

THE FOCUS LIST

Public Bank rules the roost



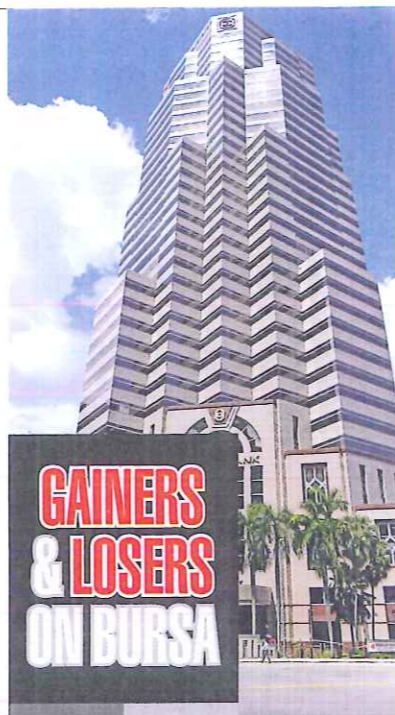
by Stephanie Jacob

It was a tough and volatile 2016 on Bursa Malaysia, but 48 listed companies bucked the trend and delivered stronger profits. Our final Focus List for the year features the companies which successfully navigated the headwinds.

The year's best performer in terms of profits was Public Bank Bhd which chalked up a net profit of RM5.1 bil for financial year ended Dec 31, 2015, up 12.23% from RM4.6 bil a year earlier. For the first nine months of FY ending Dec 31, 2016, the second largest bank in market capitalisation booked a net profit of RM3.8 bil, up 5.5% from RM3.6 bil in the previous corresponding period.

Following the group's Q3FY16 results, MIDF Research upgraded its call on Public Bank to buy, with a target price of RM22.20. "We are impressed that the group has managed to weather the current weak environment," it said, highlighting the group's good asset quality, robust loan growth and net interest margins holding steady for the upgrade. The counter closed at RM19.80 on Dec 16.

RHB Research in a recent report said while it was neutral on the banking sector, it has a buy call on Public Bank with a target price of RM22. It said it preferred banks which offer investors solid asset quality and better earnings predictability, and viewed Public Bank as best capable of meeting these.



Best-performing stocks by sector 2015/16

Rank	Company	Sector	Net profit latest FY (RM'000)	Net profit previous FY (RM'000)	Net profit growth	Revenue latest FY (RM'000)	Revenue previous FY (RM'000)	FY end	Current cumulative YTD net profit (RM'000)	Previous cumulative YTD net profit (RM'000)
1	ML Global	Construction	10,174	118	8,526.58%	37,026	8,460	12/2015	2,988	2,766
2	TRC Synergy	Construction	30,829	2,435	1,166.08%	767,986	814,956	12/2015	20,673	21,872
3	Ekowest	Construction	155,606	20,006	677.80%	793,582	438,015	06/2016	40,094	3,124
4	Triplix	Construction	23,978	7,130	236.30%	50,503	50,234	05/2016	1,582	3,628
5	Benalec Holdings	Construction	18,055	8,474	113.06%	323,083	180,540	06/2016	6,186	1,861
1	Federal Furniture Holdings (M)	Consumer products	6,462	2,043	216.30%	101,736	66,759	12/2015	3,380	4,031
2	CI Holdings	Consumer products	38,348	13,093	192.89%	1,305,383	399,278	06/2016	7,201	13,802
3	Formosa Prosonic Industries	Consumer products	22,079	7,696	186.89%	310,008	252,133	12/2015	13,330	11,555
4	Tek Seng Holdings	Consumer products	28,657	11,389	151.62%	359,517	232,111	12/2015	55,146	12,565
5	Chee Wah Corporation	Consumer products	6,967	2,897	140.49%	92,352	95,262	06/2016	1,288	2,757
1	Syarikat Takaful Malaysia	Finance	163,306	138,735	17.71%	1,788,574	1,652,639	12/2015	135,642	122,432
2	LPI Capital	Finance	320,989	283,016	13.42%	1,284,586	1,169,693	12/2015	355,773	218,778
3	Public Bank	Finance	5,121,239	4,563,340	12.23%	19,181,550	16,860,071	12/2015	3,768,166	3,614,068
4	RCE Capital	Finance	39,571	36,205	9.30%	162,386	131,186	03/2016	35,930	19,652
5	AEON Credit Service (M)	Finance	228,222	215,726	5.79%	965,234	871,600	02/2016	117,921	106,727
1	Evergreen Fibreboard	Industrial products	94,091	1,577	5,866.46%	1,012,017	918,789	12/2015	51,691	72,843
2	Ge-Shen Corporation	Industrial products	14,993	2,530	492.61%	137,441	85,000	12/2015	9,688	12,697
3	Comfort Gloves	Industrial products	23,485	4,257	451.63%	229,838	155,217	01/2016	9,404	9,098
4	Concrete Engineering Products*	Industrial products	12,005	2,367	407.23%	192,375	222,539	08/2016	12,005	2,367
5	Metrod Holdings	Industrial products	30,647	6,560	367.18%	1,733,404	16,551,178	12/2015	612	20,558
1	TIME dotCom	IPC	465,375	172,402	169.94%	682,364	596,283	12/2015	292,774	428,817
2	YTL Power International	IPC	1,178,456	920,398	28.04%	10,245,174	11,858,093	06/2016	150,604	174,134
3	Lingkar Trans Kota Holdings	IPC	174,097	137,889	26.26%	416,235	380,733	03/2016	120,018	82,364
1	Gopeng	Plantation	7,970	1,017	683.32%	9,237	9,491	12/2015	3,679	6,830
2	Innoprise Plantations	Plantation	20,459	7,566	170.42%	115,045	57,816	12/2015	24,085	16,432
3	Kuala Lumpur Kepong*	Plantation	1,683,140	884,038	90.39%	16,505,810	13,649,991	09/2016	1,683,140	884,038
4	Batu Kawan*	Plantation	1,776,895	970,468	83.10%	16,969,251	14,055,308	09/2016	1,776,895	970,468
5	Boustead Plantations	Plantation	72,259	52,418	37.85%	615,195	717,321	12/2015	175,182	75,081
1	Ewein	Properties	15,916	2,885	451.68%	87,732	44,640	12/2015	14,678	11,171
2	Sunsuria*	Properties	49,260	13,324	269.71%	202,401	85,563	09/2016	49,260	13,324
3	Selangor Properties	Properties	593,680	196,895	201.52%	99,491	101,121	10/2015	9,964	109,861
4	Eco World Development Group*	Properties	129,281	43,856	194.79%	2,546,437	1,712,061	10/2015	129,281	43,856
5	OSK Holdings	Properties	569,802	204,255	178.97%	760,735	59,928	12/2015	171,772	484,764
1	Amanah Harta Tanah PNB	REITS/Hotels	12,305	3,887	216.56%	13,299	13,437	12/2015	3,595	2,493
2	UOA REIT	REITS/Hotels	110,317	49,116	124.60%	91,935	90,387	12/2015	34,692	35,776
3	AmFIRST REIT	REITS/Hotels	68,373	38,340	78.33%	99,794	106,889	03/2016	11,481	15,932
4	Shangri-La Hotels Malaysia	REITS/Hotels	138,266	85,792	61.16%	500,253	513,679	12/2015	70,465	87,908
5	MRCB-QUILL REIT	REITS/Hotels	60,698	40,283	50.68%	115,174	70,249	12/2015	45,852	37,646
1	D&O Green Technologies	Technology	17,560	3,716	372.55%	433,109	421,324	12/2015	13,818	13,894
2	Vivocom International Holdings	Technology	10,207	3,703	175.65%	97,945	66,008	12/2015	64,618	6,206
3	Unisem (M)	Technology	157,248	67,750	132.10%	1,260,425	1,038,279	12/2015	111,830	96,136
4	Pentamaster Corporation	Technology	12,290	6,043	103.38%	83,604	81,047	12/2015	18,785	10,642
5	GHL Systems	Technology	10,242	6,371	60.76%	211,380	164,933	12/2015	13,762	7,107
1	Complete Logistic Services	Trading/Services	16,338	1,027	1,490.85%	125,696	127,198	03/2016	6,438	7,612
2	Cycle & Carriage Bintang	Trading/Services	52,125	10,334	404.40%	1,580,024	922,463	12/2015	37,461	41,931
3	Infinity Corporation	Trading/Services	3,062	668	358.38%	75,228	44,246	12/2015	4,058	1,624
4	Metronic Global	Trading/Services	4,061	1,241	227.24%	36,335	33,057	12/2015	6,234	484
5	EA Technique (M)	Trading/Services	37,741	14,234	165.15%	549,051	155,657	12/2015	30,492	26,194

* Latest financial year figures are unaudited
Sources: Bursa, Bloomberg | Researched by Mathenny K and Johnny Loh



Batu Kawan, KLK did well

Coming in second and third were plantation companies Batu Kawan Bhd and its 46.57%-owned Kuala Lumpur Kepong Bhd (KLK) respectively, both posting strong profit growth year-on-year (yoy). Batu Kawan's net profit jumped 83% to RM1.8 bil for FY ended Sept 30, 2016 from RM970 mil previously.

Top five profitable companies

Compiled by Mathenny K and Johnny Loh

Public Bank Bhd

Despite its other operating expenses rising 11.9% to RM2.92 bil in FY15 from RM2.61 bil in FY14, Public Bank's net profit firmed 12.23% to RM5.12 bil from RM4.56 bil.

The higher net profit was driven by continued healthy loan and customer deposit growth coupled with sustained strong asset quality. Gross loans grew 11.6% to RM273.4 bil (FY14: RM245.04 bil). Total customer deposits rose 8.9% to RM301.2 bil (FY14: RM276.5 bil), due mainly to higher net interest income,



and impaired loan ratio improving to 0.5%.

Net profit for M9FY16 grew 4.26% to RM3.77 bil against RM3.61 bil in the previous corresponding period, due to higher net interest income and income from Islamic banking business.

Public Bank is the second largest bank after Maybank with a market capitalisation of RM76.46 bil. It is controlled by founder and chairman Tan Sri Teh Hong Piow, 86, with a 23.54% stake (22.9% held through his Consolidated Teh Holdings Sdn Bhd).

Batu Kawan Bhd, Kuala Lumpur Kepong Bhd

In FY16, Batu Kawan's net profit jumped 83.10% to RM1.78 bil year-on-year from RM970.47 mil. It was due to recognition of a RM489.3 mil surplus from the sale of plantation land to an associate and improved performance of most of its divisions (plantations, manufacturing and oleochemical). Revenue grew 20.7% to RM16.97 bil from RM14.06 bil a year ago.

Batu Kawan was founded in 1965 and is headquartered in Ipoh, Perak. In 1971, it took over the assets and liabilities of its predecessor company, Batu Kawan Rubber and Coconuts Plantations Ltd under a scheme of reconstruction and commenced operations as a plantation company. It has through its subsidiaries diversified into other businesses such as chemical manufacturing, transportation and property investment.

Batu Kawan is led by managing director Datuk Lee Hau Hian, 63, with his brother Tan Sri Lee Oi Hian, 65, as chairman. Both are controlling shareholders with 48.59% held through Arusha Enterprises Sdn Bhd (via Wan Hin Investments Sdn Bhd).

In 1992, the company disposed of its plantation assets to Kuala Lumpur Kepong Bhd (KLK) in exchange for shares

BATU KAWAN BERHAD

and became the latter's controlling shareholder. Today, KLK holds 46.57% in most profitable investment.



In FY16, KLK's net profit surged 90.39% to RM1.68 bil (FY15: RM884.04 mil). Like Batu Kawan, KLK's higher net profit was attributable to recognition of a RM489.3 mil surplus from the sale of plantation land to an associate and also higher revenue from its plantations, manufacturing and oleochemical divisions. Revenue grew 20.95% to RM16.51 bil in FY16 (FY15: RM13.65 bil).

KLK was established over a decade ago in London as Kuala Lumpur Rubber Company before its operations were transferred to Malaysia and adopted its current name. It is one of the largest plantation companies with a land bank of over 270,000ha across Peninsular Malaysia, Sabah, Indonesia and Liberia.

Besides oil palm and rubber, KLK is also into manufacturing oleochemicals and property development. Oleochemical is the core business of its manufacturing division and is the world's largest palm oil-based oleochemical producer. Its property division's projects include Desa Coalfields, Sierramas and the 1,000-acre Bandar Seri Coalfields which is being developed. Oi Hian is CEO of KLK.

YTL Power International Bhd

Founded in 1996, YTL Power International is involved in power generation, multi-utility business, water and sewerage, mobile broadband network and investment holding.

Led and controlled by chairman Tan Sri Yeoh Tiong Lay, 87, the company's FY16 net profit rose 28% to RM1.18 bil from RM920.4 mil in FY15. It was attributed to better performance of its water and sewerage segment, and improved results from its Indonesia-based



associate company PT Jawa Power due to higher deferred tax credits on the revaluation of its power plant.

However, for Q1 ended Sept 30, net profit dropped 13.51% to RM150.6 mil from RM174.13 mil in the previous corresponding quarter, due to absence of revenue from the power generation segment following the expiry of its power purchase agreement with Tenaga Nasional Bhd on Sept 30, 2015. Lower contribution from its Indonesian associate company also hit its bottom line.

Selangor Properties Bhd

Selangor Properties, founded in 1963 by Puan Sri Chook Yew Chong Wen, is a major property developer. It is also involved in property investment and operation of educational facilities. Its properties include Aira Residence, Permatang Heights, Menara Milenium, Plaza Batai, Kompleks Pejabat Damansara and Taman Tunku Apartments.

Chook, 94, is still the company's chairperson. Its FY15 net profit jumped 201.52% to RM593.68 mil from RM196.9 mil in the preceding FY. It was attributed



mainly to the sale of a 25,686 sq m freehold land in Kuala Lumpur, which was completed on Sept 30, 2015 and raked in a gain of RM404 mil.

For M9FY16, net profit plunged 90.93% to RM9.9 mil from RM109.86 mil in the preceding corresponding period, due to the development division's operating losses as no revenue was recorded other than sale of low-cost shops. The company also incurred a forex loss of RM27 mil against a RM92 mil gain in M9FY15.

KLK posted a net profit of RM1.7 bil, 90% higher yoy than the RM884 mil in the previous FY ended Sept 30 last year.

Both companies benefited from higher crude palm oil (CPO) price which rose 28.9% from RM2,436 on Jan 4 to RM3,142 on Dec 19. A RHB Research sectorial report attributed this to the stronger US dollar as well as lower-than-expected output, which helped some plantation counters mitigate the weaker demand from major markets such as China and India.

The research house said going forward, CPO prices are likely to remain on the high side in the first quarter of 2017. "We believe CPO prices are likely to stay at current high levels until Q1FY17, given the anticipated weakness in output that quarter, coming from the 24-month lagged impact of El Nino," it opined.

However, it expects recovery in CPO production and higher soybean output, which will weigh on CPO prices. While RHB Research sees the overall outlook of the plantation sector to be neutral, its top pick is KLK. It has a buy call on the counter with a target price of RM26.80. It traded at RM23.86 on Dec 16.

The research house says it likes the stock due to the "geographical diversity of its land bank, its exposure to Indonesian downstream operations which enjoys tax advantages and its relatively inexpensive valuations versus its peers."

Bad year for ringgit

Although some listed entities benefited from the weaker ringgit, many others did not. Overall, the local note had another bad year, hitting 4.48 to the greenback on Dec 12, the lowest since the 1998 Asian financial crisis.

Year-to-date, the ringgit is down about 3.03%, while the benchmark KLCI shed 3.38% to 1,634.30 as of Dec 19.

To recap, the ringgit took a big hit at the start of 2016 when the price of Brent crude oil per barrel crashed to US\$26 on Jan 21. Rock-bottom oil prices also impacted the KLCI which fell to a year-low of 1,600.9 points.

However, the index rebounded in April after the European Central Bank indicated a more dovish policy in line with other major central banks. But markets retreated again over expectations that the US Federal Reserve (Fed) would raise interest rates in the summer - which it did only on Dec 14.

Britain's surprise Brexit vote to leave the European Union also hit global markets hard, but the pressure was relatively short-lived.

The ringgit was dealt a further blow when Donald Trump won the US presidential election in early November. The local note tumbled against the greenback due to fears that he would embrace a more protectionist stance on trade and embark on a large infrastructure stimulus which would increase inflation and potentially lead to more hikes by the Fed. The latter would likely trigger large fund outflows from emerging economies like Malaysia.

Worst performers

While there were some winners amid the storm, many Bursa counters foundered as evident in our listing of the 50 worst performers.

Malaysian Bulk Carriers Bhd incurred the largest net loss of RM1.2 bil for FY ended Dec 31, 2015, plunging 6,957% from a net profit of RM17.5 mil in the previous corresponding period.

In second spot is Perisai Petroleum Teknologi Bhd which reported a RM690

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