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Road to Success

Author: RicheHo | **Latest post:** Wed, 6 Jan 2016, 02:49 PM

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(RICHE HO) Tiger Synergy Berhad - A Transforming Tiger

Author: RicheHo | **Publish date:** Wed, 6 Jan 2016, 02:49 PM



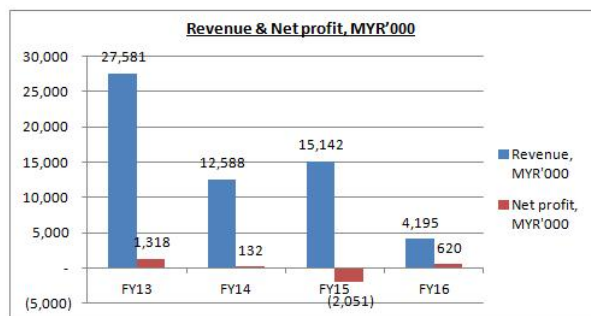
Tiger Synergy Berhad ("TIGER") was formerly known as Minply Holdings (M) Berhad. It was incorporated on December 1994. It is an investment holdings company where the company's core businesses are in the property development and construction industry.

Moving forward, TIGER will envisage higher revenue contribution for the property development segment. TIGER under its subsidiaries is led by an experienced, capable and dynamic management team. Some of the directors and senior management of the Company have more than 15 years of hands on experience in Property Development, Construction Industry as well as Manufacturing and Trading Industry.

Financial Highlights

REVENUE MYR'000					NET PROFIT MYR'000				
Year/Quarter	2013	2014	2015	2016	Year/Quarter	2013	2014	2015	2016
1	6,478	3,715	316	4,195	1	(2,872)	1,038	(693)	620
2	3,085	1,073	14,553		2	240	96	(184)	
3	133	3,022	183		3	316	107	(1,244)	
4	17,885	4,778	90		4	3,634	(1,109)	70	
	27,581	12,588	15,142	4,195		1,318	132	(2,051)	620

FY13Q1 - Bad debt written off for amount due from subsidiary
 FY13Q3 - Gain on disposal of land bank
 FY14Q4 - Provision of liquidated ascertained damages ("LAD")
 FY15Q2 - Disposal of certain land



TIGER financial performance over the past 3 years was bad.

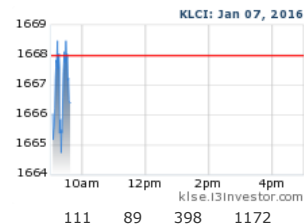
Basically, it had almost no revenue contributed in FY15! Its revenue in FY15 is mainly contributed from disposal of

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FBMKLCI-HK	0.13	0.00
JTIASA-CD	0.115	+0.005
NICE	0.17	+0.005
ESCCRAM	0.50	+0.03
NEXGRAM	0.085	0.00
AIRASIA	1.42	-0.02
FBMKLCI-H3	0.525	+0.005
KTC	0.44	0.00

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certain land in 2nd quarter, which it did not disclose the amount.

Other than that, there is no on-going projects too while pending for the launch of new projects.

Besides, the high administration costs and professional fees of comprising mainly expenses incurred for the Private Placement 2015, auditors' remuneration, legal and secretary fees, are also a main factor for the net loss in FY15.

In short, TIGER had difficulty to generate revenue since FY15.

Financial Strength

	FY13	FY14	FY15	FY16*
Borrowing, MYR'000	8,855	6,885	1,420	4,400
Cash on hand, MYR'000	682	13,720	8,266	2,752
Net cash, MYR'000	(8,172)	6,835	6,846	(1,648)
Accumulated losses, MYR'000	23,315	59,678	39,384	39,763
Property development costs, MYR'000	28,210	118,972	131,854	140,415
Debt to equity ratio	22.16%	9.80%	3.04%	5.63%
NCAV, MYR	0.05	0.17	0.17	0.17

**latest quarter FY16Q1 unaudited account*

As a penny stock, TIGER financial strength is surprisingly to be average, with borrowing of only MYR4.4m. Its debt to equity ratio is only 5.63% in the latest quarter, which is very low! FYI, TIGER debt to equity ratio had been reduced from year to year. One of the reasons is because of fund raising by private placement, which leads to an increase in shares capital and reduce in liabilities.

Besides that, TIGER is able to maintain its NCAV at the level of MYR0.17 per share.

Most of its current asset is come from property development costs, with MYR140.42m in FY16. This figure is potentially to be converting into revenue one day!

Having said so, TIGER accumulated losses is currently up to MYR39.76m! In other words, its company business is not profitable.

Company 2015 Highlights

Date	Event
January 2015	<p>→ Proposes to undertake a private placement of up to ten percent of the issued and paid-up share capital, equivalent to 138.29m ordinary shares</p> <p>→ However, in August 2015, TIGER only placed out 35.5m placement shares</p>
March 2015	<p>→ Acquired nine parcels of vacant terrace commercial plots land in Taman Rowther, Gombak, Mukim Batu Daerah Kuala Lumpur for a total consideration of MYR4.70m</p>
April 2015	<p>→ Entered into a Sale and Purchase Agreement for the acquisition of a piece of freehold land in Daerah Hulu Langat, Negeri Selangor measuring approximately 0.8094 hectares for a total consideration of MYR11.2m</p> <p>→ Entered into a Joint Venture Agreement with Credence Property Management Sdn. Bhd. for the purpose of undertaking a residential and/or commercial development project in respect of the development of all that freehold land in the Mukim of Klang, State of Selangor</p>
May 2015	<p>→ Accepted the Term Loan Facility of up to MYR0.5m and Overdraft Facility of up to MYR2.5m granted by <u>Ambank (M) Berhad</u></p>
August 2015	<p>→ Accepted the Term Equity Financing-I of MYR5.6m granted by <u>Public Islamic Bank Berhad</u></p> <p>→ Proposed par value reduction from MYR0.20 to MYR0.08 and rights issue of shares with free warrants to raise up to MYR191m</p>
January 2015	<p>→ Entered into a Memorandum of Understanding ("MOU") with <u>BPESynergy Engineering Sdn Bhd</u> ("BPES") to acquire the entire equity interest in BPES in exchange of issuance and allotment of ordinary shares of TIGER</p>

Project Overview

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PROJECT	DESCRIPTION	GDV	Estimated Gross Profit	Expected Launch Date
Alam Impian	➤ Covering an area of approximately 13.586 acres comprising of 132 units of 3 storey semi-detached houses.	MYR300m	MYR58m over 3 years	First quarter of 2016
Gombak	➤ Develop 1 block comprising of 120 units of apartments on a freehold land with land area of approximately 1.01 acres	MYR54m	MYR20m over 3 years	Second quarter of 2016
Cheras	➤ Develop 1 block of building comprising 120 units of condominium	MYR72m	MYR15m over 3 years	Second quarter of 2016
Bukit Serdang	➤ Develop 2 blocks comprising 300 units of condominium on a freehold land of approximately 2.97 acres.	MYR250m	N/A	2017
Seri Kembangan	➤ Develop 3 blocks of condominium comprising of about 600 units.	MYR450m	N/A	2017

**extracted from TIGER Annual Report 2015*

Project Briefing

Tiger Synergy to launch Alam Impian in Shah Alam, Selangor, in early 2016

Extracted from theedgemarkets.com – Nov 24, 2015

TIGER will launch three new projects with a combined gross development value (“GDV”) of MYR500m in year 2016.

With the three new projects, TIGER aims to generate a gross profit of MYR100m in FY16 from a net loss of MYR2.05 million in FY15.

TIGER will kick off its Alam Impian project in Shah Alam, Selangor, which has a GDV of MYR300m. The project features 132 semi-detached houses. Currently, it had started earthworks on the site, and target to launch the project by early 2016.



ALAM IMPIAN

Apart from Alam Impian, TIGER will also be launching two condominium projects located in Gombak and Cheras, with a GDV of MYR100 million each. It is targeting to launch the two projects by the second quarter of 2016.



GOMBAK



CHERAS

It estimated that with about 40% of development costs, the three projects will garner a gross margin of some MYR300 million over the three years of construction period.

That is where TIGER FY16 target of MYR100m gross profit comes from, provided that it manages to sell all the units to be launched.

Nevertheless, TIGER’s managing director, Ms. Shirley Tan noted that even in the case of TIGER not being able to achieve 100% sales within FY16, it is still sufficient to finance the development by selling 40% of the three projects. Once it achieves 40% of sales, TIGER would have enough funds to complete the entire projects.

Besides, TIGER has another two property projects in Serdang and Seri Kembangan, which are relatively larger. It will launch these two projects maybe by 2017, because they are quite huge with a collective GDV of MYR1b.



SERDANG



SERI KEMBANGAN

Therefore, all five projects have a combined GDV of MYR1.5b, which is estimated to provide the group a gross profit of MYR500 million over the next five years.

FYI, Ms. Shirley Tan was appointed to her current position on Nov 2014, succeeding her brother Datuk Tan Wei Lian who has been redesignated as executive chairman.

**NOTE: The GDV given by TIGER's managing director, Shirley Tan, is different with the GDV extracted from TIGER annual report 2015. Both of the info are published on Nov 2015.*

Batching Plant



Besides property development, TIGER recently had set up a MYR2m new concrete batching plant in Alam Impian, Shah Alam. The business is meant to complement its property development division.

The plant is mobile in nature and can be dismantled and relocated to another location. The opening of this plant marks a new chapter in TSB's growth in the concrete business segments through many projects in the Klang Valley region.

Corporate Exercise

MULTIPLE PROPOSALS TIGER SYNERGY BERHAD ("TIGER" OR "THE COMPANY") (I) PAR VALUE REDUCTION; (II) RIGHTS ISSUE OF SHARES WITH WARRANTS AND BONUS SHARES; AND (III) AMENDMENTS (COLLECTIVELY REFERRED TO AS THE "CORPORATE EXERCISES")

Meanwhile, TIGER has proposed to undertake a rights issue on the basis of two rights shares for one existing share, to raise up to MYR191.47m.

Under the proposal, the rights issue also comes with two free warrants and one bonus share for every five subscribed rights shares. The warrants and bonus shares are intended to be a "sweetener" and an incentive to make the proposed corporate exercise more attractive.

The usage of proceeds from rights issue are as below:

	Note	Minimum Scenario		Maximum Scenario		Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
		(RM'000)	%	(RM'000)	%	
Acquisition of lands and property development expenses	(1)	3,000	37.50	161,717	84.46	Within 24 months
Working capital	(2)	2,843	35.54	20,000	10.45	Within 12 months
Repayment of bank borrowings	(3)	1,322	16.52	8,922	4.66	Within 12 months
Estimated expenses in relation to the Proposals	(4)	835	10.44	835	0.43	Within 2 weeks
Total estimated proceeds		8,000	100.00	191,474	100.00	

TIGER plans to use 84.46% of the proceeds to acquire land and for property development expenses. It has the intention to acquire additional land bank in the Klang Valley going forward. It is because the management foresee that in the near future of one or two years, there will be good land with attractive prices due to the economic slowdown now.

Of the remaining proceeds, 10.45% is slated for working capital, 4.66% to repay borrowings, and 0.43% for estimated expenses in relation to the rights issue. Subsequent to the repayment of bank borrowings, TIGER will have zero gearing.

In addition, TIGER has resolved to fix the following:

- (i) the issue price of Rights Shares at MYR0.08 each; and
- (ii) the exercise price of Warrants at MYR0.08 each.

Date	Ex-Date	Entitlement Date	Transfer Date	Type	Ratio	Right Issue Price
31/12/2015	13/01/2016	15/01/2016	15/01/2016	Rights Issue	2:1	0.080

Notably the proposed corporate exercises also includes a par value reduction of Tiger Synergy share to 8 cent, from 20 cent. With the par value reduction, TIGER will be able to eliminate its existing accumulated losses.

Based on the cancellation of MYR0.12 of the existing par value of the enlarged issued and paid-up share capital assuming full exercise of the outstanding TIGER-WB, Warrants 2013/2018, the proposed par value reduction will give rise up to a total credit of MYR143.61m.

TIGER intends to utilise to eliminate its accumulated losses and the balance arising thereafter will be credited to its retained earnings.

FYI, as at 30 September 2015, TIGER has available cash on hand of MYR2.75m with borrowing of MYR4.40m. TIGER's balance sheet also shows that its accumulated losses stood at MYR38.76m.

Land Bank

Location	Description of Property	Tenure	Approximate Age of Building	Land/build Up Area (Sq ft)	Net Book Value (RM)	Date of Acquisition ("A")/ Revaluation ("R")
Geran 179321 (Lot6247), Geran 179339 (Lot6265), Geran 179340 (Lot6266), Geran 179341 (Lot6267), Geran 179343 (Lot6269), Geran 178821 (Lot6271), Pekan Rasah Jaya, Seremban, Negeri Sembilan	Vacant Development Land	Freehold	N/A	1146sq/m	519,200	22-Oct-10
Lot 2136 GM 645 & Lot 2135 GM 439 Mukim Petaling, Daerah Petaling, Selangor	Vacant Development Land	Freehold	N/A	N/A	4,137,155	31-Jan-11
Lot 2830 to Lot 2861 Mukim Ampang Tinggi, Daerah Kuala Pilah Negeri Sembilan	Vacant Residential Land	Freehold	N/A	N/A	1,400,000	18-Mar-11
GM 267 Lot 562, Mukim Petaling, Daerah Petaling, Selangor	Vacant Development Land	Freehold	N/A	N/A	4,000,000	22-Mar-11
Geran 62028 (Lot62810), Geran 62032 (Lot62811), Geran 62036 (Lot62812), Geran 62041 (Lot62813), Geran 62044 (Lot62814), Geran 62050 (Lot62815), Geran 62053 (Lot62816), Geran 62055 (Lot62817), Geran 62057 (Lot62818), Mukim Batu, Kuala Lumpur	Vacant Development Land	Freehold	NA	NA	4,700,000	13-Apr-15

As to date, TIGER had 5 piece of vacant lands to be developed in future, where 2 piece at Seremban, 2 piece at Petaling Selangor and 1 piece at Kuala Lumpur. The piece of land at KL is for Gombak project. The total net book value of this lands are up to MYR14.76m.

MOU- Venture into Semiconductor Industry

Tiger Synergy acquires a semiconductor company to diversify its earnings base

On Jan 2016, TIGER had entered into a Memorandum of Understanding ("MOU") with BPE Synergy Engineering Sdn Bhd ("BPES") to acquire the entire equity interest in BPES in exchange of issuance and allotment of 200m ordinary shares of TIGER of MYR0.08 each upon completion of proposed capital reduction for MYR16m.

In other words, TIGER plans to use 200m of its ordinary shares which worth MYR16m to exchange for BPES 100% equity interest.

In the MOU, it mentioned that BPES shall provide a profit guarantee of at least MYR2m per financial year for 3 years continuously upon the completion of the Share Swap.

BPES specializes in printed circuit board and mechanical design, fabrication, assembly and board repairing services for the semiconductor industry and provides full service turn-key solutions for engineering applications, operations and project management.

Both parties agree to enter into an agreement within 6 months from the date of this MOU or such other extended period as may be agreed by both parties.

Based on this MOU, BPES have a PE of 8x based on profit guarantee of MYR2m and share swap consideration of MYR16m.

This business diversification will enable TIGER to leverage on the growth of the semiconductor industry in Malaysia, which has benefited from the global demand in the usage of mobile devices, optoelectronics and embedded technology.

Going forward, TIGER intends to offer value-added properties with smart technology by capitalizing on the competency and experience of BPES.



Synergy between TIGER and BPES

FYI, BPES has successfully developed Smart Factory solutions to customer. It had a team of engineers who are very familiar with IoT gateway. For example relay counter, temperature detection automation unit, air pressure monitoring & controller and handler environmental monitoring. It can provide value added property to purchasers by integrating TIGER property projects with Smart Home Solutions.

Conclusion

Currently, TIGER had 3 on-going property projects which will be launched by this year. This 3 projects will be the main contribution for TIGER in 2016. The estimated gross profit for this 3 projects are MYR93m over the next 3 years, with averagely MYR31m per year. Besides, TIGER is going to launch another two big projects in year 2017 too.

TIGER had a new concrete batching plant which will lower down its property development cost. I believe this will boost up its profit margin more or less.

In addition with its par value reduction and rights issue to clear off its accumulated losses and bank borrowings, TIGER had seems to be very keen in turning its fundamental.

Other than that, TIGER had also entered into MOU and look forward to acquire a semiconductor company which will provide guarantee return of MYR2m for three years continuously. It is trying to seek for other income rather than just property.

It also had NTA of MYR0.22 per share and NCAV of MYR0.17 per share. In other words, with its current share price of MYR0.09, TIGER is currently traded approximately 50% below its NTA and NCAV. In term of assets, TIGER had seems to be undervalue and it is because of its not profitable business.

However, do take note that, after right issues, TIGER will have approximately 3b shares! Its earnings will be diluted quite heavily. Even though TIGER does not have a strong proven track record, we are able to foresee its future earnings ability. Once the share swaps complete, its semiconductor business is expected to contribute steady recurring income. The income from property development is expected to increase gradually too.

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Happy 2016 new year! Hopefully all of you will do well in investment this year :)

Cheers!

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