertainty in recent years, as the business is listed in London; (ii) recent Hong Kong protests, as HK is a key market for prudential; and (iii) the COVID-19 crisis. As the perceived risks subside, Andrew expects Prudential shares to more than double over time.

Rajeev Mantri

Bharat Forge Limited (India: 500493) is a globally-renowned, best-in-class forgings and engineering components manufacturer in India, with a recent market capitalization of INR 100

billion ($1.3 billion). The company is in the midst of a business transformation, with increasing focus on defense production and next-generation mobility.

With deep technical capabilities, a track record of profitable growth, sound capital allocation, and conservative financial management, BFL will be able to capitalize on the trends underway in both Indian and global defense, industrial, and automotive markets. The analyst consensus appears to be under-rating the potential of the company's defense production business.

A cyclical downturn in the automotive business has battered the shares, even as it has consistently diversified from the auto sector and grown non-auto revenue and earnings over the past decade. BFL has made key strategic investments to benefit from the electrification of transportation, and given the changes underway in India's defense industry landscape, the unique technical capabilities required for defense manufacturing, and high barriers to entry in the sector, Rajeev views BFL shares as undervalued.

Roshan Padamadan

ITC Limited (India: ITC) is a company that is both defensive and aligned to growth/recovery. The business has a high intrinsic return on equity. Nearly half the business is tobacco, while the second-largest segment is consumer products, reaching over one-half of Indian households. The company has shown an ability to create and nurture consumer brands -- a "brand factory".

Kisalaya Singh

Haier Electronics (Hong Kong: 1169) is the HK-listed subsidiary of China's Haier group that focuses on manufacturing and distributing washing machines, water heaters, and water purifiers alongside distributing other Haier brand products. Consumer durables is a cash cow business with a long growth runway in China and overseas markets, which has been very efficiently run and has continuously gained market share.

While competition is high in low-end product segments, Haier has been steadily moving up the value chain and now dominates the high-end product category via its home-grown high-end brand, Casarte. Profit has grown at a five-year CAGR of 11.6%, far ahead of the revenue CAGR of 4.8%, reflecting the professional management's ability to capture scale and premiumization.

The shares recently traded at a discount to market at a 2020E P/E of 12x, with 36% of the market capitalization in net cash despite ROIC in the high teens. This is reflective of the low

multiples associated with moderate-growth companies in China as well as confusion about the future of company strategy.

In late 2019, an indicative privatization proposal was presented by the parent company that is likely to combine all Haier consumer brands. The timing is uncertain, but this will help bridge the value of the cash for which Haier gets little credit reflected in the 2020E ex-cash P/E of 7.6x. The margin of safety is high in light of Haier's dominant brand position in an oligopolistic market, scale-driven advantages, and a fortress balance sheet. Even if the privatization catalyst fails, it would not be unreasonable to expect strong returns over the next three to four years, driven by moderate growth, steady margins, and the valuation multiple catching up to the market multiple.

Lalaram Singh

Container Corporation of India (India: CONCOR) is the largest container train operator in India with market share of ~70%, based on revenue, 10x bigger than the number-two player. CONCOR has 95+% share based on profit, as container train operations are a scale business. It is the best company to invest in the structural increase in the containerization of cargo and an increase in the share of railways in freight movement in India.

At the moment, the freight transport mix is heavily skewed toward roads (~60% of the market). The share of railways has dropped from ~80% in 1950 to ~30-35% recently. A dedicated freight corridor will significantly improve the railway freight infrastructure and is expected to reverse the trend of freight mix in favor of railways. Further benefit to volume should come from a shift in global manufacturing supply chains from China to India as global companies look to de-risk. CONCOR's volume growth, which has averaged ~6% over the last five years, can increase into the double digits post-implementation of the dedicated freight corridor beginning in June 2020.

Earning power may increase one-and-a-half-fold to $230-250 million over the next two to three years, driven by double-digit volume growth and margin expansion. The recent P/E multiple of 16-17x represents a ~40% discount to the eight-year median multiple of 28x. Negative working capital, with days receivables of only five, leads to strong cash generation and a debt-free balance sheet. The shares offer a dividend yield of ~3%. CONCOR, with 56% of the equity owned by the Indian government, is one of sixteen state-owned enterprises shortlisted for privatization. Privatization could lead to a permanent re-rating of the stock.

Lalaram believes that the shares may have 2.5-3x upside over three years, driven by ~50% earnings growth and a re-rating of the P/E multiple toward the long-term median of 28x.

Sidd Thomas and Kimi Venkataraman

Redington (India: REDINGTON) is a leading distributor of IT products in India and the MENA region (including Turkey). It has 225+ clients, ranging from large IT product companies such as HP, Dell, and Apple to smaller, niche operators such as JABRA. Redington's value proposition lies in its ability to bring products to market through a network of 40,000+ last-mile partners.

Redington shares recently traded at a P/E of 4x, due to a 50% drop in the share price in recent weeks. While the coronavirus-caused disruption will hurt earnings, the business should bounce back given its long-term track record of earnings and revenue growth (ten-year CAGR of ~15%). Sidd and Kimi value the business based on a five-year average P/E multiple of 10x and 2019 EPS, suggesting upside of roughly 100% from recent levels.

Koon Boon Kee

Fisher & Paykel Healthcare (New Zealand: FPH) is the global leader in respiratory humidification medical devices used in respiratory care, acute care, surgery, in neonatal units and operating rooms, and in the treatment of obstructive sleep apnoea (OSA). Over 50 million people in developed countries are affected and the worldwide OSA market is estimated at US$3 billion. When new applications outside of invasive ventilation are included, the growing market opportunity is over US$10+ billion. Very high proportion of revenue from recurring consumables at 86%. A key feature of the company's success has been a consistent focus on its core expertise of heating and humidifying air. The company’s business was built on a vision to imitate the body’s natural humidification process. Humidity is crucial to respiratory health and well-being. The company’s focus on this fundamental belief has seen it expand its portfolio of unique and patented humidification technologies across multiple applications in hospitals and homes around the world. Whether it’s the delicate lungs of a premature newborn baby or the tender lungs of an ageing grandparent, the company has crafted humidification technologies to support their specific respiratory needs. New applications consumables now make up 59% of its Hospital consumables revenue, up from 50% in FY201 and 54% in FY2017. One of the rare few global companies who announced an upgrade in revenue and earnings guidance prior to COVID outbreak (on 14 Oct 2019) and also during COVID (17 Mar 2020) when most companies coughed out profit warnings or withdrew revenue & earnings guidance, due to stronger sales in our Homecare product group and robust demand for its respiratory humidifiers and consumables which are directly involved in treating patients with coronavirus.

CSL Limited (Australia: CSL) is the global #1 leader in blood plasma & biotherapeutics in immunoglobulin (IG) via Behring and influenza vaccine via Seqirus. CSL has a strong portfolio of life-saving medicines, including those that treat haemophilia and immune deficiencies, with

focus in 5 therapeutic areas of immunology, haematology & thrombosis, respiratory, cardiovascular & metabolic, and transplant. CSL is the world's fifth largest biotech firm. The resiliency of CSL has benefited from the strong demand for its seasonal influenza vaccines and a tight market in plasma and a global shortage in immunoglobulin (IG) & albumin products extracted from plasma mostly donated at its 220+ donation centres in the US (235 centers globally) as a result of increased usage for chronic therapies, growing awareness and diagnosis, and the expanding usage for secondary life-threatening immunodeficiency and auto-immune diseases. Global sales of plasma products are US$30 billion a year - a three-fold increase since 2006. While CSL's rivals Grifols and Takeda have been investing in "fractionation" facilities to process blood, not all of them have opened enough collection centres. CSL has 221 collection centres in the US and wants to open another 150 over the next five years. Finding new sites, building centres and getting them licensed is time-consuming. A 12-month processing time from plasma being collected to it being administered to a patient adds to the production bottleneck. Finding donors isn't always easy either. As a result, while CSL held about 30% market share in the IG sector, but because it had invested ahead of its competitors in opening plasma-collection centres, it was responsible for about 50% of the growth in the IG market. CSL is developing a super blockbuster therapy, which is a potential game-changer to prevent secondary heart attack. CSL has also partnered with the University of Queensland in providing its proprietary adjuvant technology to the development of a vaccine for the coronavirus. Adjuvants are used in vaccines to create a stronger immune response and to speed vaccine production and output. Seqirus' adjuvant technology has a long history of use and a strong safety profile in both seasonal and pandemic influenza vaccines. CSL is also exploring the development of a hyperimmune serum from blood plasma of recovered patients.

Pushpay (New Zealand: PPH) is U.S. #1 software leader in payment, community app and donor management for churches. Pushpay serves over 7,905 churches and processing over 18.9 million transactions with over US$4.4 billion in recurring annualized processing volume (APV). Growth is driven by increased adoption of digital giving in the US faith sector (which is a more efficient system for collecting church donations than the traditional method of passing around a collection plate) and increased giving to religion in the US. There are over 340,000 churches with an average 500 attendees each in the US. The company estimates that over US$130 billion worth of donations are made to churches in the US each year, indicating a 3.2% penetration rate and a long runway for growth to capture additional customers and further penetrate its existing customer base. Of 100 of the US's largest churches, 55 have adopted the company's solution for accepting donations from attendees. The company's subscription-based model charges a monthly fee between US$100 and US$10,000, depending on the size of the organisation. ARPC (average revenue per customer or church group) rose 33% yoy to US$1,315 per month and total LTV (lifetime value) of the customer base has increased 64% yoy to US$3 billion, with high customer retention rate of 97.5%. The company has been successful

in acquiring and retaining new customers as it will refund subscription fees if donations don't increase by at least 4% after churches sign up to its platform. Subscriptions contribute 27.8% of revenue, while processing revenue account for 72.2% of revenue. A catalyst for the stock performance is its announcement on 13 December 2019 of the US$62.5 million acquisition of 100% of the ownership interest in the leading US provider of ChMS (church management system) to over 4,000 churches, and that Mr. F, the founder of the acquired ChMS company, who is a prominent figure in the US faith sector, will acquire 2.4% of the company's shares. The combination of the two businesses is set to deliver a best-in-class, fully integrated church management system (ChMS), custom community app and giving solution for customers in the US faith sector, which now stands at over 10,000 churches. The ChMS offering is highly complementary to the company's custom community app and giving solution, with the platforms already delivering a two-way integration. Pushpay is one of the rare few global companies who upgraded its earnings in an announcement on 18 March 2020. Although a number of organisations are temporarily closing their physical premises in response to the spread of COVID-19, Pushpay is seeing a clear shift to digital whereby Customers are utilising its mobile-first technology solutions to communicate with their congregations. In terms of digital giving trends, Pushpay's processing volume was higher than the Company expected prior to COVID-19.

Foshan Haitian Flavoring (China: 603288) is China's #1 soy sauce, oyster sauce and bean paste brand leader. Haitian is the only nationwide domestic brand with a market leadership that is 2-3X bigger than its closest domestic rivals, and commands an overwhelming distribution & POS (point-of-sale) scale across multichannels from organized retail & consumers, restaurants, and food processors. Brand stickiness from product differentiation. #1 in oyster sauce with >50% market share that is >6X ahead of #2 Lee Kum Kee (LKK). Also #1 in bean paste sauce. Traditional Chinese soy sauce uses the solid fermentation process vs the liquid process used by Kikkoman and Lee Kum Kee (LKK). Both undergo natural fermentation rather than chemical synthesis (for low-end products) but in solid fermentation, the thick broth of ingredients ferment under the sun, producing a thicker and richer sauce that is preferred by Chinese consumers. However, the lack of texture consistency limits the production scale and also results in a lack of product breath and quality. Haitian possesses proprietary technology in automated constant pressure cooking and Koji production that substantially reduces soy bean damage and releases new flavors to enhance its product offerings. Leveraging its technology and distribution scale to expand into wine seasoning (2015) and vinegar (2016). Growing importance of soy sauce and vinegar in Chinese cuisines; soy sauce and vinegar are the two biggest categories of the Chinese condiments market, doubling to 53% of demand from 27% in 2008, whereas MSG declined from 30% to 8%.

Zhejiang Supor (China: 002032) is China's #1 cookware (>3X lead over closest rival) & small home electric appliance brand. Since 163-year old French Groupe SEB SA (SK:FP), the global #1 leader in cookware, acquired a majority stake in 2007 (now owns 81.18%), Supor has transformed successfully into China's most innovative small household appliances company, including expanding beyond cookware to the faster-growing kitchen and non-kitchen electrical appliances segment, and having stable export sales market from in-sourcing orders by Groupe SEB. Commands a comprehensive large, multichannel distribution network throughout China with over 60,000 POS, exclusive Supor Lifestores, and its presence, coverage ratio and density of outlets in the faster-growing Tier-3 and Tier-4 markets has taken root over the years which now accounted for 40% of its group sales. E-commerce sales has grown rapidly to account for over 40% of sales from 0% when they started in 2010. Supor has five R&D bases to develop new innovative products (e.g. ball-shaped IH rice cooker) which contribute over 30% of sales annually. Supor has technological superiority far ahead of competitors, benefiting from SEB sharing its patented technologies with Supor to enrich its product offering in China, including Thermospot 火红点, the visual heat-indicator that automatically senses temperature to ensure the best cooking effect, preserve the ingredients' nutrition and taste; Clipso pressure cookers, Ingenio concept (removable handles, which were well-received by consumers.

Shanghai M&G Stationery (China: 603899) is the overwhelming #1 stationery leader in China with the largest, most efficient and stable distribution & POS (point-of-sale) network, with growing online sales in both retail and B2B office supplies (Colipu). In April 2019, M&G acquired Anshuo, China's #1 and the world's largest exporter of wood pencils under the brand Marco. M&G has established a deep and strong unique decentralized marketing network of provincial distribution centers, with more than 1,200 channel partners, 78,000 M&G retail outlets, and 100% coverage key account stores. M&G also built an informational analytics and intelligent warehouse logistics network to carry out product real-time monitoring to have an accurate understanding of market needs. The business of pen is an advanced production industry requiring know-how in precision equipment that include precision lathes, the manufacturing equipment of the same level to manufacture luxury watches, with some requiring even higher precision than watch-making. Because the tip is hollow, the intrinsic quality of tolerance cannot be measured with a measuring tool, as compared to watch parts that are solid. A sophisticated infrared microscope is needed to monitor the quality. Large-scale production is required to maintain product quality, stability and low unit price; dominant leader M&G gets stronger over time. Chen siblings (brothers Chen Huwen and Chen Huxiong and sister Chen Xuxeling) have demonstrated proven strong execution prowess in overcoming various challenges over the years in building M&G since 1989, from toppling former leader TrueColor (M&G is >3X larger now) to expanding online.

Chacha Food Co. (China: 002557) is China's overwhelming #1 packaged roasted seed snack maker (market share leadership of around 50% is 4X larger than #2 Pigeon brand) who has successfully expanded since 2017 into fresh nut snacks (20-25% of sales, +70% yoy). Consumption upgrades in China has driven the growth of healthy food categories, and nuts have become the most popular snacks as consumers believe that nuts are healthier. The business of roasted seeds is stable and consumption pattern of consumers is entrenched in the Chinese habit and lifestyle. Chacha has built up a formidable offline sales channel of over 400,000 POS nationwide. Unlike other low-margin nut snack rivals with no pricing power who choose the OEM model, especially leader Three Squirrels (300783) who is reliant on promotions and discounts in its online channel to acquire customers, Chacha insist on self-production and only using fresh nuts of the season. Chacha has invested years to master the key preservation and production technology (e.g. Swiss light-baking, low-temperature slow-roasting process to ensure the crisp taste of each nut) before expanding into nuts, as well as investing in 9 international-standard factories, including China's first overseas nuts factory in Thailand which is operational in 2019. Chen Xianbao founded Hefei Huatai in 1995 and focused in 1999 as the pioneer in transforming the traditional "dirty" bulk seeds into a clean packaged product with pioneering roasting technology in which selected spices are blended with Chinese herbal medicines and savvy marketing (e.g. cultural cards, Tang & Song poems, and comics in the package).