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Tuesday, May 26, 2015

Report of the Day

Results Review: WCT 1Q15, HOLD (TP: RM1.76) – “Expect a Better 2H2015”

Results Review: Wah Seong 1Q15, HOLD (TP: RM1.38) – “Concern on Orderbook Visibility”

Results Review: Dayang Enterprise 1Q15, HOLD (TP: RM2.64) – “Lower Associates Contribution”

Results Review: MBM Resources 1Q15, BUY (TP: RM4.17) – “Shifting into High Gear”

Results Review: Supermax 1Q15, BUY (TP: RM2.28) – “Poor Beginning for FY15”

At a Glance

FBMKLCI down 20.12 points to finish at 1,767.38 due to profit taking activities on some heavyweight counters.....(See full report next page)

Strategy

“Back Sliding in Equity Market May Continue”

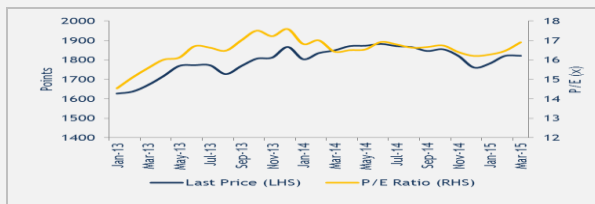
We are of the view that the back sliding in equity market may continue.....(See full report next page)

Corporate Highlights

- **WCT, HOLD (TP: RM1.76):** 1Q profit drops 17% on completion of projects
- **MBM Resources, BUY (TP: RM4.17):** Posts stellar results in 1Q15
- **Dayang, HOLD (TP: RM2.64):** Q1 revenue up by 7% to RM190 mil
- **Wah Seong, HOLD (RM1.38):** Q1 net profit grew to RM26 mil

Economic Update

- **Singapore:** CPI falls 0.5% in April
- **Philippine:** Weak govt spending in Q1 raises risk to Philippine growth
- **China:** To lower import taxes on diapers, skincare products



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	25-May	7:50 AM	Trade Balance	-	¥229.3B
US	26-May	8:30 PM	Durable Goods Orders	-0.5%	4.0%
US	26-May	8:30 PM	Durable Ex Transportation	-0.4%	-0.2%
US	26-May	9:00 PM	S&P/CS 20 City MoM SA	-	0.93%
US	26-May	9:00 PM	S&P/CS Composite-20 YoY	4.50%	5.03%
US	26-May	9:00 PM	S&P/Caseshiller 20-City Index NSA	-	173.67
US	26-May	9:45 PM	Markit US Composite PMI	-	57.8
US	26-May	9:45 PM	Markit US Services PMI	-	57.4
US	26-May	10:00 PM	New Home Sales	500K	481K
US	26-May	10:00 PM	New Home Sales MoM	4.0%	-11.4%
US	26-May	10:00 PM	Consumer Confidence Index	95.2	95.2
US	27-May	7:00 PM	MBA Mortgage Applications	-	-1.5%
EU	28-May	5:00 PM	Economic Confidence	-	103.7
EU	28-May	5:00 PM	Business Climate Indicator	-	0.32
EU	28-May	5:00 PM	Consumer Confidence	-	-
JP	28-May	7:50 AM	Retail Trade YoY	-	-9.7%
JP	28-May	7:50 AM	Retail Sales MoM	-	-1.9%
US	28-May	8:30 PM	Initial Jobless Claims	-	-
US	28-May	8:30 PM	Continuing Claims	-	-
US	28-May	10:00 PM	Pending Home Sales MoM	1.0%	1.1%
EU	29-May	4:00 PM	M3 Money Supply YoY	-	4.6%
JP	29-May	7:30 AM	Jobless Rate	-	3.4%
JP	29-May	7:50 AM	Industrial Production MoM	-	-0.8%
JP	29-May	7:50 AM	Industrial Production YoY	-	-1.7%
JP	29-May	12:00 PM	Vehicle Production YoY	-	-6.5%
JP	29-May	1:00 PM	Housing Starts YoY	-	0.7%
JP	29-May	1:00 PM	Annualized Housing Starts	-	0.920M
JP	29-May	1:00 PM	Construction Orders YoY	-	10.8%
US	29-May	10:30 AM	GDP Annualized QoQ	-0.9%	0.2%
US	29-May	10:30 PM	Personal Consumption	-	1.9%
US	29-May	10:00 PM	U. of Mich. Sentiment	90.1	88.4
NY	29-May	6:00 PM	Money Supply M3 YoY	-	7.9%

Research Team

research@mna.com.my

03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,767.38	-20.12	-1.13
FBMEMAS	12,211.77	-141.64	-1.15
FBMEMAS SHA	12,662.01	-175.92	-1.37
FBM100	11,897.34	-130.26	-1.08
Volume (mn)	1,859.45	276.16	17.44
Value (RMmn)	1,909.51	-22.27	-1.15
FBMKLCI YTD Chg			0.35

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.2	-2.8
Local Institution	63.2	131.1
Foreign Investors	16.6	-128.3

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	47.30	0.30	0.64
PERAK CORP BHD	3.29	0.17	5.45
JHM CONSOLIDATI	0.35	0.17	89.19

Top Losers

	Close	Change+/-	(+/- %)
SYARIKAT TAKAFU	3.09	-0.15	-4.63
NESTLE (MALAY)	71.52	-0.96	-1.32
PETDAG	19.20	-0.54	-2.74

World Indices

	Close	Change+/-	(+/- %)
DJIA	NA	NA	NA
NASDAQ	NA	NA	NA
S&P 500	NA	NA	NA
FTSE 100	7,032	18.3	0.3
DAX	11,815.01	-49.58	0.42
Nikkei 225	20,413.77	149.36	0.74
HSI	27,992.83	469.11	1.70
KOSPI	2,146.10	23.29	1.10
STI	3,460.85	10.67	0.31
KLCI Futures	1,761.00	(13.50)	(0.01)
USDMYR 3M	9.68	(0.00)	(0.00)
USDMYR 6M	9.80	(0.01)	(0.00)
USDMYR 12M	9.95	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	0.1	0.2%
Brent (USD/bbl)	65.5	0.1	0.2%
Gold(USD/ounce)	1,207	0.3	0.0%
Coal (USD/mt)	60.0	0.0	0.0%
CPO (RM/mt)	2,138	3.0	0.1%
Rubber	185	2.5	1.4%
RM/USD	3.61	0.03	-0.83%
EUR/USD	0.91	0.0001	0.01%
YEN/USD	121.56	0	0.00%

What To Expect

U.S. Market

- U.S. stocks closed on Monday for Memorial Day.

The Local Market

- FBMKLCI down 20.12 points to finish at 1,767.38 due to profit taking activities on some heavyweight counters. There were 129 gainers and 808 decliners in total value traded of RM1.90 billion.
- Among the losers on Bursa Malaysia were Syarikat Takaful slid 15 cent to RM3.09, Nestle (M) slipped 96 cent to RM71.52, PetDag fell 54 cent to RM19.20 and KLK dropped 46 cent to RM22.70.

Strategy

- **“Back Sliding in Equity Market May Continue”**
European stock market was bleeding on Monday, mirroring the sentiment in Wall Street as investors continued to factor in negative catalyst from the US and Greece. Note that the US equity market was closed on Monday due to the Memorial Day holiday. At this stage, there is just no enough reason to enter the equity market, particularly when the selling pressure in the broader market may continue unabated. The rising systematic risk due to the US potential hike in interest rate and Greece debt debacle may continue to weigh on sentiment. Investors re-entrance into the market would require meaningful catalyst and at the moment, there is just none. Added to the sore, would be the US upcoming 1Q15 GDP where the country may cough out less-than-encouraging numbers as growth may still be uneven and uninspiring. Nonetheless, the US FOMC may brush aside the 1Q15 GDP numbers and focus on the future as the delay in adjusting the US Federal Funds rate until employment and inflation reach their target would risk over heating the economy as monetary weapon is known to have a lag factor. For today, we are of the view that the back sliding of equity market may continue.
- 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

WCT, HOLD (TP: RM1.76): 1Q profit drops 17% on completion of projects

WCT Holdings Bhd's net profit declined 17% to RM33.21 million for the first quarter ended March 31, 2015, compared to RM40.10 million last year due to completion of several projects. In a filing to Bursa Malaysia today, WCT (fundamental: 0.6; valuation: 1.4) said the lower turnover is mainly due to completion of several projects and it expected contribution from the new projects to increase in the second half of the year. The engineering and construction outfit's revenue also contracted 24.7% to RM352.62 million against RM467.22 million last year. Basic earnings per share fell to 3.09 sen against 3.67 sen last year. The company said its engineering and construction segment recorded revenue of RM250 million compared with RM327 million a year ago and operational profit of RM27 million against RM37 million in the previous corresponding quarter. The decrease in operating profit is attributable to lower contribution from overseas division. (Source: The Edge)

MBM Resources, BUY (TP: RM4.17): Posts stellar results in 1Q15

MBM Resources Bhd's pre-tax profit more than doubled to RM65.18 million in the first quarter ended March 31, 2015, from RM27.97 million in the same quarter last year. The surge of 133.1 per cent in pre-tax profit was mainly attributable to recognition of revenue from property development and better results from ITS motor trading division and associates. Manufacturing losses were also narrowed, the automotive company said in a filing to Bursa Malaysia today. Revenue rose to 591.74 million from RM447.36 million previously. (Source: Business Times)

Dayang, HOLD (TP: RM2.64): Q1 revenue up by 7% to RM190 mil

Comparatively, the Group's revenue for the current quarter ended 31 March 2015 increased by 7% while profit before tax (excluding share of results of an associate) for the current quarter increased by 12% when compared to the corresponding quarter ended 31 March 2014. Whilst revenue increased by RM12.7 million ie 7%, profit before tax (excluding share of results of an associate) for the current quarter increased by RM4.7 million ie. 12% due to higher profit margin contribution from the work orders performed as compared to the corresponding quarter. The Group anticipates a challenging operating business environment for this financial year especially with the recent sharp decline in crude oil prices. (Source: Bursa Malaysia)

Wah Seong, HOLD (RM1.38): Q1 net profit grew to RM26 mil

The Oil & Gas Segment's external revenue for the 1Q15 was RM268.1 million compared with RM223.4 million in the corresponding period in 2014. The segment contributed RM25.0 million of PBT for both the current period under review and the corresponding period in 2014. The Renewable Energy Segment's external revenue for 1Q15 was RM85.7 million compared with RM83.1 million in the corresponding period in 2014. In the same period, PBT was RM12.0 million compared with RM15.4 million in the corresponding period in 2014. The Industrial Trading & Services Segment's external revenue for 1Q15 was RM159.1 million compared with RM143.6 million in the corresponding period in 2014. (Source: Bursa Malaysia)

Supermax, BUY (TP: RM2.28): Posts lower profit for the quarter ended March 31

Supermax Corp Bhd posted a net profit of RM24.95 million in the three months period ended Mar 31, 2015, a decline of 6.2% from RM26.6 million in the same period last financial year due to lower average selling prices. This translated to a lower earnings per share (EPS) of 3.67 sen compared to 3.91 sen a year earlier. Revenue was at RM223.21 million, down 4% compared to RM232.27 million. Supermax has changed its financial year end from Dec 31 to June 30. In a filing with Bursa Malaysia, Supermax (fundamental: 1.0; valuation: 1.8) said its prospects remains good with global demand for globes remain robust and sustainable. "In the developed countries, the demand continues to grow at a steady and moderate pace while stronger double digit growth can be seen from the emerging markets as hygiene and healthcare awareness continues to rise in the regions such as the Middle East and also Africa, not to mention Asia with China and India leading the way," it added. (Source: *The Edge*)

MMHE, HOLD (TP: RM1.33): Expects challenging outlook

Malaysia Marine and Heavy Engineering Malaysia Bhd (MHB) foresee a challenging outlook as the oil and gas market for fabricators market is crowded with hungry players. The indirect subsidiary of Petronas is currently bidding RM7bil worth of jobs but could not estimate the success rate as oil majors are reducing their investments since the oil price fall last year. Its chairman Datuk Nasaruddin Md Idris said nevertheless MHB has RM1.6bil of backlog jobs that should last until Q3 2016. (Source: *The Star*)

MMC, BUY (TP: RM3.00): Optimistic over 2015 financial performance

MMC Corp Bhd, which doubled its net profit last year, is optimistic over maintaining the performance for the financial year ending Dec 31, 2015, driven by its three core businesses. Group Managing Director Datuk Seri Che Khalib Mohamad Noh said the group's performance last year was largely contributed by the recovery of operations in Malakoff Bhd, higher work progress in the Klang Valley Mass Rapid Transit Line 1 and completion of the new berth under the ports and logistics division. (Source: *New Straits Times*)

FGV, HOLD (TP: RM2.18): To supply premier oil palm seeds in Mindanao

Felda Global Ventures Holdings Bhd (FGV) subsidiary Felda Agriculture Services Sdn Bhd (FASSB) has ventured into the Philippine market to supply its premier oil palm seeds to planters in Mindanao. FASSB signed a Memorandum of Collaboration with the Philippines' Bali Oil Palm Produce Corporation (BOPPC) recently to explore the possibility of collaborating in agriculture-related products and services, said FGV in a statement here. Under the collaboration, which will be a springboard for Mindanao to become one of the major world-class palm oil exporters together with FGV and other top world producers, FASSB is committed to delivering the first oil palm seeds to the Philippine Coconut Authority (PCA) and BOPPC this year. It is also to deliver 110,000 and one million DxP oil palm germinated seeds to PCA and BOPPC respectively, commencing June this year. (Source: *The Star*)

MBSB (CP: RM1.89): Raises loan coverage bar for bank license

Malaysia Building Society Bhd, a lender controlled by the country's biggest pension fund, plans to adopt stricter coverage standards for loan impairments as it prepares to become an Islamic bank. The company known as MBSB wants to raise its loan-loss coverage ratio from about 80 percent to 100 percent, matching the level most banks have in Malaysia, Chief Executive Officer Ahmad Zaini Othman said in an interview on Friday. As a non-bank financial institution, MBSB is currently not required by the central bank to adhere to a more stringent benchmark to protect itself from future losses. MBSB has been seeking to turn into an Islamic lender after a plan to combine with CIMB Group Holdings Bhd and RHB Capital Bhd collapsed in January. *(Source: The Edge)*

Plenitude (CP: RM2.14): Extends period of takeover offer for Nomad

Plenitude Bhd has extended the closing date of its offer for shares in The Nomad Group Bhd (TNGB) by two weeks to June 10 after getting enough valid acceptances to turn its offer unconditional. The property developer told Bursa Malaysia on Monday that all other details, terms and conditions of its offer remained unchanged. As of last Friday, Plenitude had received valid acceptances resulting in it holding 62.92% in TNGB, a homegrown group that provides serviced offices, hotels (including Novotel KLCC and Glow Penang) and serviced residences in the South-East Asian region. *(Source: The Star)*

Barakah (CP: RM0.83): Gets Shell contract to smoothen flow of oil and gas

Barakah Offshore Petroleum has received a letter of award from Sarawak Shell Bhd and Sabah Shell Petroleum Co Ltd to supply equipment which would be used to ensure the smooth flow of oil and gas. Barakah said on Monday the job, which involved the supply of operational pipeline intervention gadgets and accessories, was awarded to its unit PBJV Group Sdn Bhd. Barakah said the duration of the contract was three years from April 15, 2015, with an option to extend for a further year. *(Source: The Star)*

Cocoaland (CP: RM2.06): Rejects RM377.52m takeover offer from Navis Asia

Snacks and candies manufacturer Cocoaland Holdings Bhd) today announced that it has decided to reject Navis Asia Fund VII, LP's takeover offer of RM377.52 million or RM2.20 per share. In a brief statement to the bourse today, Cocoaland said its board of directors have deliberated on the proposed acquisition by Navis Asia VII Management Company Ltd, who made the offer on behalf of Navis Asia Fund VII, and "unanimously rejected the offer". "The offer price for the proposed acquisition was RM377.52 million (RM2.20 per share)," it added. Last Friday, Cocoaland said it had received a 'non-binding indicative offer letter' from Navis Asia VII to acquire all its assets and liabilities. The offer price of the acquisition was not disclosed back then, and the counter was suspended from trading until 5pm on Monday; it will resume trading tomorrow. *(Source: The Edge)*

Hap Seng Plantations (CP: RM2.60): Net profit down 49% on lower palm prices and higher production costs

Hap Seng Plantations Holdings Bhd saw its net profit plummet 49% to RM21.49 million, or 2.69 sen per share, in the first quarter of financial year 2015 ended March 31, 2105 (1QFY15) compared to RM42.23 million, or 5.28 sen per share,

in the previous corresponding quarter as low palm oil prices, lower sales of palm kernel (PK) and higher production costs hit earnings. In a filing with Bursa Malaysia, Hap Seng Plantations reported a nearly 18% drop in revenue to RM113.81 million in 1QFY15 compared to RM138.43 million in the first quarter of financial year 2014 (1QFY14). (Source: The Edge)

E&O's (CP: RM1.83): 4Q profit doubles, proposes stock dividend

Eastern & Oriental Bhd's (E&O) net profit for its fourth quarter of its 2015 financial year has doubled to RM100.76 million from RM50.5 million in its previous corresponding quarter due to substantial divestment gains. Its revenue, however, declined nearly 38% to RM143.04 million from RM229.69 million a year ago. In terms of cumulative net profit for the full financial year ended March 31 (FY15), the property group saw a 34.5% growth to RM152.35 million from RM113.24 million in FY14. However, its annual revenue was 9.6% lower at RM449.5 million against RM497.14 million in FY14. (Source: The Edge)

Syarikat Takaful (CP: RM3.09): Net profit up 31.8%

Syarikat Takaful Malaysia Bhd's (STMB) net profit for the first quarter ended March 31, 2015 rose 31.8% to RM46.22mil, from RM 35.07mil a year ago due to the growth from Fire and Motor class of business. Its revenue jumped 30.2% to RM 562.46mil for the quarter compared to RM432.02mil a year ago largely due to higher sales generated by both Family Takaful and General Takaful business as well as higher net investment income. Meanwhile, its earnings per share for the quarter were up RM28.36sen, from RM21.54sen a year ago. For the current financial year, STMB said it would continue its value proposition of rewarding its customers with 15% cash back for General Takaful products. (Source: The Star)

ECONOMIC UPDATES

Singapore: CPI falls 0.5% in April

The Singapore consumer price index (CPI)-All Items inflation eased to -0.5% in April from -0.3% in March, mainly on account of a sharper price decline in oil-related items and a moderation in services inflation. A joint statement released by the Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry (MTI) said, the cost of oil-related items fell by 11.7% in April, following the 7.9% decrease in the preceding month, as electricity tariffs were reduced further owing to lower global oil prices. It said services inflation eased to 1.1% from 1.5% a month earlier, largely led by a fall in holiday travel cost and waiver of national examination fees. Food inflation was stable at 2.1%. While costs of prepared meals rose at a faster pace, this was offset by slower price increases in non-cooked food items. Accommodation cost was 2.5% lower, extending the 2.2% decline in the previous month, reflecting the soft housing rental market. (Source: The Star)

Philippine: Weak govt spending in Q1 raises risk to Philippine growth

The Philippines posted a smaller-than-targeted budget deficit in the first quarter of the year as it spent less than planned, casting a shadow over the country's growth outlook for the year. Government officials are banking on higher expenditure this year to boost economic activity after a spending scandal in 2014 pulled back public investment and slowed growth. The government spent

13% less than programmed in the first quarter, data showed on Monday, resulting in a budget deficit of 33.5 billion pesos (\$751 million). That was sharply lower than its 98.1 billion peso fiscal gap goal in the first three months of the year. Revenue of 470.5 billion pesos also fell short of the 484.1 billion peso target. (Source: *The Star*)

China: To lower import taxes on diapers, skincare products

China will lower import taxes on some consumer goods including skincare products, Western-style clothing and diapers starting from June 1, the Ministry of Finance said in a statement on Monday. The ministry said the average decrease in import tax would be over 50%, and was aimed at supporting Beijing's move to boost domestic spending and combat a slowing economy at a time when record numbers of cash-rich Chinese tourists are splurging overseas. (Source: *The Star*)

Greece: Says wants to make debt payments but needs aid urgently

Greece intends to make good on its debt obligations but needs aid urgently to be able to do so, the government said on Monday, after several senior officials insisted Athens had no money to pay a loan installment falling due next week. Shut out of bond markets and with bailout aid locked, Greece is running out of cash to pay its bills. It must repay four loans totaling 1.6 billion euros (\$1.76 billion) to the International Monetary Fund next month, starting with a 300 million euro payment on June 5 that is seen as the next crunch point for state coffers. Athens has the money to make monthly wage and pension payments this week, government spokesman Gabriel Sakellaridis told a news conference. But he was less direct when asked about the June 5 payment, reiterating the government's official stance that it has the responsibility to pay all its obligations. (Source: Reuters)

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

Head Of Research



Rosnani Rasul
M&A Securities