

PP14767/09/2012(030761)

Thursday, May 14, 2015

## Report of The Day

**Results Review:** Tan Chong 1Q15, HOLD (TP: RM3.00) – “Margin Deterioration”

**Company Update:** Tenaga, HOLD (TP: RM15.20) – “Resisting Negative Perception on Track 3B”

## At a Glance

FBM KLCI surged 4.41 points to finish at 1,803.02 coincide with China's IPI numbers.....(See full report next page)

## Strategy

## “Lack of Catalyst; Wall Street Recoil”

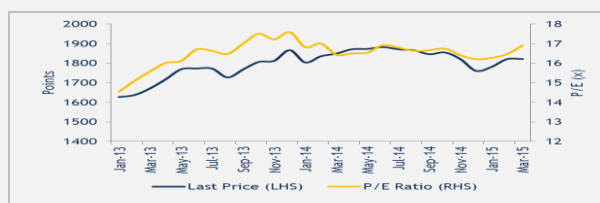
We think that investors would avoid making fresh position ahead of tomorrow's Malaysia 1Q15 GDP.....(See full report next page)

## Corporate Highlights

- **Tan Chong Motor, HOLD (TP: RM3.00):** Earnings rev up on-quarter
- **CIMB, HOLD (TP: RM6.10):** Eyes RM25m premium from 'Sun EduSmart' product
- **PPB Group (CP: RM15.62):** Eyes better growth for FY15

## Economic Update

- **Malaysia:** Trade not much impacted despite fall in oil prices
- **China:** Industrial output up 5.9% in April
- **China:** To boost diesel exports as domestic demand remains weak



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
MY	11-May	12:00 PM	Industrial Production YoY	-	5.2%
JP	12-May	1:00 PM	Leading Index CI	-	104.8
EU	13-May	5:00 PM	Industrial Production SA MoM	-	1.1%
EU	13-May	5:00 PM	GDP SA QoQ	-	0.3%
EU	13-May	5:00 PM	GDP SA YoY	-	0.9%
US	13-May	7:00 PM	MBA Mortgage Applications	-	-4.6%
US	13-May	8:30 PM	Retail Sales Advance MoM	0.3%	0.9%
JP	13-May	7:50 AM	BoP Current Account Balance	-	¥1440.1B
CN	13-May	1:30 PM	Retail Sales YoY	10.4%	10.2%
CN	13-May	1:30 PM	Retail Sales YTD YoY	10.5%	10.6%
CN	13-May	1:30 PM	Industrial Production YoY	6.0%	5.6%
CN	13-May	1:30 PM	Industrial Production YTD YoY	6.3%	6.4%
US	14-May	8:30 PM	PPI Final Demand MoM	0.1%	0.2%
US	14-May	8:30 PM	PPI Ex Food, Energy, Trade MoM	0.1%	0.2%
US	14-May	8:30 PM	Initial Jobless Claims	-	-
US	14-May	8:30 PM	Continuing Claims	-	-
JP	14-May	7:50 AM	Money Stock M2 YoY	-	3.6%
JP	14-May	7:50 AM	Money Stock M3 YoY	-	3.0%
MY	14-May	12:00 PM	GDP YoY	-	5.8%
MY	14-May	12:00 PM	BoP Current Account Balance MoM	-	6.1B
US	15-May	9:15 PM	Industrial Production MoM	0.1%	-0.6%
US	15-May	9:15 PM	Capacity Utilization	78.4%	78.4%
US	15-May	10:00 PM	U. of Mich. Sentiment	97.0	95.9
JP	15-May	7:50 AM	PPI MoM	-	0.3%
JP	15-May	7:50 AM	PPI YoY	-	0.7%
CN	10-15 May	-	New Yuan Loan CNY	900.0B	1180.0B
CN	10-15 May	-	Money Supply M2 YoY	12.0%	11.6%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,803.02	4.41	0.25
FBMEMAS	12,440.66	30.98	0.25
FBMEMAS SHA	12,924.18	29.10	0.23
FBM100	12,116.80	27.15	0.22
Volume (mn)	1,688.57	61.60	3.79
Value (RMmn)	2,005.61	305.59	17.98
FBMKLCI YTD Chg			2.37

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.5	-8.7
Local Institution	57.7	142.2
Foreign Investors	26.8	-133.5

## Top Gainers

	Close	Change+/-	(+/- %)
SYARIKAT TAKAFU	15.50	0.90	6.16
UNITED PLANT	26.00	0.42	1.64
GENTING BHD	9.07	0.35	4.01

## Top Losers

	Close	Change+/-	(+/- %)
PETRONAS DAG	19.98	-1.00	-4.77
TASEK CORP BHD	15.98	0.02	0.13
BAT	64.90	-0.60	-0.92

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,060.49	-7.74	-0.04
NASDAQ	4,981.69	5.50	0.11
S&P 500	2,098.48	-0.64	-0.03
FTSE 100	6,949.63	15.83	0.23
DAX	11,351.46	-120.95	-1.05
Nikkei 225	19,764.72	139.88	0.71
HSI	27,249.28	-157.90	-0.58
KOSPI	2,114.16	17.39	0.83
STI	3,453.17	10.84	0.31
KLCI Futures	1,801.50	17.50	0.01
USDMYR 3M	10.24	0.02	0.00
USDMYR 6M	10.28	0.03	0.00
USDMYR 12M	10.26	0.01	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	-0.5	-0.7%
Brent (USD/bbl)	66.8	0.0	-0.1%
Gold(USD/ounce)	1,215	-1.0	-0.1%
Coal (USD/mt)	61.4	0.0	0.0%
CPO (RM/mt)	2,198	-27.0	-1.2%
Rubber	184	0.0	0.0%
RM/USD	3.60	-0.0195	0.54%
EUR/USD	0.88	0.0006	0.07%
YEN/USD	119.22	0.07	-0.06%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 7.74 points to 18,060.49, S&P 500 down by 0.64 points to 2,098.48. Nasdaq up by 5.50 points to 4,981.69. U.S. Stocks were largely unchanged on Wednesday as traders in other markets bonds, currencies, and commodities busily reacted to a surprisingly weak April retail sales report. Sales less automobiles rose just 0.1% over March versus the 0.5% growth that was expected and the 0.7% rise for the prior month.
- The weakness was a surprise as hopes were high that tightening in the job market (with the unemployment rate down to 5.4%) and the decline in energy costs (wholesale gas prices are up 70% from January's lows but are still down 34% from last summer's highs) would bolster consumer spending and help the economy recovery from a tepid performance in the first quarter.

### The Local Market

- FBMKLCI surged 4.41 points to finish at 1,803.02 coincide with China's IPI numbers. There were 420 gainers and 355 decliners in total value traded of RM2 billion.
- Among the gainers on Bursa Malaysia were Syarikat Takaful gained 90 cent to RM15.50, United Plantation up 42 cent to RM26.00, Genting Bhd soared 35 cent to RM9.07 and Allianz Malaysia increased 30 cent to RM13.10.

### Strategy

- **"Lack of Catalyst; Wall Street Recoil"**

Wall Street recoiled on Wednesday as lack of punchy catalyst along with disappointing economic signals poured cold water on sentiment at the back of largely inline Eurozone 1Q15 GDP. S&P 500 and DJIA let go **10.77 (-0.51%)** and **85.94 (-0.47%)** points to end at 2,105.33 and 18,105.17 respectively. As mentioned, there was just no catalyst to shore up sentiment but instead the US hammered out disappointing April retail and auto sales, signaling that the growth in US has not been broad based or steady. Retail sales in the US for April was flat after increasing an upwardly revised 1.1% (from 0.9%) in March whilst auto sales dropped by 0.4%. Suffice to say, market participants were less-than-impressed by these numbers. In addition, Eurozone clocked-in within expectation 1Q15 GDP of 0.4% (preliminary), boosted by growth in France that offset weak momentum from Germany. All in, local wise, we think that investors would avoid making fresh position ahead of tomorrow's Malaysia 1Q15 GDP. As the quarterly economic numbers will be released at 12pm, market participants may want to wait for the numbers to come in first before making further investing decision. Note that Malaysia's 11<sup>th</sup> Malaysia Plan will be tabled next week on the 21<sup>st</sup> of May (Thursday).

- 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

##### **Tan Chong Motor, HOLD (TP: RM3.00): Earnings rev up on-quarter**

Tan Chong Motor Holdings Bhd's earnings showed a marked improvement in the first quarter ended March 31 (Q1, FY15) at RM26.34mil on a quarter-on-quarter basis due to the realignment of its sales strategy and promotional campaigns. It announced on Wednesday its earnings were RM26.35mil on the back of revenue of RM1.569bil in Q1, FY15. This was a strong performance when compared with the earnings of Q4 2014 of RM8.66mil on a turnover of RM1.263bil. TCMH said the vehicles assembly, manufacturing, distribution & after sales service (automotive) recorded RM1.55bil in revenue (+24.3% on-quarter) and RM73.3mil in segment EBITDA (+97.7% on-quarter). (Source: *The Star*)

##### **CIMB, HOLD (TP: RM6.10): Eyes RM25m premium from 'Sun EduSmart' product**

CIMB Bank Bhd expects to achieve an annualised first year premium (AFYP) of RM25 million from its new financial solutions product, Sun EduSmart. Chief Executive Officer Datuk Sulaiman Mohd Tahir said the target is based on the 5,000 customers that CIMB Bank aims to secure within a 12-month period. CIMB Bank today rolled out the Sun EduSmart with its bancassurance partner, Sun Life Malaysia. Developed exclusively for CIMB Bank by Sun Life Malaysia, the product is an education plan which aims to help parents plan ahead, towards providing their children financial access to quality education. Sulaiman said the Sun EduSmart has secured at present a RM1.2 million AFYP from 200 customers since the soft launch earlier this year. (Source: *The Star*)

##### **PPB Group (CP: RM15.62): Eyes better growth for FY15**

PPB Group Bhd is confident of achieving better growth in the 2015 financial year (FY2015), driven by its diversified business and riding on Wilmar International Ltd's bullish performance. Managing Director Lim Soo Huat said given the diversified nature of its business, from flour and feed milling to cinemas and property investment, the growth would be well distributed among PPB Group's various core businesses. Our performance will also be largely supported by Wilmar's operations because we own 18.3 per cent of the company. Wilmar announced its first quarter results last week, which showed a substantial improvement, and the management has also indicated optimism for the second quarter, he told a press conference after the company's annual general meeting here today. For the financial year ended Dec 31, 2014, PPB Group recorded a 3.0 per cent lower pre-tax profit of RM1.03 billion on the back of 12 per cent higher revenue of RM3.7 billion. (Source: *The Star*)

**NCB (CP: RM2.88): Plans three pronged approach with MMC Corp**

NCB Holdings Bhd is planning a three-pronged approach as part of a synergistic collaboration with minority shareholder MMC Corp. Speaking to the press after its 16th AGM, NCB chairman Tun Ahmad Sarji Abdul Hamid as its Northport capacity of 3.3 mil TEU was still not enough, the port operator would adopt new strategies to grow the business. Northport had set an internal target of improving container throughput by more than 10% from the current 2.54 million TEUs this year. *(Source: The Star)*

**MBSB (CP: RM1.91): Has no toxic loans says ceo**

Non-bank lender Malaysia Building Society Bhd (MBSB) has no toxic assets and will have registered a pre-tax profit of more than RM200mil for its first quarter ended March 31, had no provisions been set aside, according to its head honcho. In the face of its share price coming under pressure, chief executive officer Datuk Ahmad Zaini Othman has cleared the air on reports stating that the company had not provided enough in the last six years and had hidden bad loans. There's no way we can 'hide' the bad loans. We are fully audited by external auditors," he told StarBiz. MBSB, which posted a pre-tax profit of RM124.3mil for the first quarter ended March 31, also had its policy of impairment of doubtful loans moved from six months to three months to meet with industry standards. *(Source: The Star)*

**Kimlun (CP: RM1.31): Plans residential property project in Kota Tinggi**

Kimlun Corp Bhd plans to undertake a residential property project in Kota Tinggi, Johor following the purchase of 29 parcels for RM28.30mil cash. It had on Wednesday it had inked a sale agreement with two individuals to en bloc purchase 29 parcels of contiguous freehold land measuring about 140.8 acres. The next stage for Kimlun is to convert the agricultural land to residential status a year after it completed the acquisition. Kimlun said the development application would be submitted to the relevant authorities for approval after getting the go-ahead from the state authority which includes the conversion application and finalisation of the development planning. *(Source: The Star)*

**BHIC (CP: RM2.09): Q1 earnings surge nine fold on Belum project, JVs**

Boustead Heavy Industries Corp Bhd's (BHIC) net profit jumped nine fold to RM8.41mil in the first quarter ended March 31, 2015 (Q1, FY15) from RM779,000 a year ago. BHIC said on Wednesday the increase in earnings was due to the higher percentage of completion for the Belum Satellite topsides facilities for the Murphy Sarawak gas development projects. It also benefited from the higher share of profit from joint-venture (JV) companies from Contraves Advanced Devices Group and BHIC AeroServices Sdn Bhd. However, its revenue fell 1.2% to RM63.39mil compared to RM64.20mil a year ago due to lower revenue from defence-related maintenance, repair and overhaul (MRO) of navy vessels and chartering segment despite the higher contribution from the Belum project. *(Source: The Star)*

**Guinness Anchor (CP: RM14.80): Q3 earnings rise to nearly RM40m**

Guinness Anchor Bhd's (GAB) net profit rose 10.9% to RM39.45mil in the third quarter ended March 31, 2015 from RM35.58mil a year ago mainly due to an increase in revenue and improved cost efficiencies. The company said on

Wednesday, revenue rose 17.4% to RM437.33mil from RM372.55mil due to sales during the Chinese New Year sales and pricing as well as new brand launches in 2014. The brand launches that contributed to higher volume included Kirin Ichiban, Smirnoff Ice and three new Strongbow flavours. GAB said earnings per share for the quarter were 13.06 sen compared to 11.77 sen a year ago. In the nine months ended March 31, 2015, GAB's earnings rose 12.5% to RM170.17mil from RM151.27mil in the previous corresponding period. (Source: *The Star*)

#### **Dayang (Suspended): May launch general offer for Perdana Petroleum**

Dayang Enterprise Holdings Bhd, which already owns close to 30% in Perdana Petroleum Bhd, will be triggering a general offer (GO) as it ups its stake in the offshore support vessel provider. Both companies requested for suspension of their shares and warrants yesterday, as both had entered a "material corporate transaction". It is understood that Dayang could be acquiring more shares in Perdana from an existing substantial shareholder. After it crosses the threshold of 33%, Dayang would have to launch a GO. A source said: "Dayang wants to increase its stake in Perdana so that it has more control in the investment company. It does not necessarily privatize Perdana." (Source: *The Star*)

#### **MRCB: Ahmad Johari resigns from MRCB board**

Datuk Ahmad Johari Tun Abdul Razak has resigned from the board of property developer, Malaysian Resources Corp Bhd, effective on Wednesday. Ahmad Johari, 61, was an independent non-executive director of the Employees Provident Fund controlled company since February last year. According to a filing to Bursa Malaysia, his decision to leave was to pursue other interests. (Source: *The Star*)

#### **UMW Toyota Motor: To recall 97,000 vehicles for faulty airbag**

UMW Toyota Motor will recall 97,000 vehicles in the country due to the faulty airbags made by embattled supplier Takata. TMC said is expanding its special service campaign to certain Toyota models to address the issue of the possibility of the improperly manufactured front side passenger and driver front airbag inflators that could cause rupture and the airbag to deploy abnormally in a crash. UMW Toyota Motor said it will contact all affected customers for the special service campaign to carry out the necessary corrective measures and if it is equipped with an affected inflator, the inflator will be replaced with a newly manufactured one at no charge to the owner. (Source: *The Sun Daily*)

#### **1MDB Real Estate: Signs with Indonesia's Mulia to build TRX tower**

1Malaysia Development Bhd (1MDB) has roped in Indonesian property firm Mulia Group to build the Signature Tower at the Tun Razak Exchange (TRX) project in Kuala Lumpur. This comes a year after the fund announced it would partner Export-Import Bank of China (China Eximbank) to develop the 74-storey building. In a statement released yesterday, TRX's master developer 1MDB Real Estate Sdn Bhd said it had signed a sale and purchase agreement with Mulia Group for the development rights of the designated plot within the 70-acre TRX project. The land transaction for the Signature Tower project is valued at RM665mil, 1MDB revealed, without providing details of the transaction. It also



did not offer any updates on the project or what had happened to the previous agreement with China Eximbank. *(Source: The Star)*

## ECONOMIC UPDATES

### Malaysia: Trade not much impacted despite fall in oil prices

As Malaysia is not too dependent on the export of petroleum products, trade numbers this year have not been impacted badly, following the fall in oil prices. Deputy Minister of International Trade and Industry Datuk Ir Hamim Samuri said diversification, as well as an increase in exports of other products, had helped sustain the existing trade momentum. At the same time, imports by other ASEAN countries have also helped enhance Malaysia's trade figures at present, he added. He told reporters this after officiating the "Exporters Forum" 2015 programme at the Persada International Convention Centre here today. Malaysia's exports last year reached RM766.13 billion, with the two biggest contributors being electrical and electronics (E and E) products valued at RM256.145 billion and petroleum products of RM70.356 billion. *(Source: The Star)*

### China: Industrial output up 5.9% in April

China's industrial output rose 5.9% year-on-year (y-o-y) in April, picking up from 5.6% in March, the slowest growth since December 2008, said the National Bureau of Statistics (NBS) on Wednesday. For the period of January to April, the industrial output grew 6.2% from a year earlier, down from 6.4% growth in the January-March period, the data showed. China's industrial output measures the output of businesses involved in the industrial sector of the economy, including manufacturing, mining and utilities. The NBS said China's retail sales, a key gauge of domestic consumption, jumped 10 per cent year-on-year in April, down from March's 10.2%. In the first four months of the year, retail sales grew 10.4% from a year earlier to 9.3 trillion yuan, it added. From January to April, China's fixed assets investment, an important driver of the Chinese economy, rose 12% to 12 trillion yuan (US\$1.96 trillion) from a year earlier, down from 13.5% growth registered in the January-March period. *(Source: The Star)*

### China: To boost diesel exports as domestic demand remains weak

China is set to step up diesel exports this month, with shipments climbing 70% from April to more than 500,000 tonnes, as domestic demand remains tepid and inventory builds, industry sources said. The increased exports come as regional demand for diesel is picking up in Asia, they said, and would likely keep refiner margins in check rather than putting them under pressure. Diesel, used to run trucks and tractors and generate power at construction and mining sites, is a bellwether of industrial activity. An increase in exports by the world's No. 2 oil consumer suggests that its economy is still weak, traders said. Diesel demand in China has been largely flat this year, also held down by efforts to shift to a more consumption-based economy, away from industrial and infrastructure development, they added. *(Source: The Star)*

**Indonesia: Central Bank expects trade surplus below \$1 bln in April**

Indonesia's central bank expected April's trade surplus to narrow to below \$1 billion from \$1.13 billion in March, its governor told reporters on Wednesday. Bank Indonesia Governor Agus Martowardojo said exports were still expected to be weak due to low commodity prices. A *Reuter's* poll of 13 analysts said Indonesia's trade surplus likely narrowed to \$120 million in April. (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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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6  
The Boulevard, Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur  
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893  
Website: [www.mnaonline.com.my](http://www.mnaonline.com.my)

Head Of Research



Rosnani Rasul  
M&A Securities