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Report of The Day

Sector Update: Telecommunication – “Confusion Clarified”

At a Glance

FBMKLCI gained 2.55 points to finish at 1,834.52 taking cue from unimpressive U.S.' jobless data claim...(See full report next page)

Strategy

“Cautious Week Ahead”

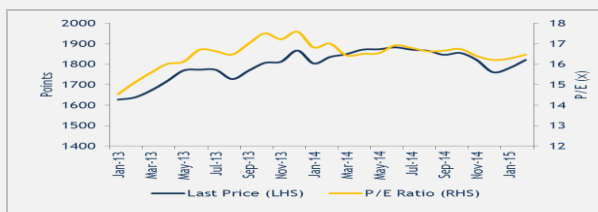
We expect the regional and local market to make some small but meaningful gains.....(See full report next page)

Corporate Highlights

- **Dialog Group, HOLD (TP: RM1.66):** Gets shareholders nod for RM2.65b investments
- **IJM Corp, HOLD (TP: RM7.50):** Construction, plantation earnings to mitigate property slowdown
- **Parkson, HOLD (TP: RM2.25):** Profit warning

Economic Update

- **Malaysia :** Posts RM4.52bil trade surplus in Feb 2015
- **China:** Services sector expands in March, job growth at 10-month low
- **Eurozone:** Euro weakness sparks talk of currency war



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	6-Apr	1:00 PM	Leading Index CI	-	105.5
JP	6-Apr	1:00 PM	Coincident Index	-	113.3
US	6-Apr	9:45 PM	Markit US Composite PMI	-	58.5
US	6-Apr	9:45 PM	Markit US Services PMI	-	58.6
US	6-Apr	10:00 PM	ISM Non-Manuf Composite	56.6	56.9
EU	7-Apr	4:00 PM	Markit Eurozone Services PMI	-	54.1
EU	7-Apr	4:00 PM	markit Eurozone Composite PMI	-	3.7%
EU	7-Apr	5:00 PM	PPI MoM	-	-0.9%
EU	7-Apr	5:00 PM	PPI YoY	-	-3.4%
NY	7-Apr	-	Foreign Reserves	-	\$109.2B
JP	7-Apr	7:50 AM	Official Reserve Assets	-	\$1251.1B
EU	8-Apr	4:10 PM	Markit Eurozone Retail PMI	-	46.4
EU	8-Apr	5:00 PM	Retail Sales MoM	-	1.1%
EU	8-Apr	5:00 PM	Retail Sales YoY	-	3.7%
JP	8-Apr	7:50 AM	BoP Current Account Balance	¥1312.1B	¥61.4B
US	8-Apr	7:00 PM	MBA Mortgage Applications	-	4.6%
US	9-Apr	8:30 PM	Initial Jobless Claims	-	-
US	9-Apr	8:30 PM	Continuing Claims	-	-
CN	10-Apr	9:30 AM	CPI YoY	1.3%	1.4%
CN	10-Apr	9:30 AM	CPI MoM	-4.4%	-4.8%
MY	10-Apr	12:00 PM	Industrial Production YoY	-	7.0%
CN	10-15 Apr	-	Foreign Reserves	-	\$3840.0B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,834.52	2.55	0.14
FBMEMAS	12,583.03	18.01	0.14
FBMEMAS SHA	13,134.20	21.11	0.16
FBM100	12,279.09	17.58	0.14
Volume (mn)	1,774.22	-392.31	-18.11
Value (RMmn)	1,270.99	-768.84	-37.69
FBMKLCI YTD Chg			4.16

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	24.4	-26.3
Local Institution	61.9	-8.0
Foreign Investors	13.7	34.3

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	74.30	0.60	0.81
CAHYA MATA SRK	4.70	0.20	4.44
TM	7.51	0.16	2.18

Top Losers

	Close	Change+/-	(+/- %)
BAT	68.22	-0.44	-0.64
STORE CORP BHD	2.72	-0.18	-6.21
SHANGRI-LA	6.48	-0.17	-2.56

World Indices

	Close	Change+/-	(+/- %)
DJIA	-	-	-
NASDAQ	-	-	-
S&P 500	-	-	-
FTSE 100	-	-	-
DAX	-	-	-
Nikkei 225	19,435.08	122.29	0.63
HSI	-	-	-
KOSPI	2,045.42	16.35	0.81
STI	-	-	-
KLCI Futures	1,833.50	6.00	0.00
USDMYR 3M	10.38	(0.12)	(0.01)
USDMYR 6M	10.41	(0.12)	(0.01)
USDMYR 12M	10.50	(0.07)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	50	0.5	1.1%
Brent (USD/bbl)	55.3	0.4	0.7%
Gold(USD/ounce)	1,218	10.9	0.9%
Coal (USD/mt)	55.6	-0.4	-0.7%
CPO (RM/mt)	2,191	25.0	1.2%
Rubber	172	0.3	0.2%
RM/USD	3.67	0.0003	-0.01%
EUR/USD	0.91	-0.0038	-0.42%
YEN/USD	118.81	-0.16	0.13%

What To Expect

U.S. Market

- All major U.S. stock exchanges, including the New York Stock Exchange and Nasdaq, are closed on Good Friday. London markets and major exchanges in Europe were also closed and will remain shut on Monday.

The Local Market

- FBMKLCI gained 2.55 points to finish at 1,834.52 taking cue from unimpressive U.S.' jobless data claim. There were 466 gainers and 325 decliners in total value traded of RM1.27 billion.
- Among the gainers on Bursa Malaysia were Nestle surged 60 cent to RM74.30, Cahya Mata Sarawak soared 20 cent to RM4.70. Telekom Malaysia grew 16 cent to RM7.51 and Rapid Synergy rose 16 cent to RM5.76.

Strategy

“Cautious Week Ahead”

Wall Street was closed last Friday due to the Good Friday holiday. Notwithstanding that, the US unemployment rate for March came in within expectation (release on Friday) after matching February's numbers of 5.5%, less-than-risky development which may push the US Federal Reserve to pause for a while before seriously thinking to adjust US Federal Funds rate (FFR). At this stage, rumour has it that the FFR may have higher possibility to get adjusted beginning June or July sitting with the consensus expecting a small dose of adjustment of 25 basis points for every FOMC meeting. Note that there will be 6 FOMC meetings left for the year including in April, June, July, September, October and December. As for this week, investors focus will be on micro economic developments including the like of PMI numbers across the globe in addition to second liner economic release like Malaysia's IPI numbers (Friday) and US MBA Mortgage application (Wednesday). Assuming oil price behaving well and there is no damaging news on a global landscape, we expect the regional and local market to make some small but meaningful gains.

- 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

Dialog Group, HOLD (TP: RM1.66): Gets shareholders nod for RM2.65b investments

Dialog Group Bhd has obtained shareholders' approval to rise up to RM2.65bil to implement the next few phases of its development of country's largest petrochemical complex. Executive chairman Tan Sri Ngau Boon Keat said on Friday its three-pronged strategy – focusing on upstream, midstream and downstream – have enabled it to weather the uncertainties of the current volatile crude oil prices. He said upstream focuses on providing services for the drilling, fabrication, piping and maintenance while midstream focuses storage tankers and downstream is on engineering and fabrication. He said Dialog's strategy had enabled it to balance out the current weak oil price environment where the focus is now shifted to midstream and downstream. Dialog's plan is have each of the segments to provide one-third each to the group revenue. (Source: The Star)

IJM Corp, HOLD (TP: RM7.50): Construction, plantation earnings to mitigate property slowdown

IJM Corp Bhd's construction and plantation units are expected to cushion the impact of a potential slowdown in property sales, according to RAM Rating Services Bhd. In a note today, RAM co-head for infrastructure and utilities Davinder Kaur Gill said IJM Corp's (fundamental: 1.1; valuation: 1.2) property sales might have to contend with a slower Malaysian real estate market. Supported by RM1.6 billion of unbilled property sales and a record-high order book of over RM6 billion, IJM's earnings prospects appear bright. The Group was recently awarded RM2.8 billion of jobs under the long-awaited RM5 billion WCE project, RM1.2 billion of Kuantan Port upgrading works and several private jobs valued at around RM1.8 billion," Davinder said. (Source: The Edge)

Parkson, HOLD (TP: RM2.25): Profit warning

THE profit warning from retailer Parkson Holdings Bhd's subsidiary in Hong Kong earlier this week gives rise to the question as to whether the company should have been prudent in declaring its results in previous years. The profit warning came about after a legal suit that was initiated in 2012 between Parkson Retail Group Ltd (PRGL) and the landlord of its plaza in Beijing where it had operations. The dispute surrounds the landlord wanting back a portion of the plaza where PRGL was the tenant. The landlord filed for arbitration in 2012 and finally, on Monday, PRGL was ordered to pay about 140 million yuan (RM83.82mil) to its landlord in Beijing. (Source: The Star)

IJM Land (Suspended): Sime join as partners in Malaysia-China Kuantan Industrial Park

Property and construction giants, IJM Land Bhd and Sime Darby Property Bhd have signed up as the new Malaysian consortium partners in developing the Malaysia-China Kuantan Industrial Park (MCKIP). International Trade and Industry Minister Datuk Seri Mustapa Mohamed said the participation of IJM Land and Sime Darby marked a significant milestone as both companies had strong credentials as master developers and were well-established names, locally and internationally. "Malaysia-China Kuantan Industrial Park Sdn Bhd

(MCKIPSB) is a 51:49 joint venture between the Malaysian consortium and Chinese consortium. IJM Land holds a 40% equity interest in the Malaysian consortium, while Kuantan Pahang Holding Sdn Bhd together with Sime Darby holds 30% and the remaining 30% is held by the Pahang state government," he told a press conference here. The 49% stake held by the Chinese consortium was led by state-owned conglomerate Guangxi Beibu Gulf International Port Group, with 95% equity interest. The remaining 5% is held by Qinzhou Investment Company. *(Source: The Star)*

Cocoaland (CP: RM1.94): In talks for possible takeover by EQT

Confectionery manufacturer Cocoaland Holdings Bhd is in a discussion with Swedish private equity group EQT for investment possibilities which may result in the latter taking over Cocoaland. "Cocoaland wishes to advise that its major shareholder, Leverage Success Sdn Bhd is in preliminary discussions with EQT for various investment possibilities in Cocoaland including, but not limited to, acquisition of a majority or controlling interest in Cocoaland, takeover of Cocoaland or acquire the entire/part of Cocoaland's business operation," it said in a filing with Bursa Malaysia. According to its latest annual report, Leverage Success owns 38.04% stake in Cocoaland while Fraser & Neave Holdings Bhd owns 27.19%. Through its subsidiaries, Cocoaland is engaged in the manufacturing and trading of processed and preserved foods and other related foodstuffs. Its product brands include Lot 100, Chocopie, Fruit 10 and Mum's Bake. *(Source: The Star)*

Barakah (CP: RM0.85): Bags topside maintenance job from KPOC

Barakah Offshore Petroleum Bhd has secured a contract from Kebabangan Petroleum Operating Company Sdn Bhd (KPOC) to provide topside maintenance services. Barakah said on Friday its unit PBJV Group Sdn Bhd had received the letter of award. The contract comprises provision of topside maintenance services in Sabah. The contract duration is for one year effective from April 2, 2015 with an option for extension for a further one year. The mobilisation date for the work is expected to be on May 1, 2015. Barakah said the total value of the contract would hinge on the actual work orders to be issued by KPOC from time to time during the contract period. *(Source: The Star)*

LBS Bina (CP: RM1.50): To transform Zhuhai International Circuit into tourist spot

LBS Bina Group plans to transform its Zhuhai International Circuit (ZIC) in China into a tourist spot. LBS managing director Datuk Seri Lim Hock San said the property developer was planning to redesign the 99.55ha (246 acres) ZIC into a tourist attraction which would include a commercial component. The company is in the midst of getting the approval from the authorities in China. Hopefully we can get the approval at the end of this year and start the transformation plan next year," Lim said at a media briefing here today.

He said the transformation plan of ZIC was still at a preliminary stage. *(Source: The Edge)*

GW Plastics (Suspended): No longer PN17, to trade as MCT on Monday

GW Plastics Holdings Bhd will be uplifted from being classified as a Practice Note 17 (PN17) company from Monday (April 6), following the completion of its

regularisation plan. Trading of the company's shares will resume on the same day as MCT Bhd. GW slipped into PN17 status after it sold its core business to Scientex Bhd for RM283.2 million in January 2013. Its regularisation plan included a reverse takeover (RTO) exercise by MCT Consortium Bhd. In line with the plan, GW Plastics has changed its name to MCT, and the shares will be traded and quoted under the "properties" sector comes Monday. The reference price for MCT's shares are RM1.28 apiece, with an upper and lower limits of 400% and 30% respectively on trading prices on the first day of listing. (Source: *The Edge*)

Bintulu Port (CP: RM7.10): Gets nod for extension of concession

Bintulu Port Holdings Bhd (BPHB) has obtained approval in-principle from the Federal Government to extend the concession period for the operation of the Bintulu Port to 2052. According to BPHB Chairman Tan Sri Dr Ali Hamsa, detailed terms and conditions for the extension of the concession agreement for Bintulu Port Sdn Bhd (BPSS) are subject to the concurrence of all parties concerned. BPSS was licensed as the operator of the Bintulu Port when it was privatised in 1993. Reputed to be one of South-East Asia's most efficient and profitable ports, Bintulu Port has grown by leaps and bounds over the past three decades, with its total cargo throughput soaring to 45.4 million tonnes last year from less than five million tonnes in 1983 when it started operations. (Source: *The Star*)

Protasco (CP: RM1.53): Bags RM58m road work job

Protasco Bhd has been awarded a road work contract worth RM58 million by Malaysian Resources Corporation Bhd (MRCB). In a filing with the stock exchange, Protasco said it is for main civil and infrastructure works to connect the road between Old Klang Road and New Pantai Expressway. It is to be completed by September 30, 2016. The works are expected to contribute positively to the earnings of the Protasco group for the financial year ending December 31, 2015, it added. (Source: *The Sun Daily*)

ConnectCounty (CP: RM0.19): Turning point for Connect following KASB buys

ConnectCounty Holdings Bhd (Connect) will see a change in its fortunes this year after four consecutive years of losses once it completes the RM25mil acquisition of Kejuruteraan Asastera Sdn Bhd (KASB). "This can be viewed as a turning point for our company as Connect is expected to return to the black in the financial year 2015 ending Dec 31. The acquisition also has a profit guarantee condition of RM5mil for the current financial year," Connect executive deputy chairman Ang Chuang Juay told StarBiz recently. Speaking at an interview together with KASB managing director Lai Keng Onn, Ang said that the acquisition would also enable Connect to diversify its business both geographically and operationally. Ang also said that Connect's accumulated losses of RM7.04mil would be wiped out in the current year after considering the profit guarantee of RM5mil and the anticipated better performance of its overall business. (Source: *The Star*)

Proton: Expects higher sales this year after GST

Proton Holdings Bhd is optimistic of recording higher sales of about 130,000 units this year compared with 115,000 units in 2014, amid lower car prices following the goods and services tax (GST). Chief executive officer Datuk Abdul Harith Abdullah said that the target was also driven by positive sales record for

the Iriz and Saga models as well as the higher industry growth projection of 2% to 3%. Abdul Harith said the national carmaker was on its way to recovery after hitting its lowest sales last year with fewer than 10,000 units per month. (Source: *The Star*)

KWAP: Eyeing Magna land?

Fresh from acquiring its first property in Malaysia, the Retirement Fund Inc (KWAP) is believed to be eyeing Magna Prima Bhd's Lai Meng School land in Jalan Ampang. According to sources, the deal came about as Magna Prima was also looking to divest the freehold property measuring 1.06ha that is situated close to the iconic Petronas twin towers. Property consultants said that land values in the Kuala Lumpur city centre (KLCC) area were a bit soft and cost between RM3,200 and RM3,500 per sq ft (psf). But Magna Prima was looking at the higher end of the band. (Source: *The Star*)

Telecommunication Sector: Prepaid reload prices to stay the same

The four big telecommunications (telcos) operators, namely Maxis Bhd, Celcom Axiata, DiGi.com Bhd and U Mobile Sdn Bhd have agreed to retain the old price of prepaid reload cards, which is expected to take effect within a month. For example, the RM10 prepaid top up will be maintained, where the prepaid user will pay RM9.43 for the prepaid and 57 sen of Goods and Services Tax (GST)," Deputy Finance Minister Datuk Ahmad Maslan told the media after visiting Proton Centre of Excellence last Friday. Ahmad Maslan said the decision was arrived following discussions with the CEOs of the major telcos, in which they had requested for a month of preparation to change to the new pricing system. (Source: *The Sun Daily*)

Plantation Sector: CPO export tax brings cheers to palm oil refiners

THE re-imposition of Malaysia's export tax on crude palm oil (CPO) at 4.5% this month after its suspension since September last year, is seen as a mixed blessing by local palm oil industry players. Palm oil refiners, whose margins are mostly affected by the zero duty on CPO exports imposed seven months ago have plenty to cheer about by this latest turn of event. Refiners have been experiencing negative processing margins due to the insufficient CPO supply by upstream plantation players, which have been taking advantage of the zero duty to push for more CPO exports. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Posts RM4.52bil trade surplus in Feb 2015

Malaysia registered the 208th consecutive month of trade surplus in February 2015, with a value of RM4.52bil, the Ministry of International Trade and Industry (MITI) said. Trade for the month amounted to RM101.81bil with exports and imports valued at RM53.17bil and RM48.65bil respectively, compared with RM58.91bil and RM48.48bil respectively in February 2014. In a statement today, MITI said the performance was similar to other regional countries which recorded lower growth in trade for February 2015. For the cumulative two-month period, Malaysia registered a trade surplus of RM13.48bil with total trade valued at RM220.07bil, comprising RM116.77bil in exports and RM103.29bil in imports. (Source: *The Star*)

China: Services sector expands in March, job growth at 10-month low

China's services sector expanded in March even as growth in employment and new business fell to their lowest in at least eight months, a private survey showed on Friday, in yet another sign that the weak Chinese economy may need more policy aid. The HSBC/Markit China Services Purchasing Managers' Index (PMI) inched higher to 52.3 in March, compared with February's 52.0, and above the 50-point level that separates growth from a contraction in activity on a monthly basis. But the marginal expansion was offset by lackluster growth in employment, which fell to a 10-month trough of 51.1. Growth in new businesses was at an eight-month low. *(Source: The Star)*

Eurozone: Euro weakness sparks talk of currency war

The euro's slide against the dollar has reignited talk of a "currency war", with analysts in opposing camps over whether or not countries are consciously playing with their exchange rates. War language is no stranger to modern monetary policy. The massive bond buying programmes, or quantitative easing (QE), that central banks have used in response to the financial and economic crises that have rocked the global economy since 2008 are often referred to as a bazooka. After lowering interest rates, sometimes to zero or even into negative territory, major central banks turned to buying government and corporate bonds to stimulate the economy. *(Source: The Star)*

U.S.: Job growth weakest since 2013

US employers added the fewest jobs in more than a year in March amid signs the economy was starting to take strain from a strong dollar and lower oil prices, which could delay an anticipated interest rate increase from the Federal Reserve. Nonfarm payrolls increased 126,000 last month, the smallest gain since December 2013, the Labor Department said on Friday. The goods producing sector, which had been hurt by a strong dollar, shed 13,000 jobs last month, the largest drop since July 2013. March's tepid increase in payrolls ended 12 straight months of job gains above 200,000, which had been the longest streak since 1994. In addition, data for January and February was revised to show 69,000 fewer jobs created than previously reported, giving the report an even weaker tone. *(Source: The Star)*

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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