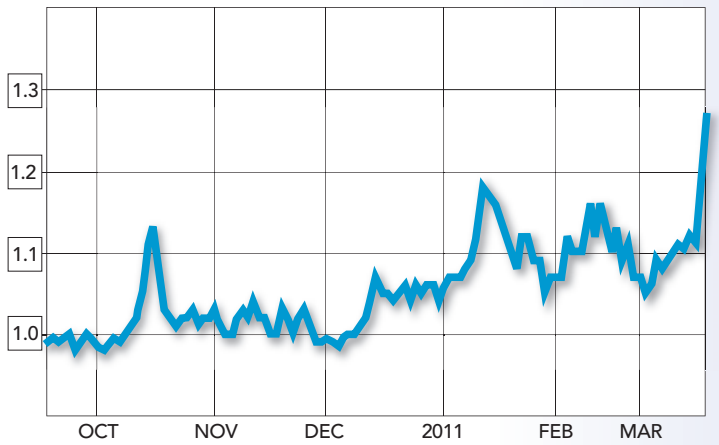
STOCKYARD BY IZWAN IDRIS

SPOTLIGHT ON COMPANIES

EKSONS CORP BHD



CORE BUSINESS

Eksons Corporation Bhd makes plywood with about 90% of the product targeted for export. Its key markets include the Middle East, Europe and Asia. The company lacks a timber concession, which means it needs to source its raw materials from elsewhere. Eksons also has investment in a joint-venture property project on a 22ha piece of commercial land in Seri Kembangan, Selangor.

KEY STATISTICS

Share price (March 18)	:	**1.24**
52-week range	:	**83 sen to RM1.32**
Trailing 12-month EPS	:	**19.2 sen**
Dividend yield	:	**4%**
Book value	:	**RM2.19 a share**
Market value	:	**RM207 million**

MAJOR SHAREHOLDERS

Tay Hua Sin (40%), Tan Sri Abdul Aziz Hussain (12.3%)

OUTLOOK

Eksons shares rose last week, boosted by expectation that plywood prices will continue to advance with the wood processing industry in Japan badly affected by the recent earthquake and tsunami.

Given the massive reconstruction work needed in Japan, the medium-term prospects for both logs and plywood demand looks positive, although it would probably take several months for actual demand to materialise. On the other hand, the lack of its own forest concession means Eksons' margin would be under pressure from rising wood prices.

Please note that this column is not a call to buy or sell.

Cosway posts 26% rise in operating profit to HK$262m for 9 mths

KUALA LUMPUR: Hong Kong-listed Cosway Corporation Ltd announced a 26% jump in operating profit before finance costs to HK$262.22 million (RM102.66 million) for the nine months ended Jan 31, 2011 from HK$208.31 million recorded in the same period of the previous year.

Announcing the financial results last Friday, Cosway said: "This result was attained in tandem with higher revenue but was impacted by the higher operating expenses associated with the group's proactive efforts in penetrating new markets and employee benefit expenses of approximately HK$11.2 million arising from the equity-settled transaction costs in relation to the company's share option scheme (the first grant of share option was awarded to eligible directors and employees in May 2010)."

The group's total revenue for the nine-month period was 47% higher at HK$2.46 billion compared with HK$1.68 billion in the previous corresponding period.

The company said the high growth in revenue was primarily due to improved productivity of the "Free Stores", particularly in Malaysia and Hong Kong, while in other markets, sales was driven by the increased number of "Free Stores" supported by new members and shoppers.

It said profit for the nine months rose 14% to HK$177.7 million from HK$155.94 million a year earlier after considering the irredeemable convertible unsecured loan securities (issued by the company for the very substantial acquisition on Dec 8, 2009) interest cost of about HK$25.4 million.

The Cosway group is principally engaged in the direct sales of consumer products, in property investment and investment holdings.

Little impact on credit card issuers

> New rules unlikely to dampen their net interest income

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KUALA LUMPUR: The latest rule changes for credit card users are unlikely to dampen issuers' overall net interest income, despite credit cards having higher yields, said OSK Research Sdn Bhd.

"Although credit card debts have been on the rise over the last six months, registering a stronger average growth of 13.6% per year versus overall household loans growth of 10.6% and overall total loans growth of 11.9%, we take comfort from the fact that total credit card debts in the banking system are still marginal at 3.4% of the total loans base," it said.

As at Dec 31, 2010, outstanding credit card debt totalled RM30.8 billion or 5% of total household debt, according to Bank Negara Malaysia (BNM).

OSK said while Malayan Banking Bhd has the highest absolute credit card loans base among the banks under its coverage, the share by percentage was the highest for Hong Leong Bank Bhd and EON Capital Bhd due to their significantly smaller overall loans base.

"(We believe) Public Bank Bhd will be the least affected as the credit card business has never been a key loans segment for the group given its stringent credit culture," it added.

Applicants will now need to earn at least RM24,000 a year, up from a minimum of RM18,000 previously, to be eligible for a credit card, under new guidelines by BNM.

Additionally, rules for those who earn RM36,000 per year or less have been tightened, such that they can now only hold credit cards from a maximum of two issuers and that credit limit must not exceed two times their monthly income per issuer. More than 60% of the total 3.2 million cardholders in the country earned less than RM36,000 per year.

"Cardholders who currently hold credit cards from more than two issuers are given until year-end to select their preferred issuers," BNM deputy governor Nor Shamsiah Mohd Yunus told a news conference last Friday.

"And for existing cardholders whose credit card outstanding balance exceeds the maximum credit limit, a grace period of two years will be given to them to meet with the new requirement," she added.

Cardholders are also given at least two years to service their outstanding debt for the credit cards that have been cancelled for the purpose of meeting this requirement.

Nor Shamsiah said the new measures are part of the central bank's efforts to inculcate sound financial and debt management among credit card users.

"To facilitate consumers in making comparisons and informed decisions, credit card issuers are required to provide a product disclosure sheet that contains key information on the card's features, fees and obligations of the cardholders.

"Effective December 2011, annual statements issued by issuers must include information on how long it will take to fully pay off the cardholder's outstanding balance and the total interest costs if the cardholder only makes minimum repayment," said Nor Shamsiah.

In the effort to enhance credit card security, transaction alerts via SMS will also be implemented by issuers after transactions are performed from Jan 1, 2012. This will be followed by the implementation of the Personal Identification Number (PIN) verification for all point-of-sale card transactions from Jan 1, 2015.

MIDF reaffirms buy call on TSH

PETALING JAYA: MIDF Research has reaffirmed its buy call on TSH Resources with an adjusted target price of RM4 based on its belief that TSH is a small-cap plantation stock with huge growth opportunities and is steeply undervalued at the current level.

The research house is also maintaining its forecasts for FY11 and expects TSH's net profit to surge to RM110 million or earnings per share of 26.6 sen, reflecting a 28% growth.

MIDF is also positive on TSH's future growth due to its large proportion of young matured trees that will provide higher fresh fruit bunch (FFB) production growth compared to other small-cap plantation companies, and its huge landbank of 73,000ha in Kalimantan.

TSH is also in an exclusive collaboration with the Malaysian Palm Oil Board to produce palm oil tissue culture which is expected to double the oil yield.

TSH's earnings of RM85.1 million in FY10 exceeded MIDF's and consensus expectations by 11.5% and 21% respectively, mainly due to higher than forecast crude palm oil (CPO) and palm kernel prices. Its net profit in Q4FY10 surged 142% quarter-on-quarter to RM44.2 million.

The company's plantation earnings in FY10 rose 28.5% to RM122.8 million owing to higher CPO price and increased mature areas in Indonesia.

MIDF estimated that the average CPO price realised in FY10 was RM2,750 per tonne, 7.8% higher than the RM2,550 realised in FY09.

Full-year CPO production dropped 20.3% to 182,732 tonnes due to the weather in Malaysia but TSH's own CPO production in FY10 was up by 21% to 279,000 tonnes.

In addition, net profit from its cocoa manufacturing business in FY10 jumped 573% to RM12.7 million due to improved margin.

However, the wood segment recorded a net loss of RM4.4 million in FY10 compared with last year's operating profit of RM2.5 million, due to lower sales volume during the year-end holiday break in Europe, demand volatility especially in Europe and US, and the weaker US dollar.

BRIEFS

LNG FOR JAPAN

KUALA LUMPUR: Petronas is liaising with its Japanese counterparts to supply immediate additional liquefied natural gas (LNG) cargoes to Japan. In a statement, the company said it was also working with buyers in the Far East not affected by the quake and tsunami on cargo swaps, advancements and diversions to cater for the increase in LNG needs. — Bernama

'FUEL' CONVOY

KUALA LUMPUR: Shell Malaysia has embarked on a fuel awareness programme, convoy-style, to enhance public awareness on the company's performance fuel as well as to promote its "Shell V Power 97 Win Weekly at Shell" contest. The convoy of 30 cars and 20 superbikes was flagged off on Saturday. — Bernama