

# More downs than ups in 2016

A review of the 10 stock picks featured just over a year ago

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**KUALA LUMPUR:** The Malaysian stock market saw more downs than ups in 2016, with the FBM KLCI closing at 1,641.73 points on the last trading day for the year on Dec 30, down 0.7% compared to the first trading day of the year (Jan 4, 2016) when it closed at 1,653.37 points.

The market volatility in 2016 was caused by two unexpected shocks: Brexit and the election of Donald Trump as the 45th president of the United States.

Against this backdrop, most of the 10 stock picks featured in these pages on Jan 4, 2016 are under water.



**Sunway Construction Group Bhd**

Sunway Construction Group Bhd (SunCon) was listed among analysts' top "buy" companies in the construction sector in 2016 given its strong outstanding order book, which will continue lifting its earnings upwards this year.

Maybank IB Research said in a note dated Nov 23, 2016 that SunCon's outstanding order book of RM4.8 billion (of which RM2.6 billion was won in 2016, exceeding its internal target of RM2.5 billion) would anchor the company's earnings growth in 2017.

Furthermore, SunCon is hoping to clinch jobs from the Klang Valley light rail transit Line 3, Tun Razak Exchange and Gemas-Johor Baru electrified double tracking rail projects. These, coupled with Sunway Bhd's property development projects, would contribute further to SunCon's forward order book.

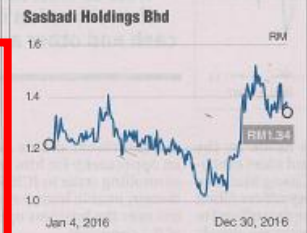
SunCon's share price settled at RM1.70 on Dec 30, 2016, rising 29.5% from RM1.31 on Jan 4, 2016.

"Tiong Nam has 77 warehouses with a combined capacity of 4.7 million sq ft net lettable area that can potentially be a REIT.

"Our back of [the] envelope calculation suggests that Tiong Nam's warehouses could have a value of up to RM870 million, assuming 6.5% capitalisation rate.

"This, however, excludes other assets held by its owner [under his private vehicle] which could also be injected into the REIT," the firm said.

Tiong Nam's share price appreciated by 18% in 2016, from RM1.35 on Jan 4 to RM1.59 on Dec 30.



**Sasbadi Holdings Bhd**

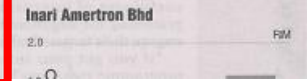
As one of the best proxies to the education sector, further supported by a lean operating structure and complementary business models, Sasbadi Holdings Bhd was able to reap high return on equity (ROE).

AllianceDBS Research's Cheah King Young said in his note dated Jan 25, 2017 that Sasbadi is set to see significant contributions from its network marketing business beginning FY17.

The group's efforts in recruiting members for its network marketing business and engaging in such marketing strategies would lead to better recognition and appreciation of its digital products by consumers, Cheah said.

AllianceDBS reiterated its "buy" recommendation on the educational materials publisher with a higher target price of RM1.75.

For the period under review, Sasbadi's share price had risen 10.2%.



In a Dec 7, 2016 note on Inari, Maybank IB Research reiterated its "buy" call on Inari, with a target price of RM4.10 on the back of an earnings boost from the fibre optics and infrared light-emitting diode divisions, and US dollar strength.



**Ewein Bhd**

Ewein Bhd was a hot stock in 2016, as the group was expected to see some meaningful full-year contributions from its property development project in Penang for its financial year ended Dec 31, 2016 (FY16).

That seemed to come into fruition when on Jan 15, 2016, Ewein Bhd announced that its subsidiary Ewein Zenith Sdn Bhd had been granted the sole exclusive rights by Consortium Zenith Sdn Bhd BUCG (CZBUCG) to purchase three parcels of land aggregating approximately 50 acres (20.2ha) at Bandar Tanjung Pinang, Penang for RM2.83 billion.

The land has been slated for development of the Wellness City of Dreams which is tagged with a gross development value of RM13.89 billion.

The two parties had entered into a memorandum of agreement (MoA) for the exercise on Jan 15, 2016.

Ewein's share price closed at an all-time high of RM1.51 when the MoA was announced. Ewein shares have been on a downtrend since, closing at 67 sen on Dec 30, 2016, marking a decline of 55.6%.

Nevertheless, the group had managed to keep its financial position in check.

For the first nine months of FY16 (9MFY16), Ewein's net profit rose 40.6% to RM10.71 million from RM7.62 million in 9MFY15, while revenue jumped 54.4% to RM76.37 million from RM49.48 million, mainly aided by its property development sector.

With its associate company, OM Materials (Sarawak) Sdn Bhd (OMS), having completed its restructuring and refinancing of its loan, it can focus on ramping up its remaining 10 furnaces which are targeted to go into full production by April 2017.

Maybank IB Research, as at Dec 2, 2016, maintained its "buy" call on CMS with an unchanged target price of RM4.20.

For the cumulative nine months of FY16 (9MFY16), CMS' net profit tumbled 59% to RM67.67 million from RM163.56 million a year earlier, while revenue declined 14% to RM1.1 billion from RM1.28 billion.

The weaker earnings were attributed to its share of substantial losses of its associates as well as lower earnings from the cement and construction and road maintenance segments.

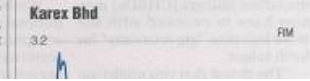


**Ta Ann Holdings Bhd**

Ta Ann Holdings Bhd was a top pick in 2016 among analysts due to its attractive dividend yield, high-growth businesses and undemanding valuation. Its shares closed 2.5% lower during the period under review.

For the financial year ending Dec 31, 2017 (FY17), PublicInvest, which has an "outperform" call on Ta Ann, noted the plantations business will continue to be the key earnings growth driver of the group while the outlook for the timber segment remains lacklustre.

For the nine months ended Sept 30, 2016 (9MFY16), Ta Ann reported a 26.8% drop in net profit to RM93.62 million from RM127.95 million a year ago, due to the lower average selling price of plywood products.





**Tiong Nam Logistics Holdings Bhd**

Tiong Nam Logistics Holdings Bhd was a favourite among analysts in 2016 due to its plan to park its warehouses under a real estate investment trust (REIT).

In a Nov 29, 2016 note on Tiong Nam, UOB Kay Hian noted that Tiong Nam's management had yet to finalise a valuation of its warehouses.



**Inari Amertron Bhd**

Inari Amertron Bhd was picked by analysts in 2016 on the back of capacity and product expansion coupled with growth expected in the global semiconductor industry.

However, Inari's share price declined 9.1% during the period under review.

For its financial year ended June 30, 2016 (FY16), Inari's net profit fell 2.8% to RM148.25 million from RM152.54 million a year ago.

Revenue for FY16 increased by 11.5% to RM1.04 billion from RM933.1 million a year ago, due to higher trading volumes in the radio frequency business during the period.



**Cahya Mata Sarawak Bhd**

Cahya Mata Sarawak Bhd (CMS) fell 21.12% to RM4 during the period under review. During this period, its highest close was RM5.17 on Feb 2, 2016.

Analysts are still bullish on the counter, as its construction materials supply unit is expected to benefit from its involvement in the Pan Borneo Highway project.



**Karex Bhd**

Karex Bhd was a favourite among analysts in 2016 given the 74% rise in net profit to RM22.29 million in its first financial quarter ended Sept 30, 2015 (1QFY16) due to foreign exchange gains.

The company managed to sustain profit growth in FY16, with net profit coming in at RM67.16 million, 12.8% higher than its FY15 net profit of RM59.55 million.

However, Karex did not get off to a good start in FY17. Its 1QFY17 net profit plunged 63.5% to RM8.13 million due to a lower

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