



Analysis on Asian Capital Markets Epitomize by Stock Markets

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Abstract

This report aims to determine several of the top ten stocks in six different firms in diverse nations, which includes the four Asian tigers Singapore, Hong Kong, Korea and developed country Japan, two developing countries China and India. Different stock markets have different standards, Japan, Hong Kong and Singapore is better established. The method uses to select target stocks based on two parts, first one is stock market location and the degree of regulatory perfection, another is company itself. Mature stocks markets protects both companies and shareholders in comprehensive approaches, even a minority foreign investor would be involved, their rights all protected by laws. All the data collect from reality markets and official investment journals, the developed markets have a complete information disclosure, there would be less possibility involved in dictatorship control. The second way to analyze the companies is figure out company structure and its performance during current years, in developing markets, family capitalize, and state owned more likely to exist, scandals and corruption damaged shareholder's rights. Based on all these standards, choose stocks of suitable company worth investing.

Keywords

Asian capital markets, Stock markets, Asia-Pacific Economic research

Introduction

This report aims to determine several of the top ten stocks in six different firms in Asian markets, which includes the four Asian tigers Singapore, Hong Kong, Korea and developed country Japan, two developing countries China and India.

Different stock markets have different standards, Japan, Hong Kong and Singapore is better established. Chinese firm with large market value usually is State-owned enterprises, Indian firms more likely controlled by individuals. These stocks all from TOP ten largest capitalization in their own market. Three stocks recommended to invest are: Tencent Holdings

Limited, Sony Group corporation and DBS Bank. Three stocks need to avoid are: Samsung, Reliance industries and ICBC bank. The report below would discuss advantages and disadvantages of each stock, approaches they protect shareholders equities, would be examined while companies making further strategies.

1. The analysis of recommend Asian companies.

1.1 Sony Group Corporation

Sony Group Corporation is the fourth largest market capitalization in Japanese stock market, This Company is specialized in high-quality electricity product, and Sony is also manufacturer of world audio-visual video game and communication products operates in diverse nations including Asia.

1.1.1 Advantages:

1) Advantage of Symphony Plan system motivation to firms.

Sony has provided a plan called “Symphony plan” to enable employee’s harmonizing life and career. Everyone faces life-changing events in their lifetime that can hardly forecast when will occur, such as pregnancy, childbirth and treatment of illnesses or other. Sony’s Symphony Plan is designed to potentially support and create a flexible environment for employees available to enjoy their moments under the support of a solid-work balance at any career stage and can continue working any time. This strategy increased the reputation of Sony in the industry which protects the rights of shareholders.

2) Advantage of Sony has Stable dividend and cashflow.

Since Sony’s highest-margin business is streaming music services, with operating margin approximately 20% in 2020 fiscal year. Continually having capitalized growing demand on market, although dividends hit a historic high of JPY55 per share in FY3/2021 the payout ratio was 6% lower than before. Sony considers dividends as an important way of rewarding shareholders even though dividend yields are unattractive (Gemici & Lai, 2019). This remains Sony well-capitalized shareholders understandably expect more returns as retained earnings are available for distribution. This phenomenon provides shareholders a profitable investing future.

3) The ownership of Sony is diversified.

The shareholding diversification of Sony was a historical stride compared with family-owned sole ownership companies. The top three shareholders of Sony are The Master Trust Bank of Japan, Ltd. (17.9%), Citibank as Depository Bank for Depository Receipt Holders (9.7%) and Custody Bank of Japan, Ltd. (6.2%) respectively (MarketScreener, n.d.) This represents ownership of top three shareholders all do not exceed 20%, the control right of Sony is diversified which well protect the legal rights of minority shareholders in Sony.

4) Sony always keeps extending to the global market.

The company strategy expanding into the indie market and leveraging its capabilities in film and video game production to cross-promote artists on interactive platforms like PlayStation, Movies and Peloton interactive in order to maintain the position. Peloton always pushing for exclusive music deals for increase competitiveness in the changing market. Sony is always keep growing in their business, this would create positive constant dividend cash flow for shareholders.

1.1.2 Disadvantages:

Lack of consistent growth in majority segments

The weight of mobile communications constructs large portions of Sony’s revenue. It is hard to maintain sustainable steady growth under high competition in 2020. The mobile communication departments have a high sensitivity of global recession only accounted for 10% of SONY’s revenue in fiscal 2020 (Ballard, 2021). It should be a solid contributor to SONY’s operating profit but lacking competitive since revenue decreased 12.4% compared with last year. The Management forecasts operating profit of music is decreasing and have a long time to return positive (Ballard, 2021). This phenomenon may influence the long-term strategy of Sony and damage shareholder’s profits.

1.2 DBS Bank Ltd.

DBS Bank Ltd. (DBS) is an Asian leading finance serving group with branches in 18 markets worldwide, DBS can be considered as a global banking leader, DBS investigate forefront between digitalization and banking line product indicates DBS core concepts develop a digitally company with technology as its foundation.

1.2.1 Advantages:

1) Mature laws and institutions published protect institutions.

Singapore has a strong and open business environment with a relatively low tax rate, it ranks high position in World Bank’s Ease of Conduct Business List all about strict regulations. DBS group develop here and become headquarters of Singapore market. The achievements DBS group made all undergirded by political stability and its transparent corruption-free legal framework in Singapore. Key principles of “antitrust law” and contract laws published behind the basic legislative acts protect the development of DBS (CorporateServices.com, n.d.). This market is suitable for DBS develop and reduced market risks.

2) DBS have several branches on the globe and performing well.

DBS have branches in priority markets Asia. The strong performance demonstrates the focus of DBS and commitment to the Asian market. In 2021, DBS strengthened customer relationships and expanded footprint in the

country through a unique strategy. Despite the prevailing headwinds, DBS confident that company will continue to capitalize on growth opportunities.” In June 2020, Forbes named DBS in its 2020 list of the World’s Best Banks. DBS bank ranks the first out of 29 domestic and international banks present in Singapore (Dbs.com, 2020). The high performance shows a great satisfaction and high practicability in customers, which also beneficial for shareholders.

3) DBS has adequate and transparent information.

On the official website of DBS, it shows the basic data for their investors and shareholders, such as quarterly financials and share prices information. there are latest news of events and analyst conference call transcript which shown on the list, it is shown “more like old pals, less like a bank”, this benefit gets familiar with policies and company performance, which helps in making accurate latest investment decisions (Dbs.com, 2020), latest information is favorable for further investing and would generate more returns for shareholders.

4) DBS follows sustainable investment.

DBS focused on sustainable development, suppliers’ sustainability, live better for a sustainable future, towards zero food waste and accelerating net zero commitment (Dbs.com, 2020). The DBS group is doing meaningful things beyond banking, which follows the footprint of Singapore government and the World, these plans perfectly suitable for the direction of Singapore Green plan 2030, which is highly coincident with Singapore government plan, and beneficial for shareholders further investing.

1.2.2 Disadvantages:

Disadvantage of Scandals involved money-laundering in 2020.

DBS have been embroiled in scandal around IMDB, which includes preliminary investigation found "extensive layers of transactions and subterfuge aimed at disguising the nature of certain activities and fund flows," with shell companies in various jurisdictions used to conceal the funds' true beneficiaries (Franklin, 2020). All these plans designed potentially to evade systems and controls, may damage interests of shareholders.

1.3 Tencent Holdings Limited

Tencent Holdings Limited ranked first in Hong Kong stock market, it is one of the largest tele-communication companies also a grossing multimedia companies in the world.

1.3.1 Advantages:

1) Tencent have sectional tactic arrangement.

Tencent have a strong cash position fully purchase share buybacks with approximately \$26.3 billion cash plus term deposits equivalent \$18.7 billion. These potentially reduce stake of the biggest shareholders Prosus NV enables buybacks on Tencent’s share price. Tencent recently completed a regular review of its sprawling portfolios. This strategy diversified the ownership of Tencent and benefit for minority shareholders.

2) Hong Kong market has mature regulations.

Hong Kong market is governed by securities and future ordinance (SFO), Companies regulations also controlled by Companies ordinance (CO). All listed firms are regulatory regime governing and financial service sector companies. These regulations largely standardize market order and protects shareholders.

3) Benefit plans Tencent provided to motivate management.

Tencent follows a merit-based wages system, old employees who have working over 5 years have a long-term health insurance which lasting until they been retired, and 15 years would be provide a special reward which they can leave their job earlier with a retirement benefits package which includes 50% locked stock and bonus base year salaries (Team, 2021). Tencent offers beneficients makes employees feel safer and more supported.

1.3.2 Disadvantages:

Privacy scandal has influenced share price of Tencent.

In recent years, there were some scandals of privacy issue about WeChat, one of Tencent’s product related technology issues, which has negative impact on user’s privacy, this event leading to share price dropped.

2. The analysis of deprecated Asian companies.

2.1 ICBC Bank

The ICBC bank is the sixth largest capitalization in Chinese stock market, the Bank has become one of the

world's leading banks, with a high-quality customer base, diversified business structure, strong innovation ability and market competitiveness.

2.1.1 Disadvantages:

1) Disadvantage of SOE concentrated equity distribution firstly consider governments profits.

Since ICBC is largely partial controlled by Chinese government, since they owned via Central Hujin with a 34.71% of investment shares. ICBC need adopt actions may not benefit for investors, such as offer 50-million liquidity cash flow for industries influenced by Covid-19. However, stand at investor perspective, it should increase interest rate and attracts more deposit to maximize investor profit, however, this would go against with Chinese government. This would damage profits of shareholders.

2) SOE have agency problems.

As ICBC is Chinese state ownership, there have poor governance structure which leads to agency problems (Cossin & Lu, 2012). ICBC need to promote corporate governance in the banking sector, China had to transfer portion ownership to shareholders in order to achieve more availability of regulating. After this changing, agency problems like corruption and over control are likely to increase, this eliminates rights of shareholders (Cossin & Lu, 2012).

3) Disadvantages of not using International internal control standard.

ICBC did not establish an internal control system since they did not pay enough attention to internal issues. The COSO Committee established the International standard Risk Integrated System in 2004 and emphasizes the importance of company's risks. ICBC has ignored internal control and should adapt to current unpredictable environment. ICBC need fix their internal control standard establish its mechanism. In combination with the bank's various internal and external evaluations, if there are serious deficiencies in internal controls, this will not help the company's long-term development.

2.1.2 Advantages:

1) Advantage of High social stability and employment hiring condition.

As ICBC is one of state-owned enterprises, it can be considered as complement of social society system. China has made several policies make SOE system getting better under COVID-19, such as supplying sufficient funds to ensure the stability of financial system, this action also affects the social security of government.

2.2 Reliance industries Limited

Reliance industries Limited is the largest market capitalization listed company in India market and becomes most profitable company which committed to innovation-led exponential growth in oil and gas exploration and production, oil refining.

2.2.1 Disadvantages:

1) Disadvantage of low-level market regulations.

Businesses operating in India spend 243 hours a year processing 33 types of taxes. The main corporate income tax rate will be 30 percent, and companies will pay several taxes including property tax, net income tax, consumption tax and so on. India is still in a period of excessive regulation and compliance requirements. The Indian government's world-class industry seems lost its directions in regulatory of dabbling with blame. The low-level regulation in Indian market would damage the interest of shareholders

2) Too complicated Managerial hierarchy while family control weakens the international competitive.

In past decades, the United Progressive Alliance (UPA) pusillanimous governance and vindictive tax, aggrandizement largely influenced the structure of reliance industries .Reliance Industries over the decades, it is funding political parties, especially this bonanza proposed stopped the UPA government from doubling gas prices. The Bhartiya Janata Party (BJP)-led government has more insider cooperation to provide good administration, economic development and to act as a Chowkidar to India's national wealth. These strategies maximize the Indian governments profit but ignore the foreign shareholders and may damage their interest. Banks' accumulation of massive bad loans. These liabilities cannot be paid and would influence the future development.

3) Crony capitalism Political sensitivity which harms foreign investors.

The Indian government controls gas price, this action represents Reliance Industries continues dominating markets.

Reliance industries become sole beneficiary of the duty hike, since government impose anti-dumping duty on imports of purified terephthalic acid (PTA) as there exists a huge gap of demand and supply in PTA, which would reap big profits from the cost imposed on foreign suppliers, this largely sparking a furore in the Indian market.

2.2.2 Advantages:

The reliance industries become most valued firms in Indian market.

Reliance industries committed to transferring several services departments to providers of external service provider. This generates high return and benefits would support company competitive in market. Committed projects to countries with lower production costs reducing the cost of communication, create new business opportunities for shareholders.

2.3 Samsung electronics

Samsung is a family-owned manufacturing conglomerate based in South Korea. It consists of numerous subsidiaries, most of which are united under the Samsung brand, and is the largest chaebol (business conglomerate) in South Korea.

2.3.1 Disadvantages:

1) Family capitalism involved in Political Scandal spell out bad control.

Samsung heir Lee involved crimes with Korea former president who jailed for corruption and bribery. Lee sentenced to two years and six months in prison in South Korea. Samsung repeatedly involved in crimes when change in political power. This event creates leadership vacuum and hamper Samsung's decision-making on future large-scale investments (BBC, 2021). The family capitalism unable to plan further strategic decisions even net cash over 81 billion dollars to invest and crippled in its ability to compare with SOE, like most family business, Samsung would eventually force to bet all its hopes on professional managers rather than founding families. This may largely damage the interests of shareholders.

2) High competition in Asian market especially China.

Since China is a target market and a competitor of Samsung, the market share of Samsung in China is changing, it plunged from double-digit levels to less than 1% last year, the firm reluctantly started a plan to move factories out of the country, eventually moving them to Vietnam and India over a decade. Steeply Exiting Chinese market also shows a wrong step in company strategies.

3) The share structure of Samsung would violate other shareholders rights and voting.

The complex structure of Samsung limits the rights of other shareholders and makes the company vulnerable to sudden changes such as illness of controller. In the event of his death, other family member in Samsung needs pays huge taxes in order inherit stocks and the actual control rights of Samsung. Since Samsung have restricted the voting rights of shareholders.

2.3.2 Advantages:

Samsung still dominates Korean market.

Since Samsung is South Korea's largest conglomerate, and have more than 500,000 employees on the globe, Samsung electronics dominates global consumer market, Samsung mobile only has 0.8% market share in domestic market, it still occupies more than 20% market share in the global market, Samsung still performing well at semiconductor businesses.

3. Conclusion

In conclusion, the six stocks from diverse markets all have advantages and disadvantages, Stocks in Matured stocks seems have a comprehensive regulation and more recommended to purchase, Sony group corporation, Tencent holdings, and DBS BANK, the three preferred stocks in mature stock market including four Asian tigers, beneficial for their company growth and shareholders. The three stocks need to avoid are ICBC bank, Reliance industries and Samsung. Since Samsung and Reliance industries ownership structure are not diversified and have scandals or low regulation issues may harm shareholders rights in decision making, ICBC bank owned mostly by Chinese markets, some agency problems exists and damage interest of foreign shareholders. It can be concluded that different market has diverse features, all the market should make up for the deficiency continually improving to a healthy market.

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