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Thursday, April 16, 2015

Report of The Day

Company Update: Bumi Armada - "New Contract Wins in Malta"

Results Review: Zhulian 1Q15 - "Slow Start to FY15"

At a Glance

FBMKLCI up marginally by 0.52 points to finish at 1,840.13 on gains by crude oil prices(See full report next page)

Daily Trading Strategy

"Oil Heading North; Wall Street Upbeat"

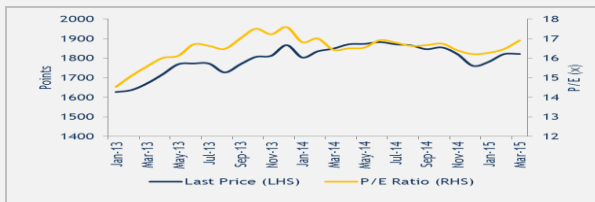
As for today, the absence of damaging news and the steady pace of oil price will shore up investors trading sentiment.(See full report next page)

Corporate Highlights

- **Axiata, HOLD (TP: RM7.65):** Dian Siswarini becomes Axiata group's first female CEO
- **PetDag, SELL (TP: RM14.40):** To offer RON97 that complies with Euro-4M standard by September
- **Zhulian, Sell (TP: RM1.80):** 1Q net profit drop to RM12.6 mil

Economic Update

- **China:** First-quarter property investment growth slows to 8.5% year-on-year
- **China:** First quarter growth dips to six-year low
- **Singapore:** Private home sales up for first time since July 2014



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	13-Apr	7:50 AM	Machine Orders MoM	-	-1.7%
JP	13-Apr	7:50 AM	PPI MoM	-	0.0%
JP	13-Apr	7:50 AM	PPI YoY	-	0.5%
CN	13-Apr	-	Trade Balance	\$40.55B	\$40.62B
CN	13-Apr	-	Exports YoY	-	-48.3%
CN	13-Apr	-	Imports YoY	-10.5%	-20.5%
EU	14-Apr	5:00 PM	Industrial Production SA MoM	-	0.1%
EU	14-Apr	5:00 PM	Industrial Production WDA YoY	-	1.2%
US	14-Apr	8:30 PM	Retail Sales Advance MoM	1.0%	-0.6%
US	14-Apr	8:30 PM	Retail Sales Ex Auto MoM	0.7%	-0.1%
US	14-Apr	8:30 PM	Retail Sales Ex Auto and Gas	-	-0.2%
US	14-Apr	8:30 PM	PPI Final Demand MoM	0.2%	-0.5%
US	14-Apr	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.5%
EU	15-Apr	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	15-Apr	7:45 PM	ECB Deposit Facility Rate	-	-0.200%
EU	15-Apr	7:45 PM	ECB Marginal Lending Facility Rate	-	0.300%
US	15-Apr	7:00 PM	MBA Mortgage Applications	-	0.4%
US	15-Apr	9:15 PM	Industrial Production MoM	-0.2%	0.1%
US	15-Apr	9:15 PM	Capacity Utilization	78.7%	78.9%
JP	15-Apr	12:30 PM	Industrial Production MoM	-	-3.4%
JP	15-Apr	12:30 PM	Industrial Production YoY	-	-2.6%
JP	15-Apr	12:30 PM	Capacity Utilization MoM	-	3.6%
CN	15-Apr	10:00 AM	Retail Sales YoY	10.9%	7.0%
CN	15-Apr	10:00 AM	Retail Sales YTD YoY	10.7%	10.7%
CN	15-Apr	10:00 AM	Industrial Production YoY	7.0%	7.0%
CN	15-Apr	10:00 AM	Industrial Production YTD YoY	7.0%	6.8%
CN	15-Apr	10:00 AM	GDP YoY	7.0%	7.3%
US	16-Apr	8:30 PM	Housing Starts	1040K	897K
US	16-Apr	8:30 PM	Housing Starts MoM	15.9%	-17.0%
US	16-Apr	8:30 PM	Building Permits	1080K	1092K
US	16-Apr	8:30 PM	Building Permits MoM	-2.0%	3.0%
US	16-Apr	8:30 PM	Initial Jobless Claims	-	-
US	16-Apr	8:30 PM	Continuing Claims	-	-
EU	17-Apr	5:00 PM	CPI MoM	-	0.6%
EU	17-Apr	5:00 PM	CPI YoY	-	-
EU	17-Apr	5:00 PM	CPI Core YoY	-	0.6%
US	17-Apr	8:30 PM	CPI MoM	0.3%	0.2%
US	17-Apr	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	17-Apr	8:30 PM	CPI YoY	0.1%	0.0%
US	17-Apr	10:00 PM	U. of Mich. Sentiment	93.7	93.0
US	17-Apr	10:00 PM	Leading Index	0.3%	0.2%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,840.13	0.52	0.03
FBMEMAS	12,663.93	28.83	0.23
FBMEMAS SHA	13,204.64	24.25	0.18
FBM100	12,335.13	19.43	0.16
Volume (mn)	2,701.66	685.03	33.97
Value (RMmn)	2,508.12	425.91	20.45
FBMKLCI YTD Chg			4.48

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.1	-34.5
Local Institution	52.1	-43.0
Foreign Investors	27.8	77.5

Top Gainers

	Close	Change+/-	(+/- %)
AEON CREDIT	14.22	0.50	3.64
TAHPS GROUP BH	6.90	0.35	5.34
NESTLE (MALAY)	75.48	0.28	0.37

Top Losers

	Close	Change+/-	(+/- %)
SYARIKAT TAKAFU	14.28	-0.30	-2.06
HONG LEONG FIN	16.90	-0.22	-1.29
KL KEPONG	22.50	-0.20	-0.88

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,112.61	75.91	0.42
NASDAQ	5,011.02	33.73	0.68
S&P 500	2,106.63	10.79	0.51
FTSE 100	7,096.78	21.52	0.30
DAX	12,231.34	3.74	0.03
Nikkei 225	19,869.76	-38.92	-0.20
HSI	27,618.82	57.33	0.21
KOSPI	2,119.96	8.24	0.39
STI	3,536.34	15.26	0.43
KLCI Futures	1,834.00	1.00	0.00
USDMYR 3M	9.88	0.01	0.00
USDMYR 6M	9.96	(0.02)	(0.00)
USDMYR 12M	10.04	0.00	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	56	-0.3	-0.6%
Brent (USD/bbl)	63.3	3.5	5.9%
Gold(USD/ounce)	1,204	1.4	0.1%
Coal (USD/mt)	55.7	0.3	0.5%
CPO (RM/mt)	2,151	9.0	0.4%
Rubber	166	0.7	0.4%
RM/USD	3.71	0.0055	-0.15%
EUR/USD	0.94	0.0007	0.07%
YEN/USD	119.16	0.02	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 75.91 points to 18,112.61, S&P 500 up by 10.79 points to 2,106.63. Nasdaq surged by 33.73 points to 5,011.02. U.S. stocks rallied following several strong earnings reports on Wednesday, while European shares hit a 14-year high after the European Central Bank affirmed its loose policy stance.
- Oil rose sharply after U.S. government data showed crude oil inventories rose less than expected last week.

The Local Market

- FBMKLCI up marginally by 0.52 points to finish at 1,840.13 on gains by crude oil prices. There were 518 gainers and 307 decliners in total value traded of RM2.50 billion.
- Among the gainers on Bursa Malaysia were Aeon Credit gained 50 cent to RM14.22, TAHPS Group up 35 cent to RM6.90, Nestle and Guinness Anchor surged 28 cent each to RM75.48 and RM14.90.

Strategy

- **“Oil Heading North; Wall Street Upbeat”**

Wall Street ended in positive note on Wednesday boosted by steady gains in crude oil. **S&P 500** and **DJIA** added **10.79 (0.51%)** and **75.91 (0.42%)** to finish at **2,106.63** and **18,112.61** respectively. There was nothing that could stop investors from picking up beaten down and dislocated oil price, many thanks to the absence of negative news flow, pushing WTI and Brent to reach USD56 and USD63 respectively, a welcoming development amid previous challenges facing global commodity prices. In the absence of damaging news flow, we opine that traders will continue to be long on crude oil price as in the long term prices will definitely heading shot north. Although there could be noises along the way but we think that the up cycle of oil price will remain exciting until 2020. Nonetheless, St. Louis Fed President James Bullard said on Wednesday that the economic boom of US will send the country unemployment rate to 4% range, leading us to predict that the US Federal Reserve will not mince its mind in adjusting the Federal Funds Rate this year despite lethargic oil price. As we all know, monetary action has a lag time to trickle down to the economy. In sum, inertia over this will be costly for the US economy. As for today, the absence of damaging news and the steady pace of oil price will shore up investors trading sentiment in our view.

- 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

Axiata, HOLD (TP: RM7.65): Dian Siswarini becomes Axiata group's first female CEO

Axiata Group Bhd has promoted Dian Siswarini (pic) from deputy chief executive officer to president and director of PT XL Axiata Tbk (XL). She is the first female CEO in the Axiata group. Axiata said in a statement that with close to 20 years of experience in the telecommunications industry, in both the technology and operations side, Dian would play a crucial role in the next phase of XL's growth to face the future challenges and changing dynamics of the telecommunications industry. The assignment is part of Axiata's ongoing efforts to strengthen management at its operating companies (OpCos), with a focus on recruiting the best talent. *(Source: The Star)*

PetDag, SELL (TP: RM14.40): To offer RON97 that complies with Euro-4M standard by September

Petronas Dagangan Bhd's (PetDag) chief executive officer and managing director Mohd Ibrahimnuddin Mohd Yunus said PetDag will offer RON97 that complies with Euro-4M standard by September this year. Currently, RON97, RON95 and diesel supplied by Petdag is complying with with Euro-M2. PetDag is Petronas' downstream marketing arm, selling retail and commercial petroleum products, as well as liquefied petroleum gas. Meanwhile, Mohd Ibrahimnuddin noted that PetDag currently sells diesel that complies with Euro-5 standard at two of its station in Pasir Gudang and Gelang Patah, both in Johor at a 10 sen premium to the current selling price. *(Source: The Star)*

Zhulian, Sell (TP: RM1.80): 1Q net profit drop to RM12.6 mil

The Group's revenue for the period under review of RM55.219 million was lower by RM10.938 million, as compared to the revenue in last year corresponding period of RM66.157 million. The decrease in revenue was mainly due to drop in local market demand. The Group's profit before tax was RM17.223 million, with a decrease of RM3.175 million as compared to last year's corresponding period of RM20.398 million. The decrease in profit before tax was in line with the drop in revenue. *(Source: Bursa Malaysia)*

Eco World (CP: RM1.80): RM1bil 190ha mega deal, set to be big player in Penang

Eco World Development Group Bhd will ink a deal next week with the Penang Development Corp (PDC) to purchase 190.2ha in Batu Kawan and in the process become a major property developer in the state. Sources said Eco World, which was the only bidder for the land, would pay about RM1bil or RM50 per sq ft for the 190.2ha. The group will sign the sale and purchase agreement with PDC at a later date, but it is learnt that the award would be handed out next week in a ceremony to be attended by Eco World chairman Tan Sri Liew Kee Sin. *(Source: The Star)*

AirAsia (CP: RM2.24): To fly to any city, says Fernandes

Malaysian low-cost airline, AirAsia, will fly to any city, especially the second- and third-tier, if there is an airport, said AirAsia Bhd group chief executive officer, Tan Sri Tony Fernandes. Fernandes said the carrier could play a big role to help

develop the economy of the cities. We hope to fly to every airport in China in the next 10 years," he said. He said this at a media briefing after the signing of the memorandum of understanding between AirAsia and UnionPay International, a subsidiary of Shanghai-based bankcard association, China UnionPay, here today He said AirAsia would fly to four more destinations in China soon. Currently, AirAsia flies to some 30 routes in China, including second and third-tier cities such as Wuhan, Xi'an and Chongqing. (Source: The Star)

Bintai Kinden (CP: RM0.37): Secures RM48m contract in Singapore

Bintai Kinden Corporation Bhd's subsidiary has secured a S\$17.70mil (RM48.09mil) maintenance contract from Singapore's Land Transport Authority (LTA). It said on Wednesday its 69.82% owned Bintai Kindenko Pte Ltd received the contract to undertake the integrated maintenance of the LTA premises. The targeted date for the project to be completed is by April 29, 2018. (Source: The Star)

MBSB (CP: RM2.24): Aims to be an Islamic bank in 5 years

Becoming an Islamic Bank is Malaysia Building Society Bhd (MBSB) vision and its CEO Datuk Ahmad Zaini said it hopes to achieve that in five years. He said MBSB had wanted to start the five-year plan earlier on but the mega bank merger, which involves two other banks—CIMB Group Holdings Bhd and RHB Capital Bhd, came in and it had to put a halt to its original plan. Now that the mega merger has lapsed, it will be "re-activating" the business plan. (Source: The Star)

Mitrajaya (CP: RM1.86): Sets sights on disposing Optimax eye treatment franchise

Mitrajaya Holdings Bhd has decided to sell off its 51% stake in the local franchise holder for Optimax, a British laser eye correction chain, for RM5.1mil. The company told Bursa Malaysia that it on Wednesday agreed to dispose of all its interest in Optimax Eye Specialist Centre Sdn Bhd comprising of 1.275 million shares for RM4 apiece. Construction-based Mitrajaya acquired its stake in the eye surgery specialist in December 2001, reportedly for RM2.5mil. Optimax today has one of the largest networks in Malaysia for laser refractive surgery. (Source: The Star)

Pesona Metro (CP: RM0.78): Wins RM267mil construction contract in Cyberjaya

Pesona Metro Holdings Bhd has clinched a RM266.75mil contract to build office and retail blocks in Cyberjaya. It told Bursa Malaysia on Wednesday that its unit Pesona Metro Sdn Bhd had received a letter of award from PBT Engineering Sdn Bhd, a subsidiary of Singapore-listed Tee International Ltd, to complete building works on a 17-storey office block, and two blocks of Menara Soho (30 and 35 storeys). The project has duration of 29 months starting from April 20. Tee International had bought the 5.95-acre freehold land in Jalan Teknokrat 3, where the buildings are being built, for RM32.1mil in 2012. (Source: The Star)

Tropicana (CP: RM1.12): Sells non-core ops for RM198mil

Tropicana Corp Bhd is disposing of its non-core business of manufacturing explosives with the sale of its entire 73% shareholding in Tenaga Kimia Sdn Bhd for RM194.7mil cash. The company said that its unit, Tropicana Tenaga Kimia

Sdn Bhd, was disposing of the stake to Austin Powder Asia Pacific, a subsidiary of US-based Austin Powder Holdings Co. The company also said it would benefit from interest savings as a result of the utilisation of the sale proceeds to lower borrowings. (Source: *The Star*)

Farm Best (CP: RM0.72): SC turns down Farm's Best proposals for series of corporate exercises

Integrated poultry producer Farm's Best Bhd's application for a series of corporate exercises including a reverse takeover deal (RTO) has been turned down by the Securities Commission (SC). In a filing with Bursa Malaysia, M&A Securities on behalf of Farm's Best announced that the SC had, via its letter dated April 13, "decided not to approve the application". In considering the application, SC was of the opinion that Farm's Best, its directors and advisers had "failed to undertake a critical assessment of the information being reviewed and submitted, judging from the numerous inconsistencies, mistakes, omissions and poor quality disclosures contained in the application as well as in the responses to the SC." (Source: *The Star*)

Damansara Realty (CP: RM0.92): "Profit" turns into loss

Damansara Realty Bhd (D Bhd) made a loss for the financial year ended Dec 31, 2014, not a profit as announced in its recent quarterly unaudited results report to Bursa Malaysia. The Johor-based developer told the exchange on Wednesday that it did not record a net profit after tax of RM3.035mil; instead, it incurred a net loss after tax of RM4.505mil. It said that as advised by its external auditors and based on the Malaysian Financial Reporting Standards 118, the revenue of "certain property sales" of its unit, Damansara Realty (Johor) Sdn Bhd, could only be recognised in the current financial year. D Bhd had recorded a net profit after tax of RM8.95mil in 2013. (Source: *The Star*)

Petronas: No plans to cut jobs, salaries

Petroleum Nasional Bhd's (Petronas) president and chief executive officer Datuk Wan Zulkiflee Wan Ariffin has denied a news report that the group is going to cut the salary of Petronas Carigali employees. There would be no salary cut for Petronas staffs including Petronas Carigali Sdn Bhd. There would be no retrenchment of Petronas staff, he told reporters after Petronas Dagangan Bhd's annual general meeting on Wednesday. He explained that the 20% salary reduction is part of the group cost-optimising exercise with its service provider. Service provider is providing us professionals services with salary range of more than RM20,000, up to even hundreds of thousands ringgit, he said. (Source: *The Star*)

ECONOMIC UPDATES

China: First-quarter property investment growth slows to 8.5% year-on-year

Growth in China's real estate investment eased to 8.5 percent in the first quarter from a year earlier as developers made clearing inventory their priority amid a housing glut. Property sales volume dropped by 9.2 percent from the year-earlier period, narrowing from a 16.3 percent decline in January to February. The rise in investment, reported by the National Bureau of Statistics

(NBS) on Wednesday, compared with an increase of 10.4 percent in the first two months of 2015, with the rate of growth dropping for the 13th straight reporting month. Alarmed by persistent weakness in the property market and its increasing drag on the economy, policymakers last month said they were cutting down payment levels for the second time in six months and offering bigger tax breaks. *(Source: The Star)*

China: First quarter growth dips to six-year low

China's annual economic growth slowed to a six-year low of 7.0 percent in the first quarter as demand stayed weak, meeting analyst forecasts but fanning expectations that authorities will roll out more policy stimulus to avert a sharper slowdown. In the last quarter of 2014, China's economy grew 7.3 percent on an annual basis. On a quarterly basis, economic growth slowed to 1.3 percent between January and March after seasonal adjustments, the National Bureau of Statistics said on Wednesday, compared with growth of 1.5 percent in the previous three months. *(Source: The Star)*

Singapore: Private home sales up for first time since July 2014

New projects by developers drove up Singapore private homes sales by 28 percent in March, the first year-on-year increase since July 2014, but analysts said the rise did not suggest a sustained recovery was underway in the residential market. Data compiled by the Urban Redevelopment Authority showed developers sold 613 units last month, compared with 480 units in March 2014. Sales were up 57 percent from the 390 units sold in February. Two new large condominium projects, Kingsford Waterbay and GuocoLand Ltd's, Sims Urban Oasis, accounted for a bulk of the March sales. *(Source: The Edge)*

Eurozone: Surplus widens but trade with Russia plummets

An increase in exports and stable imports helped the euro zone widen its trade surplus in February, although by slightly less than expected, as a weaker euro helped soften the continued fall in sales to Russia. Unadjusted for seasonal swings, exports to the rest of the world rose 4 percent and imports were unchanged, taking the bloc's trade surplus to 20.3 billion euros (\$21.47 billion) versus 14.4 billion euros in February 2014, the EU's statistics office Eurostat said on Wednesday. Economists polled by Reuters expected a surplus of 21.1 billion euros. Adjusted for seasonal changes, exports rose 2.8 percent compared to January this year. Imports increased 2.6 percent. *(Source: The Edge)*

Eurozone: Drops as ECB set to stick to QE despite recent pickup

The euro fell against the dollar on Wednesday before a policy meeting at which the European Central Bank is likely to reiterate its dovish policy bias despite a recent pick-up in economic activity. Bets against the euro are at a high level but investors are still looking to sell into rebounds, with ECB President Mario Draghi likely to say the bank intends to fully deliver previously announced stimulus measures as risks to growth remain and inflation is subdued. That would quash talk the ECB might scale down its asset purchase programme sooner rather than later, and send the euro lower, traders said. *(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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