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Thursday, May 28, 2015

Report of the Day

Results Review: Malakoff 1Q15, BUY (TP: RM2.30) - "Dazzling Start"

Results Review: Alliance Financial 4Q15, HOLD (TP: RM4.90) - "Loss Provision the Culprit"

Results Review: TH Plantations 1Q15, HOLD (TP: RM1.47) - "Leap, and the Net will Appear"

Results Review: Genting Plantations 1Q15, HOLD (TP: RM10.77) - "Hit by Plantation-Malaysia Segment"

Results Review: Parkson 3Q15, HOLD (TP: RM2.00) - "Challenging Outlook"

At a Glance

FBMKLCI declined 9.02 points to finish at 1,755.05 due to profit taking activities.....See full report next page)

Strategy**"Some Relief over Greece"**

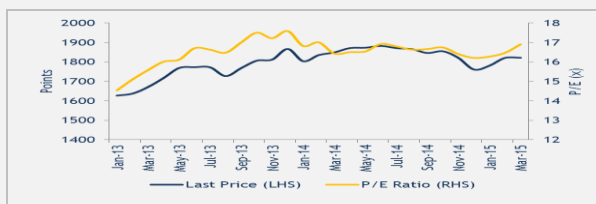
We think that investors will mend the bridges and start accumulating today.....(See full report next page)

Corporate Highlights

- **Malakoff, BUY (TP: RM2.30):** Records higher profits in Q1
- **Alliance, HOLD (TP: RM4.90):** Financial Group posts lower FY15 earnings
- **TH Plantations, xx (TP: RMxx):** Profit in 1Q Losses From RM12:01 million to RM320 million

Economic Update

- **Malaysia:** Credit growth remains strong, says Zeti
- **Indonesia:** Wants lower inflation to boost competitiveness
- **China:** April industrial profits reverse 6-month falling trend

**Bursa Malaysia**

	Close	Change+/-	(+/- %)
FBMKLCI	1,755.05	-9.02	-0.51
FBMEMAS	12,143.48	-56.51	-0.46
FBMEMAS SHA	12,607.75	-64.64	-0.51
FBM100	11,825.41	-55.85	-0.47
Volume (mn)	1,781.11	198.59	12.55
Value (RMmn)	2,190.51	253.33	13.08
FBMKLCI YTD Chg			-0.35

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	13.7	-7.0
Local Institution	57.5	127.9
Foreign Investors	28.8	-120.9

Top Gainers

	Close	Change+/-	(+/- %)
PETRONAS GAS	21.80	0.22	1.02
HONG LEONG FIN	16.00	0.20	1.27
AEON CREDIT SER	14.90	0.20	1.36

Top Losers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	45.66	-1.14	-2.44
KLK	20.98	-0.86	-3.94
PANASONIC MAN	21.80	-0.50	-2.24

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,162.99	121.45	0.67
NASDAQ	5,106.59	73.84	1.47
S&P 500	2,123.48	19.28	0.92
FTSE 100	7,033.33	84.34	1.21
DAX	11,771.13	146.00	1.26
Nikkei 225	20,472.58	35.10	0.17
HSI	28,081.21	-168.65	-0.60
KOSPI	2,107.50	-36.00	-1.68
STI	3,424.94	-35.04	-1.01
KLCI Futures	1,750.50	(2.50)	(0.00)
USDMYR 3M	9.85	(0.03)	(0.00)
USDMYR 6M	9.90	-	-
USDMYR 12M	10.00	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	58	0.2	0.4%
Brent (USD/bbl)	62.1	-1.7	-2.6%
Gold(USD/ounce)	1,188	-0.2	0.0%
Coal (USD/mt)	60.1	0.1	0.1%
CPO (RM/mt)	2,178	-7.0	-0.3%
Rubber	187	1.9	1.0%
RM/USD	3.64	0.007	-0.19%
EUR/USD	0.92	0.0003	0.03%
YEN/USD	123.75	0.09	-0.07%

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/CasesShiller 20-City Index NSA	-	173.67
US	26-May	9:45 PM	Markit US Composite PMI	-	57.0
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	88.6
MY	29-May	6:00 PM	Money Supply M3 YoY	-	7.9%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 121.45 points to 18,162.99; S&P 500 up by 19.28 points to 2,123.48. Nasdaq soared by 73.84 points to 5,106.59. Stocks closed higher on Wednesday, recovering from Tuesday's selloff, as encouraging Greece headlines boosted investor sentiment amid a slight pause in the dollar and yield climb.
- Greek Prime Minister Alexis Tsipras said on Wednesday the negotiations are on the "final stretch" towards a positive deal, Reuters reported. A European official said in a Bloomberg report that "we are still working toward an agreement" and that no accord was reached.

The Local Market

- FBMKLCI declined 9.02 points to finish at 1,755.05 due to profit taking activities. There were 274 gainers and 506 decliners in total value traded of RM2.19 billion.
- Among the losers on Bursa Malaysia were Dutch Lady slipped RM1.14 to RM45.66, KLK fell 86 cent to RM20.98, Panasonic Manufacturing slid 50 cent to RM21.80 and Nestle (M) decreased 46 cent to RM71.10.

Strategy

- "Some Relief over Greece"**

The global equity market got some breathing space, much thanks to the news wire that Greece and its Eurozone creditors may be reaching some deals soon. S&P 500 and DJIA gained 19.28 (0.92%) and 121.45 (0.67%) points to end at 2,123.48 and 18,162.99 respectively. Much energy has been

spent over Greece debt debacle with some positives and negatives along the way. This time the positive adrenalin is pumping thanks to the news wire that Greece is currently negotiating a new debt deal with its creditors, potentially arresting the rising systematic risk over it. Although it is vague but at least there is something brewing over this and this puts a lot of hope that the explosion of Greece debt may not happen, at least not for now. Hence, this has shored up risk taking in Wall Street broader market, more so when the market has been suffering sharp reversal of late. Give this new lease of life and added with the volatile market retreat in the last few days, we think that investors will mend the bridges and start accumulating today.

- 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

Malakoff, BUY (TP: RM2.30): Records higher profits in Q1

Malakoff Corp Bhd's profit before tax for the first quarter ended March 31, 2015 surged 294% to RM175.5mil from RM44.6mil a year ago and expects the current financial to be better. Southeast Asia's largest independent power producer by power generation said on Wednesday the higher profitability was underpinned by contributions from the Tanjung Bin Power Plant (TBP), lower finance costs, higher interest income and consolidation of Port Dickson Power (PD Power). Revenue for the quarter was up 8.7% to RM1.34bil compared to RM1.23bil a year ago due to higher capacity factor by TBP and PD Power's profits from the completion of its acquisition in April 2014. For the quarter, the company declared a dividend payout of three sen a share compared to 1.97 sen a year ago. (Source: The Star)

Alliance, HOLD (TP: RM4.90): Financial Group posts lower FY15 earnings

Alliance Financial Group Bhd (AFG) reported lower earnings of RM530.78mil for financial year ended March 31, 2015 (FY15) mainly due to higher allowance for losses. The financial services group said on Wednesday, the 5.8% decline in the earnings for FY15 from the RM563.55mil a year ago was due to the higher allowance for losses, which was in line with balance sheet size and loans growth. The loan loss coverage improved from 92.7% to 102.7%, reflecting a healthy book and strong performance from new origination. AFG said net income or revenue increased by 2.5% to RM1.382bil from RM1.349bil. Its return on equity (ROE) after tax was 12.3%. (Source: The Star)

TH Plantations, HOLD (TP: RM1.47): Profit in First Quarter Losses From RM12.01 million to RM320,000 million

Profit before tax TH Plantations Bhd fell to RM320,000 for the first quarter ended March 31, 2015 from RM12.01 million in the same quarter last year.

Revenue fell to RM82.3 million from RM124.24 million previously. Furthermore, commodity prices remain weak, add ap effect on the group's earnings, it said in a statement today. For the quarter under review, TH Plantation contributed to the production of fresh fruit bunches (FFB) of 137.988 per tonne, down 20 percent from the same period last year. Productions of crude palm oil (CPO) prices declined by 22 per cent to 31.052 per tonne. The actual average price for CPO for the quarter was RM2,162 per tonne compared with RM2,507 per tonne in the same quarter last year. (Source: Bernama)

Genting Plantations, HOLD (TP: RM10.77): First quarter earnings halved

Genting Plantations Bhd's Indonesian plantation segment held steady in the first quarter ended March 31 but a much lower performance by the Malaysia plantation business dragged down its overall profit. In a statement to Bursa Malaysia yesterday, it said earnings for the quarter fell by half to RM52.65mil compared to a year earlier on the back of 2.5% lower revenue of RM324.4mil. The group's plantation pre-tax profit fell 37% to RM79.2mil due to lower selling prices of palm products and fresh fruit bunches (FFB) production from its Malaysian plantations. (Source: The Star)

Parkson, HOLD (TP: RM2.00): 3QFY15 net profit plunges on hefty provision for arbitral award

Parkson Holdings Bhd (Parkson) saw its net profit slumped to RM2.96 million in the third quarter ended Mar 31, 2015 (3QFY15), from RM55.06 million achieved in the corresponding period last year, after making a RM82.39 million provision for an arbitral award. Parkson had already warned shareholders in April 2015, that its earnings would be visibly hit in 3QFY15, after it lost a property dispute, i.e. Metro City Shopping Plaza in Beijing. Its subsidiary Parkson Retail Group Ltd (PRGL) was found to have occupied premises, after the termination of the latter's tenancy agreement. PRGL was required to pay RMB140.4 million yuan to Metro City. The lower net profit came on the back of a 9.4% increase in the company's revenue during the quarter under review, from RM957.95 million to RM1.05 billion. (Source: The Edge)

Dutch Lady, SELL (TP: RM40.00): Targets RM1b revenue

Dutch Lady Milk Industries Bhd, expects to maintain its revenue target of RM1 billion for this year with the introduction of two new products, says Managing Director Saw Chooi Lee. Speaking to reporters after the company's annual general meeting, she said the company launched a new range of liquid milk products under the new name of Dutch Lady PureFarm in an effort to refresh the brand. The group have also strengthened our ready-to-drink products that helps to support children's growth and needs. Saw said the company remained cautiously optimistic over the challenging market environment, especially due to the implementation of the Goods and Services Tax (GST). (Source: The Star)

Genting Bhd (CP: RM8.60): Work starts on RM200m hilltop Genting Premium Outlets

Genting Bhd's joint venture Genting Simon Sdn Bhd has started work on the RM200mil Genting Premium Outlets – which will be Southeast Asia's first hilltop Premium Outlet Centre. Genting Simon said the development would cover 600,000 square feet is targeted for completion in the last quarter of 2016. Built

on Genting Highlands Resort, Genting Premium Outlets will offer a gross leasable area of about 300,000 square feet that will house 150 designer and brand name stores and 4,000 parking bays for cars and buses. *(Source: The Star)*

Titijaya (CP: RM1.80): Shareholders approve Penang acquisition

Titijaya Land Bhd has gained shareholders approval for acquiring 20.3acre leasehold land in Penang for RM126mil from its wholly owned subsidiary, City Meridian Development Sdn Bhd. The company said on Wednesday that it is proposing a mix development of residential and commercial units with a gross development value of RM2.6bil. It added that the parcel of land is situated south of the second Penang Bridge, which is linked to major towns by highways. Upon completion of the proposed acquisition, Titijaya's land bank will increase to 432.47 acres from its current 412.05 acres. This will also enable the group to expand its presence to Penang as a premier property developer in the industry. *(Source: The Star)*

MISC (CP: RM8.34): Expects flat growth for FY15

MISC Bhd, the shipping arm of Petroliaam Nasional Bhd (Petronas), expects no significant improvement in its financial results this year, dragged by its marine and heavy engineering segment. MISC chief executive officer Yee Yang Chin said its 66.5%-owned subsidiary Malaysia Marine and Heavy Engineering Holdings Bhd (MHB) will likely continue to experience a challenging environment. However, the petroleum segment is expected to see positive growth, which will offset weak results by its marine and heavy engineering division. *(Source: The Edge)*

MISC (CP: RM8.34): Allocates US\$1b for capex this year

Shipping giant MISC Bhd has allocated US\$1 billion for capital expenditure (capex) this year to primarily focus on the petroleum segment business, despite lower oil prices in the global market. President and chief executive officer Yee Yang Chien said the capex is right for the company to remain competitive in the industry. He said the capex also includes spending for its offshore operations. MISC is the shipping unit of Petronas. On the group's performance, Yee is confident the company will continue to be propelled by secured recurring income from a portfolio of long term contracts in the LNG shipping and offshore business segments. *(Source: The Star)*

Protasco (CP: RM1.82): Net profit up 23.6%

Protasco Bhd's net profit for the first quarter ended March 31, 2015 rose 23.6% to RM13.10mil compared to RM10.60mil a year ago mainly contributed from construction division. Its revenue for the quarter jumped 48.2% to RM219.05mil, from RM147.75mil a year ago due to improvement of performance from all divisions including maintenance, construction, property development, engineering services, education as well as trading and manufacturing. For its construction division, its revenue and profit before tax surged more than 100% from Perumahan Penjawat Awam 1Malaysia project which started in the third quarter of 2014. *(Source: The Star)*

Petronas: To end gasoil storage at Tanjung Langsat

Petroleum Nasional Bhd (Petronas) is not planning to renew its lease to store gasoil at Tanjung Langsat Terminal (One) in Johor, southern Malaysia, once its contract ends in late May, industry sources close to the matter said. The oil major had a one-year contract to lease about 70,000 cu m of space to store gasoil at the terminal, the sources said. It was not immediately clear why Petronas has decided not to renew. The company took over the space from oil trader Trafigura, which had given it up due to draft limits, one of the sources said. The operator of the terminal was still looking for companies to lease the storage tanks, a second source said. (Source: *The Star*)

Matrade: Eyes e-marketplaces collaboration for eTRADE

The Malaysia External Trade Development Corporation (Matrade) is eyeing collaboration with other established international e-marketplaces like eBay, Taobao and Amazon.com to provide options that can help local companies under the eTRADE programme. Deputy Chief Executive Officer Datuk Dzulkifli Mahmud said Matrade is already in talks with these business-to-business companies. They also looking at other platforms as well, which can benefit Malaysian companies, especially small and medium enterprises (SMEs). (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Credit growth remains strong, says Zeti**

Credit growth in Malaysia remains strong, expanding at the rate of nine per cent, Bank Negara Malaysia Governor Tan Sri Dr Zeti Akhtar Aziz said. "Therefore, we believe there continues to be access to financing," she said when asked on the Small and Medium Enterprises (SMEs) concern on access to funding. Banks should highlight how SMEs could be eligible for funding and not just reject them, she told reporters after giving a luncheon address at the ASEAN SME Conference here on Wednesday. On the inflation rate of 1.8% posted in April, Zeti said it was within the central bank's projection. "Inflation will be in the region of 2% for the year and we believe that this is well within what we had anticipated," she said. (Source: *The Star*)

Indonesia: Wants lower inflation to boost competitiveness

Seeking to becoming more competitive, Indonesia wants to bring annual inflation lower, nearer to the rates managed by its Southeast Asian neighbours, authorities said on Wednesday. Bank Indonesia Governor Agus Martowardojo told an official meeting on the country's high costs that the central bank aims to bring down the inflation rate to between 2.5% to 4.5% in 2018, from a target of 3% to 5% this year. He said that Indonesia wants to lower inflation even further in future years, nearer to the levels seen in other Southeast Asian economies such as Malaysia, the Philippines, Singapore and Thailand. (Source: *The Star*)

China: April industrial profits reverse 6-month falling trend

Chinese industrial sector profits posted their first annual rise since last September, in a sign that margin pressures may be easing at some for firms, particularly in the price sensitive energy sector. Industrial sector profits in April

rose 2.6 percent from a year earlier, National Bureau of Statistics data showed on Wednesday, but were down 1.3 percent for the year to date, reflecting the extreme weakness of growth in the first quarter. The statistics bureau said recent interest rate and fee cuts were boosting industrial profits, but that companies still faced weak demand and falling prices. With China's credit and money supply data in April missing expectations on the one hand, and some signs of a bottom in the real estate sector on the other, analysts have been watching closely for any signs of a turnaround in the industrial sector. (Source: *The Edge*)

Indonesia: Plans to raise personal income tax threshold

Indonesia's finance minister said on Wednesday the government plans to raise by nearly 50 percent the income threshold at which individuals start to owe income tax, in a bid to boost purchasing power and economic growth. Bambang Brodjonegoro told a parliamentary committee he is considering increasing the threshold for an unmarried adult to 36 million rupiah (\$2,728) a year from the current 24.3 million rupiah. He did not say what changes might be made for married couples or individuals with dependents. Lifting the income level at which tax starts to be due "will increase people's purchasing power although this could disrupt (state) revenue," Brodjonegoro said. (Source: *The Star*)

Japan: Govt ups view on consumer spending

Japan's government raised its assessment of consumer spending for the first time in 10 months in May but kept its overall view of the economy unchanged. It also cut its view on exports and factory output in its monthly report, worrying signs as the economic recovery struggles to gain momentum after last year's recession. The government's new economic report came after the Bank of Japan last week offered a slightly more upbeat view of the economy and its governor Haruhiko Kuroda shrugged off the need for more monetary stimulus. (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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