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Monday, October 19, 2015

At a Glance

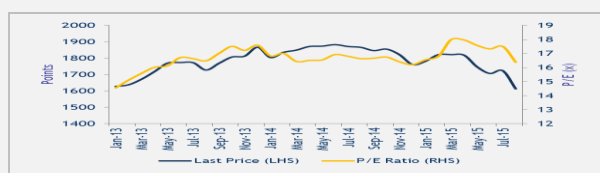
FBMKLCI rose 3.57 points to finish at 1,716.82 in line with positive regional market sentiment(See full report next page)

Corporate Highlights

- **Malakoff, BUY (TP: RM2.30):** Tanjung Bin plant on track to start commercial ops
- **IHH, SELL (TP: RM5.19):** To Operate New Hospital In Western China
- **Star Media, HOLD (TP: RM2.45):** Buys remaining 49% stake in Li TV
- **CMMT (CP: RM1.40):** Q3 net property income up 18% to RM59.8mil

Economic Update

- **U.S.:** Consumer sentiment rebounds
- **Japan:** Exports seen modestly higher on weak Asian demand
- **Singapore:** September exports up on electronics



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
CN	19-Oct	10:00 AM	Retail Sales YoY	10.8%	10.8%
CN	19-Oct	10:00 AM	Retail Sales YTD YoY	10.5%	10.5%
CN	19-Oct	10:00 AM	Industrial Production YoY	6.0%	6.1%
CN	19-Oct	10:00 AM	Industrial Production YTD YoY	6.3%	6.3%
CN	19-Oct	10:00 AM	GDP YoY	6.8%	7.0%
US	20-Oct	8:30 PM	Housing Starts	1140K	1126K
US	20-Oct	8:30 PM	Buildings Permits	1158K	1170K
US	21-Oct	7:00 PM	MBA Mortgage Applications	-	-27.6%
JP	21-Oct	12:30 PM	All Industry Activity Index MoM	-	0.2%
EU	22-Oct	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	22-Oct	7:45 PM	ECB Deposit Facility Rate	-	-0.020%
EU	22-Oct	7:45 PM	ECB Marginal Lending Facility	-	0.300%
EU	22-Oct	10:00 PM	Consumer Confidence	-	-7.1
US	22-Oct	8:30 PM	Initial Jobless Claims	-	-
US	22-Oct	8:30 PM	Continuing Claims	-	-
US	22-Oct	10:00 PM	Existing Home Sales	5.35m	5.31m
US	22-Oct	10:00 PM	Existing Home Sales MoM	0.8%	-4.8%
US	22-Oct	10:00 PM	Leading Index	0.0%	0.1%
US	22-Oct	11:00 PM	Kansas City Fed Manf. Activity	-	-8.0%
MY	22-Oct	-	Foreign Reserves	-	\$93.3b
EU	23-Oct	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.0
EU	23-Oct	4:00 PM	Markit Eurozone Services PMI	-	53.7
EU	23-Oct	4:00 PM	Markit Eurozone Composite PMI	-	53.6
US	23-Oct	9:45 PM	Markit US Manufacturing PMI	53.0	53.1
JP	23-Oct	9:35 AM	Nikkei Japan PMI Mfg	-	51.0
JP	23-Oct	1:00 PM	Leading Index CI	-	103.5
JP	23-Oct	1:00 PM	Coincident Index	-	112.5

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,716.82	3.57	0.21
FBMEMAS	11,805.66	24.56	0.21
FBMEMAS SHA	12,571.59	39.15	0.31
FBM100	11,509.05	20.53	0.18
Volume (mn)	2,576.12	175.06	7.29
Value (RMmn)	2,225.30	-310.16	-12.23
FBMKLCI YTD Chg			-2.52

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.0	-6.9
Local Institution	50.2	6.7
Foreign Investors	30.8	0.2

Top Gainers

	Close	Change+/-	(+/- %)
SAM ENGINEERIN	7.06	0.54	8.28
BINTULU PORT	6.90	0.40	6.15
AJIYA BHD	4.00	0.31	8.40

Top Losers

	Close	Change+/-	(+/- %)
POH HUAT RES	1.51	-0.14	-8.49
NESTLE (MALAY)	72.44	-1.48	-2.00
BAT	62.50	-0.60	-0.95

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,215.97	74.22	0.43
NASDAQ	4,886.69	16.59	0.34
S&P 500	2,033.11	9.25	0.46
FTSE 100	6,378.04	39.37	0.62
DAX	10,104.43	39.63	0.39
Nikkei 225	18,291.80	194.90	1.08
HSI	23,067.37	179.20	0.78
KOSPI	2,030.26	-3.01	-0.15
STI	3,033.65	18.51	0.61
KLCI Futures	1,700.00	1.00	0.00
USDMYR 3M	17.52	0.04	0.00
USDMYR 6M	16.50	(0.06)	(0.00)
USDMYR 12M	15.84	(0.05)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	47	0.2	0.3%
Brent (USD/bbl)	50.6	0.1	0.3%
Gold(USD/ounce)	1,177	-0.1	0.0%
Coal (USD/mt)	53.1	0.0	-0.1%
CPO (RM/mt)	2,302	-16.0	-0.7%
Rubber	133	-0.9	-0.7%
RM/USD	4.18	0.0572	-1.37%
EUR/USD	0.88	-0.001	-0.11%
YEN/USD	119.36	-0.08	0.07%

What To Expect

U.S. Market

- The Dow Jones Industrials Average soared 74.22 points to 17,215.97 points, S&P 500 gained 9.25 points to 2,033.11. Nasdaq added by 16.59 points to 4,886.69. U.S. stocks ended higher on Friday, notching a third week of gains, lifted by a jump in General Electric shares and upbeat consumer sentiment data.
- Consumer sentiment data helped. The University of Michigan's preliminary index on consumer sentiment rebounded strongly in early October, suggesting that the economic recovery remained on track.

The Local Market

- FBMKLCI rose 3.57 points to finish at 1,716.82 in line with positive regional market sentiment. There were 487 gainers and 345 decliners in total value traded of RM2.22 billion.
- Among the gainers on Bursa Malaysia were Sam Engineering gained 54 cent to RM7.06, Bintulu Port surged 40 sent to RM6.90, Ajiya increased 31 cent to RM4.00 and Top Glove grew 26 cent to RM8.70.

Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

Malakoff, BUY (TP: RM2.30): Tanjung Bin plant on track to start commercial ops

Malakoff Corp Bhd's 1,000-megawatt Tanjung Bin energy coal-fired power plant (T4) in Johor is on track to start commercial operation in March 2016. Chief executive officer Datuk Seri Syed Faisal Albar said the plant marked its initial operation date on Thursday with its synchronisation to the National Grid. The synchronisation indicates that the T4 project is right on schedule. The final stage will be the commercial operation date of the plant that is expected in March 2016. (Source: The Star)

IHH, SELL (TP: RM5.19): To Operate New Hospital In Western China

IHH Healthcare Bhd and Perennial Real Estate Holdings Ltd have signed an agreement on the lease of space at Perennial International Health and Medical Hub in Chengdu, China to operate a 350-bed tertiary hospital. In a statement IHH said the agreement was entered through its indirect wholly-owned unit, M&P Investments Pte Ltd, and its local Chinese partner, Shanghai Broad Ocean Investments Co Ltd. The new Parkway Health Chengdu Hospital will be IHH's first tertiary facility in western China, under its largest operating subsidiary,

Parkway Pantai Ltd. IHH said the hospital, located in Perennial International Health and Medical Hub, was part of Perennial's Chengdu East High-Speed Railway Integrated Development. (Source: *Bernama*)

Star Media, HOLD (TP: RM2.45): Buys remaining 49% stake in Li TV

Star Media Group Bhd is buying out the remaining 49% stake in Li TV Holdings Ltd from Juita Viden International Ltd for US\$1.5mil (RM6.27mil). Prior to the acquisition, Li TV was a 51:49 joint venture company between Star and Juita Viden. "The acquisition will not have any significant effect on the earnings or net assets per share of Star for the financial year ending Dec 31, 2015," said a filing by Star with Bursa Malaysia. Li TV is an investment holding company incorporated in Hong Kong and its subsidiaries are principally engaged in the business of operating and distribution of an English language lifestyle television channel "Life Inspired" that broadcasts pan-regionally across Asia. (Source: *The Star*)

CMMT (CP: RM1.40): Q3 net property income up 18% to RM59.8mil

CapitaLand Malaysia Mall Trust's (CMMT) net property income for the third quarter ended Sept 30, 2015 rose 18% to RM59.8mil from RM50.6mil in the same period last year. Revenue grew 16.7% to RM90.9mil from RM77.9mil while distributable income rose 10.5% to RM41.7mil from RM37.7mil. In a statement, CMMT's manager, CapitaLand Malaysia Mall REIT Management Sdn Bhd (CMRM) said the improved performance was due to contribution from the newly-acquired Tropicana City Mall and Tropicana City Office Tower. The better performance was also due to higher contribution from the East Coast Mall following the completion of its two-year asset enhancement works. (Source: *The Star*)

Mega First (CP: RM2.55): Awards RM1.34bil job

Mega First Corp Bhd said its 80% owned unit in Laos has awarded a US\$320mil (RM1.34bil) contract to Sinohydro Corp Ltd for the construction and commissioning of the Don Sahong Hydropower project. The engineering, procurement, construction and commissioning contract was signed on Oct 15. The project would take 50 months to complete, the company said in a filing with Bursa Malaysia yesterday. Earlier this month, Mega First said Don Sahong Power Co Ltd, in which it has an 80% stake, had secured the power purchase agreement for its hydropower project. The power purchase agreement between Don Sahong Power and Electricité Du Laos covers 25 years from the commercial operation of the project. (Source: *The Star*)

Hibiscus (CP: RM0.65): Plans Australian O&G field drilling

Hibiscus Petroleum Bhd expects to start drilling its Sea Lion oil and gas (O&G) field within Australia's Bass Strait this Oct 25. Drilling is anticipated to take up to 30 days. In a statement to Bursa Malaysia today, Hibiscus said the O&G field could produce between eight and 15 million barrels of oil. The Sea Lion prospect is located 6km from the West Seahorse field. In the event of a commercial discovery at Sea Lion, there exists potential for an integrated development with West Seahorse, thereby, materially reducing development and operating expenditure. The estimated prospective unrisked recoverable resources is

between 8 and 15 million barrels of oil, with a good probability of success. (Source: *The Edge*)

Caring Pharmacy (CP: RM1.95): To enhance e-commerce platform

Caring Pharmacy Group Bhd plans to enhance its e-commerce platform because of the increase in demand for the healthcare products online. Managing director Chong Yeow Siang said the company started to explore and venture into e-commerce platform two years ago where it gained insight and exposure as it was working with third parties such as Rakuten and Lazada. "Since the sales via this platform were quite significant and encouraging, by this year and moving forward, we will continue to invest into expanding the capacity of e-commerce business," he told reporters after the group's AGM in Kuala Lumpur on Friday. However, he did not disclose the investment amount. Chong said the group would have multiple channels to ensure shopping convenience for the customers. (Source: *The Star*)

LBS Bina (CP: RM1.48): Targets Zhuhai project approval in 12 months

LBS Bina Group Bhd's long wait of more than 10 years to monetise and redevelop its assets in Zhuhai City, Guangdong Province, China, may end soon. Its managing director Tan Sri Lim Hock San expects the approval for the conceptual design to come from the local governments in the next 12 months. He tells *The Edge* that there will be 14 projects on the Zhuhai International Circuit (ZIC) land, including hotels, factory outlets, a theme park, residences and a Malaysia cultural centre, besides the car racing circuit itself. To recap, LBS Bina signed a memorandum of understanding (MoU) with Zhuhai Jiuzhou Holdings Group Co Ltd on Sept 19 for the proposed upgrading of ZIC. LBS Bina has a 60% stake in ZIC project through its wholly owned subsidiary Lamdeal Investment Ltd. (Source: *The Edge*)

ECONOMIC UPDATES

U.S.: Consumer sentiment rebounds

U.S. consumer sentiment rebounded strongly in early October, suggesting that the economic recovery remained on track despite headwinds from a strong dollar and weak global demand that have weighed on the industrial sector, particularly manufacturing. The snapback in sentiment reported on Friday underscored robust domestic demand and offered hope that consumer spending would remain solid enough to support economic growth, which has slowed significantly in recent months. The University of Michigan said its consumer sentiment index rose to 92.1 in early October, from a reading of 87.2 September. The survey's current conditions sub-index shot up to 106.7 this month, from 101.2 in September. (Source: *Reuters*)

Japan: Exports seen modestly higher on weak Asian demand

Japan's exports were expected to rise only modestly in September, a Reuters poll found, a sign that stagnant Asian demand may be hampering Japan's hesitant economic recovery. The trade data due on Wednesday could provide a strong clue to whether the economy will avoid recession after it shrank in April-June. Exports were seen increasing 3.4% last month from a year earlier, the poll

of 22 analysts found, after a 3.1% increase in August and a 7.6% gain in July. (Source: *The Star*)

Singapore: September exports up on electronics

Singapore's exports unexpectedly rose in September as sales of electronics products expanded, but reduced shipments to major markets such as the United States and China indicated sluggish global demand was limiting growth. Non-oil domestic exports (NODX) edged up 0.3% in September from a year earlier, trade agency International Enterprise Singapore said in a statement on Friday. That compares with a 3.8% contraction forecast in a Reuters poll. In August, non-oil domestic exports slumped 8.4% on year reflecting a steep decline in sales to China and Europe. (Source: *The Star*)

China: Must hasten infrastructure investment to stabilise growth

Increased infrastructure investment is key to stabilising China's economic growth, a top state advisor said on Sunday, while calling on the central bank to lower the cost of financing for companies and increase overall credit. "Keeping relatively high growth of infrastructure investment is key to stabilising economic growth" since property and manufacturing investment remains weak, said Yu Bin, head of the micro economy research department at the State Council's Development Research Centre. China needs to speed up its 172 hydropower projects, develop 800 million mu (53 million hectares) of high-standard agricultural land and increase investment in rural roads, Yu said. (Source: *Reuters*)

Indonesia: S&P warns of potential defaults by Indonesian firms

Ratings agency Standard & Poor's (S&P) warned of potential defaults by Indonesian firms after mobile phone retailer PT Trikomsel Oke Tbk prepared to meet lenders to restructure around US\$155mil of debt. Trikomsel said earlier this week it may restructure S\$215mil in outstanding bonds, which S&P said would be the first of its kind in Singapore's bond market since the global financial crisis. Jakarta-based Trikomsel, which is 19.9%-owned by Japan's SoftBank Group Corp, said the restructuring was necessary as the rupiah's decline against the US dollar and the slowdown in Indonesia's economy had resulted in "substantially weakened earnings and significantly reduced cash flow". (Source: *Reuters*)

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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