

MINORITY shareholders of Milux Corporation Bhd hope the kitchen and electrical appliances manufacturer will consider revaluing its land and buildings, which are now based on book value.

One shareholder believes such an asset revaluation will help its share price to trend upwards.

Milux's total assets stood at RM61 mil as of June 30, last year. The amount includes RM8 mil that is accounted for plant and properties.

The shareholder says coupled with its total liabilities of RM16 mil, Milux's net assets stood at 83 sen per share as of Sept 30, last year.

The counter closed at a 52-week low of 76 sen on Jan 24 – below its current net asset value per share.

If its properties were to be based on current value, the theoretical price valuation should be even higher.

However, for Milux to reach the theoretical price may take more than just revaluation of its assets. The counter has not gone beyond RM1 since July 13, 2016.

The land and buildings in Milux's books were based on August 1994 valuations, which mean they should be worth much more now.

Milux group managing director Koh Pee Seng agrees. "It is correct that we have not revalued our properties since 1994.

"However, the board has deemed it unnecessary to revalue the properties as they are being used for our manufacturing operations.

"Hence, there is no immediate plan to revalue the assets unless there is a corporate exercise or for corporate banking purposes," he tells *FocusM*.

Baker Tilly (Malaysia) Partner, Co-Leader, Audit & Assurance head, Datuk Lock Peng Kuan says it is up to companies to revalue their assets or keep them at book value.

Options on assets

"A company has the option to carry its assets at historical cost or fair value, be they investment properties or others. They can also be determined yearly.

"If an asset involves property, plant and equipment, a similar cost or valuation model can be adopted.

"If the valuation model is adopted, it has to be carried out at regular intervals, which is normally five years," he says.

Lock says the question of fairness really depends on how one looks at it.

He says some may argue that for cost-benefit reasons, it is not practical for a non-property holding company to undertake yearly valuations as the real value of such companies is usually on their earnings capability and not their underlying assets.

The counter-argument, he says, is that the true value of any less active company is buried as no information was given on the current value of the "sum of all parts" of the properties that were acquired long ago.

On the company's outlook,

Revaluing Milux's assets can boost sentiments

- If Milux's properties were to be based on current value, its share price would theoretically be higher
- The company deems it unnecessary to revalue its properties as they are being used for its manufacturing operations
- The main growth for Milux will continue to come from its trading and distribution division



by Ng Wai Mun

Koh says it is positive. "We have now moved into more profitable territories with our business and manufacturing rationalised and revamped," he says.

He says all of Milux's major loss-making operations have been discontinued, and full provisions in terms of diminishing return on investments and assets have been made.

"The main growth for the group will still come from our trading and distribution division in the domestic and export markets, such as Asean and the Middle East, as we continue to build our brand and product image.

"We will focus on the middle and middle-high income household markets. The market for kitchenware, and electrical and gas appliances have always been highly competitive and saturated with many players," he says.

New products, he adds, are always being evaluated and added to keep abreast of market needs. Hence, the proportion of revenue between manufacturing and trading will likely remain the same.

Manufacturing the main contributor

Currently, 45% of Milux revenue is from the manufacturing division while the rest comes from its trading segment.

Shareholders are also concerned over Milux's dependence on a single major customer that contributed some RM21 mil of its RM72 mil revenue in FY17.

"Most of our current sales are quite well spread out. However, we have an original equipment



Workers at Milux's plant in Penang. The company is involved in the manufacturing and trading of gas, kitchen and electrical appliances

Milux Corporation Bhd

CONSUMER

KEY BOARD MEMBERS AND MANAGEMENT

Koh Pee Seng (group MD)
Ng Tek Che (executive director)
Chua Seong Seng (director)

MAJOR SHAREHOLDERS

RGF Land Sdn Bhd
13.8%
Dinamik Hartaniaga Sdn Bhd
11.5%

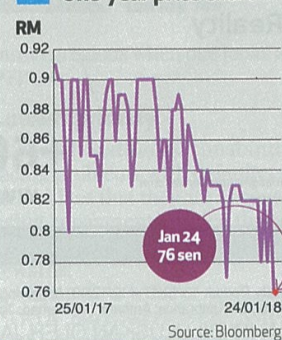
MARKET CAP (Jan 24)

RM41.4m
Share price (Jan 24)
76 sen
52-week high (Feb 8, 2017)
96 sen
52-week low (Dec 11, 2017)
76 sen

FINANCIAL RESULTS

(Q1 ended Sept 30, 2017)
Revenue
RM59.4m
Net loss
RM400,000

One-year price chart



manufacturer (OEM) customer that occupies about 20% of our total revenue [on average].

"This particular customer is a long-standing one and has been with us for the past 20 years," Koh says.

Hence, he does not foresee any major changes in the business relationship with the particular customer.

For the nine months ended Sept 30, last year, Milux posted a lower net loss of RM391,000 from RM672,000 a year ago. This was on the back of a higher revenue of RM59.43 mil versus RM53.43 mil.

Milux is involved in the manufacturing and trading of gas, kitchen and electrical appliances. With over 30 years' experience since its inception in 1977, Milux has built itself into a household brand. It is also known as the household gas specialist in Southeast Asia.

The manufacturing division primarily comprises of wholly-owned subsidiaries, TH Hin Home Tech Sdn Bhd (THHSB) and Enamel Products Sdn Bhd (EPSB).

THHSB is an OEM of gas appliances for local and overseas customers. EPSB provides in-house enamelling services

to THHSB. THHSB's products include gas cookers, cooker hobs and cooker hoods. It also manufactures similar products under the company's MILUX brand, distributed by its trading division.

Milux's factories are in Prai, Penang where 60% of its output is exported to key markets, including Vietnam and Singapore. The rest is sold locally.

Its largest shareholders are RGF Land Sdn Bhd which holds a 13.8% stake and Dinamik Hartaniaga Sdn Bhd with an 11.5% stake. **FocusM**



Koh says Milux's business and manufacturing operations have been rationalised and revamped

to THHSB.

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