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Thursday, May 07, 2015

Report of the Day

Company Update: TSH Resources Berhad –
“Promising Future”

At a Glance

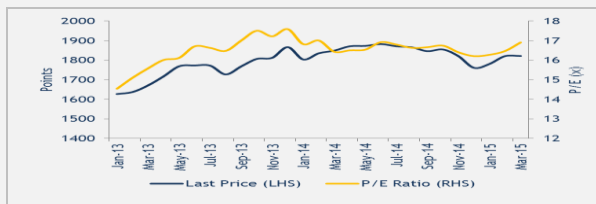
FBMKLCI decline 6.45 points to finish at 1,820.97 in tandem with other regional markets.....(See full report next page)

Corporate Highlights

- **SapuraKencana, HOLD (TP: RM2.93):** Poised to win RM5.35bil global jobs
- **FGV, (TBA):** To sell non-core ventures by third quarter
- **Sime Darby, HOLD (TP: RM9.08); IHH, SELL (TP: RM4.92):** IHH said to make bids for HMI Malaysia hospital

Economic Update

- **Malaysia:** BNM to keep rates steady on Thursday may cut later
- **Indian:** Services growth loses more steam in April
- **Eurozone:** Business activity starts Q2 on solid footing



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	1,820.97	-6.45	-0.35
FBMEMAS	12,554.60	-34.80	-0.28
FBMEMAS SHA	13,049.77	-61.50	-0.47
FBM100	12,235.14	-38.52	-0.31
Volume (mn)	1,920.47	98.98	5.43
Value (RMmn)	1,795.59	-138.64	-7.17
FBMKLCI YTD Chg			3.39

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.8	-6.0
Local Institution	53.8	167.2
Foreign Investors	28.4	-161.2

Top Gainers

	Close	Change+/-	(+/- %)
BAT	67.08	0.56	0.84
AEON CREDIT SER	14.76	0.24	1.65
FRASER & NEAVE	18.74	0.20	1.08

Top Losers

	Close	Change+/-	(+/- %)
KLK	22.00	-0.40	-1.79
MISC BHD	8.62	-0.27	-3.04
GOH BAN HUAT	1.53	-0.25	-7.83

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,841.98	-86.22	-0.48
NASDAQ	4,919.65	-19.68	-0.40
S&P 500	2,080.15	-9.31	-0.45
FTSE 100	6,933.74	6.16	0.09
DAX	11,350.15	22.47	0.20
Nikkei 225	19,531.63	11.62	0.06
HSI	27,640.91	-114.63	-0.41
KOSPI	2,104.58	-27.65	-1.30
STI	3,471.19	-11.50	-0.33
KLCI Futures	1,809.00	(4.00)	(0.00)
USDMYR 3M	10.61	(0.03)	(0.00)
USDMYR 6M	10.51	(0.01)	(0.00)
USDMYR 12M	10.33	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	-0.5	-0.9%
Brent (USD/bbl)	67.8	0.3	0.4%
Gold(USD/ounce)	1,193	0.3	0.0%
Coal (USD/mt)	62.3	-0.2	-0.3%
CPO (RM/mt)	2,183	26.0	1.2%
Rubber	185	0.9	0.5%
RM/USD	3.57	-0.0412	1.15%
EUR/USD	0.88	0.0003	0.03%
YEN/USD	119.39	-0.07	0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 86.22 points to 17,841.98, S&P 500 down by 9.31 points to 2,080.15. Nasdaq fell by 19.68 points to 4,919.65. U.S. stocks closed lower on Wednesday, reversing a positive open, as investors weighed higher bond yields and oil prices ahead of Friday's important jobs report.
- Ahead of the Bureau of Labor Statistics data, the ADP Employment Report showed 169,000 jobs were created in April, below analyst expectations of a modest rise to 200,000.

The Local Market

- FBMKLCI decline 6.45 points to finish at 1,820.97 in tandem with other regional markets. There were 353 gainers and 454 decliners in total value traded of RM1.79 billion.
- Among the losers on Bursa Malaysia were KLK dropped 40 cent to RM22.00, MISC down 27 cent to RM8.62, Goh Ban Huat shed 25 cent to RM1.53 and Syarikat Takaful decline 24 cent to RM14.36.

Strategy

- 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

SapuraKencana, HOLD (TP: RM2.93): Poised to win RM5.35bil global jobs

SapuraKencana Petroleum Bhd (SapKen) is poised to land two international jobs in India and Mexico respectively totalling about US\$1.5bil (RM5.35bil), according to a source close to the deals. This development comes when the crude oil price has crossed US\$60 per barrel two days ago, the first time in nearly five months. The stock has been seeing some buying interest, topping the active list. It closed seven sen or 2.55% higher to RM2.81 against a lacklustre FTSE Bursa Malaysia KL Composite Index performance yesterday. For the India job, SapKen may even edge out local-based Larsen & Toubro Ltd, as it has put in the lowest bid among the four contenders interested in a portion of the Oil & Natural Gas Corp's Mumbai High South (MHS) phase three redevelopment project to the tune of US\$200mil-US\$300mil. (Source: The Star)

FGV, (TBA): To sell non-core ventures by third quarter

Felda Global Ventures Holdings Bhd (FGV) will complete the disposal of its non-core businesses by the third quarter of 2015, said group president and chief executive officer Datuk Mohd Emir Mavani Abdullah. The disposal, which includes Felda Travel, Felda Property and Felda Prodata Systems, will be carried out through open tender process. FGV would then focus on its core business of

being a fully-integrated plantation player in the oil palm, sugar and rubber sectors, Mohd Emir said after signing two memoranda of collaboration (MoC). The first MoC was signed with the Forest Research Institute Malaysia to set up the first Rafflesia Conservation and Interpretive Centre, while the other was with the Department of Wildlife and National Parks to set up the Sun Bear Conservation programme. *(Source: The Star)*

Sime Darby, HOLD (TP: RM9.08); IHH, SELL (TP: RM4.92): IHH said to make bids for HMI Malaysia hospital

IHH Healthcare Bhd. and Sime Darby Bhd's medical venture made offers for a Malaysian hospital owned by Health Management International Ltd., people with knowledge of the matter said. The two companies submitted first-round bids for the Mahkota Medical Centre in the state of Malacca, the people said, asking not to be named as the process is private. Health Management, which is listed in Singapore, is working with Credit Suisse Group AG to sell the hospital for about \$250 million, people with knowledge of the matter said last month. The bidders aim to boost growth by buying a hospital that provides specialist services including chemotherapy day care and in-vitro fertilization, drawing more than 287,000 patients last financial year. Aging populations and a burgeoning middle class are boosting health-care spending in Asia Pacific, which is projected to increase 10.5 percent annually to reach \$2.2 trillion by 2018, according to Frost & Sullivan. Health Management shares jumped as much as 11 percent and were up 9.2 percent at 4:38 p.m. in Singapore. *(Source: The Edge)*

Affin (CP: RM2.92): Gets Bank Negara nod to start talks with Daiwa Securities

Bank Negara has given the nod to Affin Holdings Bhd to begin negotiations with Daiwa Securities Group Inc for the latter to acquire a stake in Affin Hwang Investment Bank Bhd. In a filing to Bursa Malaysia on Wednesday, Affin Holdings said the Bank Negara approval, vide its letter dated April 29, was subject to both parties concluding the negotiations within six months from the date of the said letter. It was reported that Daiwa Securities was keen to acquire a minority stake in Affin Hwang Investment Bank Bhd. *(Source: The Star)*

Press Metal (CP: RM2.85): Posts higher Q1 net profit

Press Metal Bhd, whose shares came under selling pressure in the second half of last month due to concerns of an aluminium glut, posted commendable results for the first quarter ended March 31. The aluminium smelter announced to Bursa Malaysia a 53.9% year-on-year rise in first quarter net profit of RM43.14mil while revenue increased 17.7% to RM1.056bil from a year earlier. The higher revenue was due to higher production output from the resumption of its Mukah smelting plant's operation and higher metal selling price during the quarter. (The Mukah plant resumed full operation in April 2014 after being shut down in June 2013 due to power outage.) *(Source: The Star)*

Unisem (CP: RM2.43): Eyes 10% increase in 2H15 revenue

Semi-conductor packaging and test service provider, Unisem Bhd, is eyeing a 10 per cent increase in revenue for the second half of this year. Group Chief Operating Officer, Lee Hoong Leong said the rosy outlook is supported by strong global demand for its products such as wafer bumping, wafer-level chip-scale packaging (WLCSP) and radar frequencies devices, used in smartphones and the

automotive segments. He said currently, smartphones contributed about 40 per cent to the group's bottomline and the automotive and sensor segments, about 20 per cent, with the rest from the industrial and testing business. *(Source: The Star)*

TH Heavy (CP: RM0.32): To use about RM152m from rights issue for FPSO

TH Heavy Engineering Bhd plans to use the RM300mil to be raised from its proposed rights issue for capital expenditure, of which half would be used to convert its floating production, storage and offloading (FPSO) unit. In its circular to shareholders issued on Wednesday, it said the rights issue of up to 1.2 billion Islamic irredeemable convertible preference shares (ICPS-i) of 25 sen each will raise up to RM300mil. The exercise also proposed the increase in the authorised share capital from RM855mil, comprising 3.2 billion TH Heavy shares and 220 million existing ICPS to RM1.1bil comprising 3.2 billion shares and 1.2 billion ICPS-i. The rights issue papers carry a yield of 3% to 5%. *(Source: The Star)*

Cypark (CP: RM1.90): Looks for third party investors

Cypark Resources Bhd is targeting to complete its proposed private placement exercise of up to 20% of its share capital or 40.98 million new shares by the third quarter of this year. The company has received its shareholders' approval to proceed with the proposed placement at an EGM held on Wednesday. The next step is to get the Securities Commission approval and we hope to complete the proposal by the third quarter, said co-founder and group chief executive officer Datuk Daud Ahmad to reporters on Wednesday. Daud is planning to take up half of Cypark's proposed placement, which would see his current stake of 7.81% in the company increase to 14.84 %. *(Source: The Star)*

F&N (CP: RM18.74): Working on new energy drink to replace Red Bull

Fraser & Neave Holdings Bhd is working on a new product to replace its energy drink Red Bull after the exclusive rights to distribute Red Bull expires on Sept 30, 2015. F&N Chief Executive Officer Lim Yew Hoe said the new product is still under extensive research in Thailand, Singapore and Malaysia and the group will work hard to come up with an energy product with the quality of Red Bull. Red Bull is quite an established brand. If we cannot have Red Bull, we need to have another energy drink. We still have a few more months to go, and there is no need to rush to launch a new energy product. *(Source: BTimes)*

F&N (CP: RM18.74): To launch RM2bil PJ property project in 2016

Food and beverage company Fraser & Neave Holdings Bhd (F&N) is looking to launch its RM2bil integrated property project at Section 13, Petaling Jaya, by the second quarter of 2016. The company had earlier anticipated to launch the project last month, but delayed it due to weak market sentiment. Chief executive officer Lim Yew Hoe, who only recently joined F&N, said the company was also taking the time to review the project to enhance its product offering. The project, called "Fraser Square", is a joint venture with Singapore-based Frasers Centrepoint Ltd. It consists of five phases comprising 900 serviced apartment units on top of a shopping mall, small offices home offices, a corporate office and hotel components. *(Source: The Star)*

Iskandar Malaysia: Records RM7.98b in new investments in Q1 2015

Iskandar Malaysia recorded RM7.98 billion in new investments in the first quarter of this year. It brought the cumulative committed investments secured to RM166.10 billion from 2006 until March 31, 2015. Announcing the investment figures, Johor Menteri Besar Datuk Seri Mohamed Khaled Nordin said of the committed investments, RM78.53 billion or 47 per cent represented those realised as projects on the ground. He said domestic investments made up RM102.34 billion or 62 per cent while the rest were from foreign players. Also, the Iskandar Regional Development Authority (IRDA) co-chairman, he said of the cumulative committed investments, the bulk were from the manufacturing sector which accounted for 31 per cent or RM50.82 billion. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: BNM to keep rates steady on Thursday may cut later**

Malaysia's central bank is expected to hold its benchmark policy rate steady at a meeting on Thursday as inflationary pressures and currency risks are contained. All 16 economists in a Reuter's poll predicted that Bank Negara Malaysia will keep its overnight policy rate steady at 3.25 percent. They see the stance being in line with the central bank's assessment of the economy. Most economists also said the central bank was likely to keep interest rates steady for the rest of the year as economic growth was expected to remain healthy. As long as Malaysia's growth, especially in the second quarter remains above 4.5 percent, the central bank will leave rates unchanged," said Alan Tan, economist at AffinHwang. While neighbouring countries have recently loosened policy to support slowing economic growth amid falling inflation, Malaysia remains wary about capital outflows. (Source: *The Star*)

Indian: Services growth loses more steam in April

Growth in India's dominant services industry continued to lose momentum in April as domestic demand softened, a business survey showed on Wednesday. Coupled with a slowing manufacturing sector and falling inflation, the findings are likely to strengthen expectations that the Reserve Bank of India will cut interest rates for the third time this year, possibly before its next scheduled policy review on June 2. The HSBC Services Purchasing Managers' Index, compiled by Markit, fell to a three-month low of 52.4 in April from March's 53.0, but remained well the 50 level that separates growth from contraction. It has been above that level for a year. The index monitoring new business fell to a six-month low of 51.6 from March's 53.5, prompting some firms to cut jobs. Some respondents also reported tougher competition. (Source: *The Star*)

Eurozone: Business activity starts Q2 on solid footing

Euro zone businesses started the second quarter with healthy growth as a buoyant order book again encouraged them to hire more, a survey showed on Wednesday. Any sign that the bloc's recovery is gaining traction will be welcomed by the European Central Bank, which embarked on a trillion-euro bond buying stimulus programme in March, although the survey did show firms were still cutting prices. Markit's final composite Purchasing Managers' Index,

seen as a good guide to growth, was 53.9 in April, ahead of an earlier flash reading of 53.5 but just behind March's 11-month high of 54.0. A reading above 50 implies growth. The PMIs suggest quarter-on-quarter growth of 0.4 percent for April-June, Williamson said, which would match forecasts for first-quarter growth. (Source: *The Edge*)

U.S.: Jobs Slowdown, Higher Rates Kick Stocks Again

Stocks were under pressure again Wednesday on weak jobs data and a continued selloff in long-term Treasury bonds. The private ADP employment report for April missed expectation and fell to its lowest level since January 2014. That casts a pall over Friday's critically important U.S. jobs report. Further evidence that the jobs market has hit a soft patch in the context of the very poor Q1 GDP growth numbers we've already seen is further bolstering hopes the Federal Reserve will be forced to push back its rate hike timing to September or possibly even early 2016. That in turn is weighing on long-term bonds as the specter of a continuation of ultra-easy monetary policy is boosting inflation expectations, lifting the 10-year Treasury yield past 2.2% (up from a low of 1.7% in February) and back above its 200-day moving average for the first time since early last year. (Source: *MSN Money*)

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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