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Wednesday, May 06, 2015

Report of the Day

Results Review: Hartalega 4Q15 – “Hooray on NGC, Nay for ASP”

At a Glance

FBMKLCI recovered 9.15 points to finish at 1,827.42 as ahead of BNM's monetary meeting.....(See full report next page)

Daily Trading Strategy

“Wall Street Nosedive on Greece and Widening US Trade Deficit”

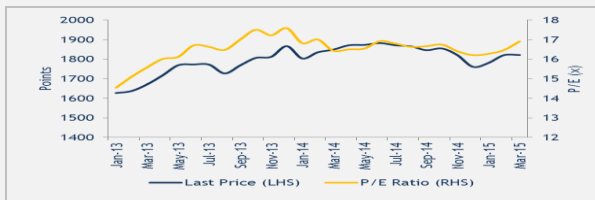
We think that market participants may continue to be cautious unless the signals are clear.....(See full report next page)

Corporate Highlights

- **Hartalega, HOLD (TP: RM7.40):** Posts net profit of RM54.9mil
- **Mah Sing, HOLD (TP: RM2.17):** Wins three awards at 5th Asian Excellence Award 2015
- **MAHB (CP: RM6.82):** Net profit for FY14 jumps 135.4 per cent to RM719.7 million

Economic Update

- **Malaysia:** Bank Negara seen keeping policy rate unchanged on Thursday
- **U.S.:** Trade data points to first-quarter economic contraction
- **U.S.:** Service sector picks up speed in April



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	4-May	4:00 PM	Markit Eurozone Manufacturing PMI	-	51.9
EU	4-May	5:00 PM	PPI MoM	-	0.5%
EU	4-May	5:00 PM	PPI YoY	-	-2.8%
CN	4-May	9:45 AM	HSBC China Manufacturing PMI	49.4	49.2
US	4-May	10:00 PM	Factory Orders	2.1%	0.2%
US	5-May	8:30 PM	Trade Balance	(\$40.1B)	(\$35.4B)
US	5-May	9:45 PM	Markit US Composite PMI	-	57.4
US	5-May	9:45 PM	Markit US Services PMI	-	57.8
EU	6-May	4:00 PM	Markit Eurozone Services PMI	-	53.7
EU	6-May	4:00 PM	Markit Eurozone Composite PMI	-	53.5
EU	6-May	5:00 PM	Retail Sales MoM	-	-0.2%
EU	6-May	5:00 PM	Retail Sales YoY	-	3.0%
CN	6-May	9:45 AM	HSBC China Composite PMI	-	51.8
CN	6-May	9:45 AM	HSBC China Services PMI	-	52.3
US	6-May	7:00 PM	MBA Mortgage Applications	-	-
US	6-May	8:15 PM	ADP Employment Change	185K	189K
EU	7-May	4:10 PM	Markit Eurozone Retail PMI	-	48.6
MY	7-May	12:00 PM	Exports YoY	-	-9.7%
MY	7-May	12:00 PM	Imports YoY	-	0.4%
MY	7-May	6:00 PM	BNM Overnight Policy Rate	3.25%	3.25%
JP	7-May	9:35 AM	Markit Japan Services PMI	-	48.4
JP	7-May	9:35 AM	Markit/JMMA Japan Composite PMI	-	49.4
US	7-May	8:30 PM	Initial Jobless Claims	-	-
CN	8-May	-	Trade Balance	-	\$3.08B
CN	8-May	-	Exports YoY	-	-15.0%
CN	8-May	-	Imports YoY	-	-12.7%
US	8-May	8:30 PM	Change in Nonfarm Payrolls	223K	126K
US	8-May	8:30 PM	Change in Manufact. Payrolls	5K	(1K)
US	8-May	8:30 PM	Unemployment Rate	5.4%	5.5%
US	8-May	8:30 PM	Labor Force Participation Rate	-	62.7%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,827.42	9.15	0.50
FBMEMAS	12,589.40	50.36	0.40
FBMEMAS SHA	13,111.27	37.36	0.29
FBM100	12,273.66	53.15	0.43
Volume (mn)	1,816.12	300.28	19.81
Value (RMmn)	1,931.84	-241.56	-11.11
FBMKLCI YTD Chg			3.76

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.2	1.4
Local Institution	53.3	-47.3
Foreign Investors	30.5	45.9

Top Gainers

	Close	Change+/-	(+/- %)
HONG LEONG FIN	16.80	0.60	3.70
MAHB	6.82	0.37	5.74
PPB GROUP	15.66	0.32	2.09

Top Losers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	47.00	-0.60	-1.26
BAT	66.52	-0.46	-0.69
BINTULU PORT	6.60	-0.40	-5.71

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,928.20	-142.20	-0.79
NASDAQ	4,939.33	-77.60	-1.55
S&P 500	2,089.46	-25.03	-1.18
FTSE 100	6,927.58	-58.37	-0.84
DAX	11,327.68	-292.17	-2.51
Nikkei 225	19,531.63	11.62	0.06
HSI	27,755.54	-368.28	-1.31
KOSPI	2,132.23	5.06	0.24
STI	3,482.70	-10.21	-0.29
KLCI Futures	1,815.00	5.50	0.00
USDMYR 3M	10.55	(0.02)	(0.00)
USDMYR 6M	10.44	0.01	0.00
USDMYR 12M	10.30	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	61	0.4	0.6%
Brent (USD/bbl)	67.5	1.1	1.6%
Gold(USD/ounce)	1,194	0.9	0.1%
Coal (USD/mt)	62.5	0.3	0.5%
CPO (RM/mt)	2,157	55.0	2.6%
Rubber	185	0.0	0.0%
RM/USD	3.61	0.0132	-0.37%
EUR/USD	0.89	0.0003	0.03%
YEN/USD	119.93	0.07	-0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 142.20 points to 17,928.20, S&P 500 down by 25.03 points to 2,089.46. Nasdaq fell by 77.60 points to 4,939.33. U.S. stocks closed about 1 percent lower on Tuesday as investors eyed higher bond yields, mixed domestic data and renewed concerns over Greece.
- In the continuing Greek debt drama, stocks and bonds sold off in Athens on news the International Monetary Fund may cut a funding lifeline to Greece unless its European partners accept more debt writedowns, the Financial Times reported. Germany's finance minister later rebuffed the report.

The Local Market

- FBMKLCI recovered 9.15 points to finish at 1,827.42 as ahead of BNM's monetary meeting. There were 362 gainers and 434 decliners in total value traded of RM1.93 billion.
- Among the gainers on Bursa Malaysia were Hong Leong Finance surged 60 cent to RM16.80, Malaysia Airport rose 37 cent to RM6.82, PPB Group grew 32 cent to RM15.66 and Lafarge up 28 cent to RM9.93.

Strategy

- **"Wall Street Nosedive on Greece and Widening US Trade Deficit"**
Wall Street gave up some precious points on Tuesday, hurt by Greece drama and widening US trade deficit which suggest that the US maybe in contraction mode, economic wise in 1Q15 **S&P 500** and **DJIA** unloaded **25.03 (-1.18%)** and **142.20 (-0.79%)** points to end at **2,089.46** and **17,928.20** respectively. As said, Greece drama has started to hurt the market sentiment again as it was rumoured that the International Monetary Fund may cut a funding lifeline to Greece unless its European partners accept more debt write downs. This arm twisting strategy may cause a big slide and haircut to major EU banks who have been known to own a large amount of Greece bonds, a situation that may spook market participants given the frail EU banking system now. Although this rumour is not confirmed but given the stiff neck of Greece to cut cost and improve productivity may push the creditors to the edge. Elsewhere, the US March trade deficit came above expectation of USD51 billion, the highest since 2008 as import elevated alarmingly. This suggests that the US may suffer economic contraction in 1Q15 after February trade deficit of USD35.9 billion. All these pockets of bad news will not do good to market sentiment, make worse by the fact that the US will be issuing its unemployment numbers this Friday. Given that, we think that market participants may continue to be cautious unless the signals are clear for them to make fresh new positions.
- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the

projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Hartalega, HOLD (TP: RM7.40): Posts net profit of RM54.9mil

Hartalega Holdings Bhd has posted a net profit of RM54.9mil for the fourth quarter ended March 31, up 11.6% from RM49.2mil last year. Revenue came in at RM305mil, up 8.9% from last year's RM280mil, on increase in sales volume and strengthening of the US dollar. In a filing with Bursa Malaysia, the manufacturer, retailer and wholesaler of latex and nitrile gloves said the stronger dollar had mitigated the effect of lower average selling price from declining raw material prices and a more competitive selling price. However, operating profit margin reduced from 24% to 22.2% due to start-up expenses from the Next Generation Integrated Glove Manufacturing Complex (NGC) project on increase in maintenance and natural gas costs. (Source: The Star)

Mah Sing, HOLD (TP: RM2.17): Wins three awards at 5th Asian Excellence Award 2015

Mah Sing Group Bhd has bagged the titles the Best Investor Relations Company (Malaysia) and Best Corporate Social Responsibility at the 5th Asian Excellence Award 2015, while its group managing director and group chief executive officer Tan Sri Leong Hoy Kum has been named Best CEO (Investor Relations). The 5th Asian Excellence Award 2015, which recognises excellence in communications, business ethics, CSR, environmental practices and financial performance, was held on April 10 at JW Marriot, Hong Kong. Mah Sing also noted that its CSR initiatives were recognised by the Responsible Entrepreneurship Awards 2014 for Investment in People and the Asia HRD Awards for Contribution to the Society. (Source: The Edge)

MAHB (CP: RM6.82): Net profit for FY14 jumps 135.4 per cent to RM719.7 million

Malaysia Airports Holdings Bhd (MAHB)'s net profit for its financial year ended December 31, 2014, jumped 135.4 per cent to RM719.7 million, from RM305.6 million the previous year. The increase was mainly attributable to gains arising from the acquisition of the final 40 per cent stake in Istanbul Sabiha Gokcen (ISG) Airport and LGM Havalimani (LGM) in Turkey. The airport operator also registered earnings before interest, tax, depreciation and amortisation (EBITDA) of RM861.4 million, representing 4.1 per cent growth for the year, on the back of a 4.7 per cent expansion in passenger movements. Its also recorded a revenue of RM3.3 billion. (Source: Business Times)

MAHB (CP: RM6.82): To Bid For Jeddah Airport's Maintenance Job

Malaysia Airports Holdings Bhd (MAHB) will bid for the maintenance job at the King Abdulaziz International Airport, Jeddah (Saudi Arabia), its Chairman Tan Sri Wan Abdul Aziz Wan Abdullah said Tuesday. The airport operator has already been pre-qualified for the job. Wan Abdul Aziz said in the meantime, MAHB would explore other business opportunities abroad. He said MAHB's international expansion is not limited to an equity acquisition in potential

businesses, but also exporting its services. (Source: Bernama)

Fraser & Neave (CP: RM18.54): 2Q net profit up 3.52%, pays 22 sen dividend

Fraser & Neave Holdings Bhd (F&N) posted a 3.52% increase in net profit to RM70.49 million or 38.4 sen a share for its second financial quarter ended March 31, 2015 (2QFY15), up from RM68.091 million or 37.5 sen a share a year ago, driven by its dairies business. Revenue grew a marginal 0.48% to RM939.885 million from RM935.395 million in 2QFY14. The soft drink manufacturer also declared an interim dividend of 22 sen per share amounting to RM80.6 million for the financial year ending Sept 30, 2015 (FY15), payable on June 12, 2015. In its filing with Bursa Malaysia today, F&N said the soft drinks' revenue was lower by 11.8% compared with the corresponding quarter despite effective Chinese New Year trade and promotion activation. (Source: The Edge)

KLCCP Stapled (CP: RM7.14): KLCC Property's Q1 results dragged down by hotel ops

KLCC Property Holdings Bhd's (KLCCP) financial performance for the first quarter (Q1) ended March 31 was dragged down by the lower contribution from its hotel operations. It told Bursa Malaysia that net profit fell 3% year on year to RM178.5mil on 4.1% lower revenue of RM326.9mil. Unlike the other segments, the hotel segment was impacted by seasonal or cyclical factors affecting the occupancy rate and food and beverage business, said the group, which owns luxury hotel Mandarin Oriental Kuala Lumpur (Mokul). The hotel operations swung to a loss before tax of RM3.2mil in Q1 from a profit of RM9.6mil a year earlier. Revenue, meanwhile, dropped 36.2% to RM31.53mil. In 2014 Mokul had recorded the highest revenue in its 16-year history at RM183.3mil, according to KLCCP Stapled Group's 2014 annual report. (Source: The Star)

Tune Ins (CP: RM1.79): Eyes expansion in Indonesia

Tune Ins Holdings Bhd aims to expand its insurance business in Indonesia by acquiring a controlling stake - 50% plus a share - in PT Asuransi Staco Mandiri (ASM) for RM22.8mil. It told Bursa Malaysia that it had on Tuesday executed a conditional binding offer letter to acquire 38,235 ordinary ASM shares or 31.82% of the issued and paid-up shares (or 23.33% of the enlarged share capital) for 26.764 billion rupiah (RM7.39mil). Tune Ins will also subscribe the entirety of 43,707 newly issued shares in ASM for 30.59 billion rupiah (RM8.44mil) or 26.67% of the enlarged share capital in ASM. (Source: The Star)

Ire-Tex (CP: RM0.36): Auditors issue qualified opinion on Ire-Tex's FY14 accounts

The auditors of Ire-Tex Corp Bhd, UHY Chartered Accountants, has issued a qualified opinion on the company's financial statements for the year ended December 31, 2014, concerning related party transactions entered into during the financial period. In a filing with the exchange, Ire-Tex said the qualified opinion is due to the sale of goods by its wholly-owned subsidiary Zoomic Automation (M) Sdn Bhd to two related parties amounting to RM5 million. The trade receivables arising from these sales amounting to RM50 million and advances of RM800,000 were subsequently impaired by the management as at financial year end. (Source: The Edge)

Petronas: Petronas-led JV offers aboriginal group US\$950m in Canada for project nod

Pacific NorthWest LNG is offering up to C\$1.15bil (US\$950mil) over 40 years to an aboriginal community in Canada to approve its natural gas export terminal on Canada's Pacific Coast. Reports said on Tuesday the joint venture, which is led by Petroliaam Nasional Bhd (Petronas) had made the offer to the community, which would be paid over 40 years. Pacific NorthWest LNG is offering the payments to the Lax Kw'alaams First Nation so it can build the unit on the community's traditional lands at the port of Prince Rupert in northern British Columbia, the native group said on its website. *(Source: The Star)*

ECONOMIC UPDATES**Malaysia: Bank Negara seen keeping policy rate unchanged on Thursday**

Bank Negara Malaysia (BNM) is expected to keep its benchmark rate unchanged at 3.25 percent at a review on Thursday, as policymakers see limited downside risk to the economy, a Reuters poll showed. All economists were unanimous that the central bank will not change its overnight policy rate as lower oil prices offset the effects of a consumption tax that came into effect on April 1. Pressure on the ringgit, emerging Asia's second-worst performing so far this year, has also eased. Malaysia last revised its key interest rate in July 2014, when it raised the rate from 3.00 to 3.25 percent. *(Source: The Star)*

U.S.: Trade data points to first-quarter economic contraction

A surge in imports lifted the U.S. trade deficit in March to its highest level in nearly 6-1/2 years, suggesting the economy contracted in the first quarter. Growth, however, is regaining momentum as other data on Tuesday showed activity in the services sector, which accounts for more than two-thirds of the economy, accelerated to a five-month high in April. The Commerce Department said the trade deficit jumped 43.1 percent to \$51.4 billion in March, the largest since October 2008. The percent rise was the biggest since December 1996. The surge came as imports snapped back after being held down by a now-settled labor dispute at key West Coast ports. *(Source: The Star)*

U.S.: Service sector picks up speed in April

The US economy's service sector sped up in April after the first-quarter sag, the Institute for Supply Management (ISM) reported Tuesday. The ISM purchasing managers index for services, by far the lion's share of economic activity, rose to 57.8 from 56.5 in March. A level above 50 represents expansion. Business activity and output surged by 4.1 points to 61.6, the new orders sub-index rose 1.4 points to 59.2, and hiring ticked higher by 0.1 point to 56.7. Price gains slowed, and new export orders contracted, confronted by the strong dollar. Survey respondents in 14 of 18 service business sectors reported growth in April, ISM said. *(Source: The Star)*

Greece: Blows hot and cold in race to avert cash crunch

Greece blew hot and cold with its euro zone partners on Tuesday as it struggled to avert a potentially catastrophic funding crunch this month, when it must make a big debt repayment to the IMF as cash reserves dry up. Finance Minister Yanis Varoufakis said after talks in Paris and Brussels that he expected euro zone finance ministers to acknowledge next Monday progress towards a cash-for-reform deal, opening the way to easing Athens' liquidity crisis. As a goodwill gesture, a senior privatization official said Athens was ready to finalize a 1.2 billion euro deal with German operator Fraport to run regional airports and to reopen bidding for a majority stake in the port of Piraeus. (Source: *The Star*)

India: Hits snag in effort to impose tax on foreign investors

Indian tax authorities suffered a setback on Tuesday in their efforts to impose a so-called minimum alternative tax (MAT) on foreign investors, as UK-based Aberdeen Asset Management won temporary relief from a tax bill it was facing. US and European investor groups last month called for the Indian government to clarify its tax regime for foreigners following surprise attempts by tax inspectors to impose MAT, which some tax experts say could leave international funds and banks with bills of as much as US\$8bil (RM28.87bil). Aberdeen had filed its challenge with the High Court of Bombay in response to a claim for a MAT payment of about 2 million rupees (RM113,784) for one of its funds, said a lawyer involved in the case. (Source: *The Star*)

Indonesia: Q1 growth weakest since 2009, leaves central bank in bind

Indonesia's economic growth in the first quarter slumped to its weakest annual pace since 2009, leaving its central bank in a bind as rising inflationary pressures and a faltering currency crimp its ability to jump-start South-East Asia's biggest economy. The data throws a harsh light on President Joko Widodo, whose business-friendly credentials have already been questioned six months into his tenure, with policy inertia and rifts inside his own party undercutting an ambitious economic revival plan. (Source: *The Edge*)

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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