

PP14767/09/2012(030761)

Thursday, June 25, 2015

At a Glance

FBMKLCI gained 4.82 points to finish at 1,731.68 in tandem with other regional markets.....(See full report next page)

Strategy**"Shaking News on Greece; Negotiation Drags on"**

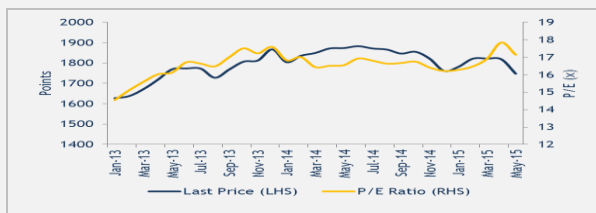
Lack of catalyst and added with negative catalysts will continue to weigh on the market.....(See full report next page)

Corporate Highlights

- **Petronas Dagangan, HOLD (TP: RM18.90):** Expects to maintain top position in LPG market
- **Maxis, HOLD (TP: RM7.10):** Eyes 1.4m Waze users nationwide
- **KNM (CP: RM0.66):** Orderbook rises to RM4b, seeking RM13b contracts

Economic Update

- **Malaysia:** Economy to expand at slower pace
- **Indonesia:** considers tax amnesty for financial crimes
- **Greece:** Deadline for deal on Greece is end of June



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	22-Jun	10:00 PM	Consumer Confidence	-	-5.5
US	22-Jun	10:00 PM	Existing Home Sales	5.25M	5.04M
US	22-Jun	10:00 PM	Existing Home Sales MoM	4.2%	-3.3%
MY	22-Jun	-	Foreign Reserves	-	\$106.4B
EU	23-Jun	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2
EU	23-Jun	4:00 PM	Markit Eurozone Services PMI	-	53.8
EU	23-Jun	4:00 PM	Markit Eurozone Composite PMI	-	53.6
US	23-Jun	8:30 PM	Durable Goods Orders	-0.5%	-0.5%
US	23-Jun	8:30 PM	Durable Ex Transportation	0.8%	0.5%
US	23-Jun	9:45 PM	Markit US Manufacturing PMI	-	54.0
US	23-Jun	10:00 PM	New Home Sales	515K	517K
US	23-Jun	10:00 PM	New Home Sales MoM	-0.4%	6.8%
CN	23-Jun	9:45 AM	Markit China PMI Mfg	49.4	49.2
JP	23-Jun	9:35 AM	Markit Japan PMI Mfg	-	50.9
US	24-Jun	7:00 PM	MBA Mortgage Application	-	-5.5%
US	24-Jun	8:30 PM	GDP Annualized QoQ	-0.3%	-0.7%
US	24-Jun	8:30 PM	Personal Consumption	-	1.8%
US	24-Jun	8:30 PM	Core PCE QoQ	-	0.8%
JP	24-Jun	1:00 PM	Small Business Confidence	-	48.1
US	25-Jun	8:30 PM	Initial Jobless Claims	-	-
US	25-Jun	9:45 PM	Markit US Composite PMI	-	56.0
US	25-Jun	9:45 PM	Markit US Service PMI	-	56.2
US	25-Jun	11:00 PM	Kansas City Fed Manf. Activity	-	-13
EU	26-Jun	4:00 PM	M3 Money Supply YoY	-	5.3%
EU	26-Jun	4:00 PM	M3 3-month average	-	4.7%
JP	26-Jun	7:30 AM	Natl CPI YoY	-	0.6%
JP	26-Jun	7:30 AM	Natl CPI Ex Fresh Food YoY	-	0.3%
JP	26-Jun	7:30 AM	Natl CPI Ex Food, Energy YoY	-	0.4%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,731.68	4.82	0.28
FBMEMAS	11,984.82	39.29	0.33
FBMEMAS SHA	12,456.48	22.25	0.18
FBM100	11,660.43	32.02	0.28
Volume (mn)	1,788.65	56.45	3.26
Value (RMmn)	1,886.67	206.59	12.30
FBMKLCI YTD Chg			-1.68

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.1	-1.3
Local Institution	59.0	116.5
Foreign Investors	22.9	-115.2

Top Gainers

	Close	Change+/-	(+/- %)
BAT	61.18	0.38	0.63
MAGNI-TECH IND	3.94	0.34	9.44
UNITED U-LI CORP	3.84	0.24	6.67

Top Losers

	Close	Change+/-	(+/- %)
TENAGA NASIONA	12.78	-0.28	-2.14
ALLIANZ MALAY	11.72	-0.28	-2.33
SHANGRI-LA HOTE	6.60	-0.20	-2.94

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,966.07	-178.00	-0.98
NASDAQ	5,122.41	-37.68	-0.73
S&P 500	2,108.58	-15.62	-0.74
FTSE 100	6,844.80	9.93	0.15
DAX	11,471.26	-71.28	-0.62
Nikkei 225	20,868.03	58.61	0.28
HSI	27,404.97	71.51	0.26
KOSPI	2,085.53	4.33	0.21
STI	3,351.33	11.55	0.35
KLCI Futures	1,721.50	8.50	0.00
USDMYR 3M	9.98	0.01	0.00
USDMYR 6M	9.96	(0.01)	(0.00)
USDMYR 12M	10.10	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	0.0	-0.1%
Brent (USD/bbl)	63.5	-1.0	-1.5%
Gold(USD/ounce)	1,175	0.0	0.0%
Coal (USD/mt)	60.2	0.0	0.0%
CPO (RM/mt)	2,270	49.0	2.2%
Rubber	182	0.1	0.1%
RM/USD	3.75	0.0121	-0.32%
EUR/USD	0.89	0.0003	0.03%
YEN/USD	123.88	0.03	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 178 points to 17,966.07; S&P 500 slid 15.62 points to 2,108.58. Nasdaq down by 37.68 points to 5,122.41. Stocks closed lower on Wednesday as investors weighed the renewed impasse in the Greece debt talks and digested domestic data.
- Early on Wednesday, a Greek government official said that Prime Minister Alexis Tsipras told associates that creditors did not accept Greece's proposed measures, Reuters reported on Wednesday. Prior to the news, recent reports had indicated progress towards a resolution ahead of Greece's June 30 payment deadline to the International Monetary Fund.

The Local Market

- FBMKLCI gained 4.82 points to finish at 1,731.68 in tandem with other regional markets. There were 443 gainers and 353 decliners in total value traded of RM1.88 billion.
- Among the gainers on Bursa Malaysia were BAT up 38 cent to RM61.18, Magni-Tech Industries up 34 cent to RM3.94, United U-Li Corp jumped 24 cent to RM3.84 and Petronas Chemical surged 22 cent to RM6.32.

Strategy

- **“Shaking News on Greece; Negotiation Drags on”**
Wall Street failed to continue its positive momentum Tuesday as it bleed yet again on Wednesday, injured by the failure of Greece to close a new debt deal. **S&P 500 and DJIA lost 15.62 (-0.74%) and 178.00 (-0.98%)** points to end at **2,124.20 and 18,144.07**. As said, Greece's negotiation has dragged on and hence, failed to reach a solution at the back of the clock fast ticking as Greece has 2 debt schedules to meet this 30th June worth €3.1 billion. Note that the 2 debt schedule is only the tip of iceberg as Greece has another whopping 22 debt schedules from July until December worth more than €20 billion. As of yesterday, it seems that Greece and its creditors failed come to terms on what reforms Greece should make in exchange for loans. In another development, sentiment was also hurt by Fed Governor Jerome Powell statement that the Fed is poised to adjust interest rate by 2x this year, including in September and December, contrary to broader market expectation of only 1 adjustment this year. At this stage, lack of catalyst and added with negative catalysts will continue to weigh on the market.
- 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

Petronas Dagangan, HOLD (TP: RM18.90): Expects to maintain top position in LPG market

Petronas Dagangan Bhd expects to maintain its leadership position in the liquefied petroleum gas (LPG) segment in Malaysia with monthly sales volume of around four million cylinders. Its head of LPG business, Nik Faizanira Nik Affandi, said the group currently holds about 50% share of the domestic LPG market. The company is participating in the event for the 13th consecutive year. Nik Faizanira said the group's LPG sales per month have been growing and have hit around four million cylinders. The group sells its LPG under the brand name GAS PETRONAS. GAS PETRONAS is sold domestically in 12kg and 14kg cylinders, at a subsidised price of RM22.80 and RM26.60, respectively, for household usage and 50kg cylinders for commercial use at deregulated market price, through a network of appointed local distributors and industries throughout the country. (Source: The Star)

Maxis, HOLD (TP: RM7.10): Eyes 1.4m Waze users nationwide

Maxis Bhd aims to capture over 1.4 million Waze users nationwide with its newly-launched Safe Mode Kids, a navigation application on Waze using voices of Malaysian children. Maxis head of marketing services, Sulin Lau, said the Safe Mode Kids used voices of children to give safety reminders, traffic alerts and directions to motorists. A survey showed that 97% of Malaysian parents claimed they drove much safer when their children were in the car with them. Lau said Safe Mode Kids, the first collaboration between Waze and Maxis, was also timely in view of the coming festive season, which would be the busiest travel periods of the year. The Safe Mode Kids, which is different from other Waze voice packs that usually feature a single celebrity voice, invites children aged between three and 12 to develop an innovative way of reminding parents and other drivers to drive safely. (Source: The Star)

KNM (CP: RM0.66): Orderbook rises to RM4b, seeking RM13b contracts

Process equipment maker KNM Group Bhd has an orderbook of RM4bil including about RM2bil worth of jobs from its UK project. It is bidding for over RM13bil worth of jobs of which RM4bil to RM5bil are from Pengerang's downstream development. Its group CEO Lee Swee Eng said on Wednesday recurring income should be 35% to the group's total from 2017 onwards. First phase of the project will produce 17.6 MW of energy and the total capacity is 80MW. Meanwhile, another renewable energy project in Thailand will contribute to its earnings in FY16. It will produce 2,000 litres of ethanol per day for the first phase. (Source: The Star)

Sona Petroleum (CP: RM0.43): Sure of securing deal this year

Sona Petroleum Bhd is confident of securing a qualifying asset (QA) by year-end after having identified potential assets in Asean and Africa. Sona was listed on the Main Market of Bursa Malaysia on July 30, 2013. If it fails to acquire operating assets or companies by July 30, 2016, it will be delisted. It is reported that Sona had proposed to acquire a stake in Salamander Energy (Bualuang) Ltd, a Thai unit of UK-listed Salamander Energy Plc, which would see it gaining a 40% ownership in two of the unit's offshore oil and gas blocks. However, the deal fell

through in January after energy giant Ophir Energy purchased Salamander for US\$492mil (RM1.81bil) on condition Salamander cancels the sale of the stake to Sona. (Source: *The Star*)

Crest Builder (CP: RM1.13): To focus on property development

Construction outfit Crest Builder Holdings Bhd, with an external orderbook of RM350mil, intends to focus on property development to make better profits. Executive director Eric Yong said on Wednesday that against the backdrop of soft property market, the company sees property division taking the lead after its construction division with property making up 70% to its bottom line. He said its RM198mil Anggun project in Jalan Sultan Ismail would only allow its orderbook to stretch up till 2017. The group expects the revenue ratio of construction and property segments to be 50:50 this year. (Source: *The Star*)

TFP Solutions (CP: RM0.17): Sees flat revenue growth in FY15

TFP Solutions Bhd expects no significant improvement in its financial results this year, as the enterprise resource planner undergoes a phase of transition to cater to an evolved information technology (IT) sector. Its group managing director Quah Teik Jin expects revenue to grow by 10% in the next financial year ending Dec 31, 2016 (FY16), after the roll-out of its products and services to Myanmar and Vietnam with a focus on cloud computing and data centre sectors. Quah does not discount the possibility of a merger or acquisition in order to create a footprint in Myanmar and Vietnam similar to its Indonesian acquisition two years ago. (Source: *The Edge*)

MRCB (CP: RM1.24): Bags RM485mil Desaru Coast hotel jobs

Malaysian Resources Corp Bhd (MRCB) has bagged three construction jobs worth RM485mil in Desaru Coast, Johor from Destination Resorts and Hotel (DRH). DRH, a subsidiary of Khazanah Nasional Bhd, is the strategic owner and developer of Desaru Coast, located on Johor's east coast. In an announcement to Bursa Malaysia, MRCB said the projects involved a RM61.4mil conference centre, the 386-room Desa Desaru hotel valued at RM212mil and the 275-room Westin Desaru Resort worth RM211.6mil. The construction period of the projects is between 19 months and 21 months from the date of site possession on June 25, according to MRCB. It noted that the job was expected to contribute positively to its future earnings. (Source: *The Star*)

Encorp (CP: RM1.13): And Felda team up to develop new township in Malacca

Encorp Bhd plans to develop an integrated township on a 640.98-acre leasehold land in Malacca provided by its ultimate owner, the Federal Land Development Authority (Felda). The property developer told Bursa Malaysia that it entered into a memorandum of understanding (MoU) with Felda on Wednesday for a proposed development of commercial and housing projects in Bukit Katil. Felda will provide the land free from all encumbrances for purpose of the proposed development, and Encorp will develop the master plan and investment proposal, manage and coordinate the master planning as well as develop and construct the township. (Source: *The Star*)

Glomac (CP: RM0.80): Records better Q4 profit, targets launches with RM802mil GDV

Glomac Bhd turned in a better profit in the fourth quarter (Q4) ended April 30, 2015, versus the same period a year earlier, but annual net profit fell 20% to RM86.65mil. Net profit for Q4 rose 30.9% year-on-year to RM29.24mil on 3.7% lower revenue of RM168.41mil. On the lower Q4 revenue, the property developer told Bursa Malaysia this was mainly due to completion of Damansara Residences and tail-end projects in Bandar Saujana Utama. (Source: *The Star*)

Destini (CP: RM0.68): Buys paramilitary vessel maker for RM90mil

Destini Bhd has bought Destination Marine Services Sdn Bhd (DMS) for an indicative value of RM90mil to be paid via a combination of issuance of new Destini shares at 70 sen each and/or cash. DMS makes paramilitary boats and vessels, and provides ship repair and marine-related engineering services. Destini, an engineering solutions provider, said in a statement that the acquisition came with a profit guarantee of RM10mil in 2015 and RM15mil in 2016. Destini managing director Datuk Rozabil Abdul Rahman said the acquisition was in line with the company's plans to expand the marine division further. (Source: *The Star*)

KPS (CP: RM1.47): Hopes Selangor water revamp to be resolved soon

Kumpulan Perangsang Selangor Bhd (KPS) hopes the Selangor water industry restructuring will be resolved soon to avoid the group from continuing to incur debt. Its chairman, Datuk Raja Idris Raja Kamarudin, said following the delay in the restructuring exercise, KPS, through its subsidiary in the water management industry, was saddled with debts of close to RM1bil. Through the Selangor water restructuring, he said all the debts of KPS's subsidiaries would be settled by the state government. KPS holds a 30% stake in Syarikat Pengeluar Air Selangor Bhd (Splash) and 90.83% in Konsortium Abass Sdn Bhd. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Economy to expand at slower pace**

Malaysia's economy will continue to expand at a slower rate in the months ahead based on the latest leading and coincident indices. The Department of Statistics said on Wednesday the leading index, which monitors the economic performance of the country, fell 0.6% to 118.6 points in April 2015, from 119.3 points in March 2015. It revealed the leading index was dragged by a decrease in real money supply (-0.4%), real imports of semiconductors (-0.2%), and number of housing units approved (-0.2%). Furthermore, the coincident index that reflects the current economic activity of Malaysia was down 1.1% in April 2015. (Source: *The Star*)

Indonesia: considers tax amnesty for financial crimes

Indonesia's tax office is considering a tax amnesty for financial crimes, in a move that could bring back at least 100 trillion rupiah (US\$7.5 billion) to the state coffers, the director-general of taxes said on Wednesday. Southeast Asia's biggest economy is grappling with the weakest economic growth in six years and

a huge budget deficit, while its tax collection rate is one of the lowest in the region as a proportion of gross domestic product. Under the tax office's proposal, the perpetrators of financial crimes including corruption and money laundering can pay 10% to 15% tax on the assets they bring back to Indonesia, in return for a pardon from criminal prosecution, Sigit Priadi Pramudito told reporters. (Source: Reuters)

Greece: Deadline for deal on Greece is end of June

Talks between Greece and its euro zone partners over an aid-for-reforms deal could continue after a European Summit this week and Athens has until the end of the month to stave off possible default, Italian Prime Minister Matteo Renzi said on Wednesday. Addressing the Italian parliament, Renzi said negotiations "may not be completed at the summit, because the deadline is the end of the month." Greece risks defaulting on a 1.6 billion euro debt repayment to the International Monetary Fund due by June 30 unless it agrees a deal to release fresh cash from its lenders. (Source: Reuters)

Greece: Tsipras, creditors struggle to bridge debt gaps

International creditors demanded sweeping changes to Greek Prime Minister Alexis Tsipras' tax and reform proposals on Wednesday, adding fresh uncertainty to talks aimed at unlocking aid to avert a debt default next week. Sources close to the negotiations said the creditors had presented counter-proposals covering an array of differences on sensitive issues, hours before euro zone finance ministers were due to convene (1700 GMT) to try to approve an agreement. Before flying to Brussels, Tsipras attacked the position of "certain" creditors - a swipe at the International Monetary Fund - as strange since he said they had rejected fiscal measures Athens put forward to plug a budget gap. (Source: The Edge)

U.S.: First-quarter GDP revised to show slight contraction

The US economy contracted slightly in the first quarter as it struggled with bad weather, a strong dollar, spending cuts in the energy sector and disruptions at West Coast ports. There are signs, however, that growth is accelerating in the second quarter as the temporary drag from unusually heavy snowfalls and the ports dispute fade. Retailers reported strong sales in May and employers stepped up hiring. Housing is also firming. The Commerce Department said on Wednesday gross domestic product fell at a 0.2% annual rate in the January-March quarter instead of the 0.7% pace of contraction it reported last month. (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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