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Wednesday, July 01, 2015

Reports of the Day

Company Update: Mah Sing, BUY (TP: RM1.84) – “Convincing Ahead”

At a Glance

FBMKLCI gained 14.72 points to finish at 1,706.64 lifted by heavyweight stocks.....(See full report next page)

Strategy

“Greece Misses Payment to IMF; Wall Street Gains”

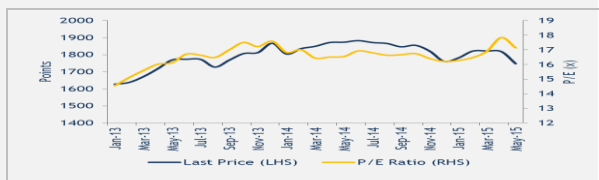
We expect nervousness to prevail that will essentially cap risk taking.....(See full report next page)

Corporate Highlights

- **FGV, TBD:** Felda says to rely on debt to fund Eagle High stake purchase
- **UEM Sunrise, TBD:** Sells Johor building for RM138mil
- **MRCB (CP: RM1.18):** Gets RM1bil Bukit Jalil stadium job

Economic Update

- **Malaysia:** Domestic PPI For May Falls By 0.9 Per Cent
- **China:** May services trade deficit widens as Chinese tourists splurge
- **Indonesia:** Record bond inflow has Aberdeen braced for reversal



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	29-Jun	5:00 PM	Economic Confidence	-	103.8
EU	29-Jun	5:00 PM	Industrial Confidence	-3.0	-3.0
EU	29-Jun	5:00 PM	Consumer Confidence	-5.6	-5.6
US	29-Jun	10:00 PM	Pending Home Sales MoM	1.0%	2.4%
JP	29-Jun	7:50 AM	Retail Trade YoY	-	5.0%
JP	29-Jun	7:50 AM	Retail Sales MoM	-	0.4%
JP	29-Jun	7:50 AM	Industrial Production MoM	-	1.2%
EU	30-Jun	5:00 PM	Unemployment Rate	11.1%	11.1%
EU	30-Jun	5:00 PM	CPI Estimate YoY	0.2%	-
EU	30-Jun	5:00 PM	CPI Core YoY	0.9%	-
US	30-Jun	9:00 PM	S&P/CasShiller 20-City Index	-	175.2
US	30-Jun	10:00 PM	Consumer Confidence Index	96.7	95.4
JP	30-Jun	1:00 PM	Housing Starts YoY	-	0.4%
EU	1-Jul	4:00 PM	Markit Eurozone Manufacturer	52.5	52.5
US	1-Jul	8:15 PM	ADP Employment Change	205K	201K
US	1-Jul	9:45 PM	Markit US Manufacturing PMI	-	53.40
US	1-Jul	10:00 PM	Construction Spending MoM	0.5%	2.2%
US	1-Jul	10:00 PM	ISM Manufacturing	53.0	52.8
US	1-Jul	10:00 PM	ISM Prices Paid	51.3	49.5
CN	1-Jul	9:00 AM	Manufacturing PMI	50.40	50.20
CN	1-Jul	9:00 AM	Non-manufacturing PMI	-	53.2
CN	1-Jul	9:00 AM	HSBC China Manufacturing PMI	49.6	49.6
JP	1-Jul	7:50 AM	Tankan Large Mfg Index	12	12
JP	1-Jul	7:50 AM	Tankan Large Mfg Outlook	14	10
JP	1-Jul	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	49.9
JP	1-Jul	9:35 AM	Vehicle Sales YoY	-	1.4%
EU	2-Jul	5:00 PM	PPI MoM	-	0.1%
EU	2-Jul	5:00 PM	PPI YoY	-	-2.2%
US	2-Jul	8:30 PM	Change in Nonfarm Payrolls	225K	280K
US	2-Jul	8:30 PM	Unemployment Rate	5.4%	5.5%
US	2-Jul	8:30 PM	Initial Jobless Claims	-	-
US	2-Jul	8:30 PM	Continuing Claims	-	-
US	2-Jul	10:00 PM	Factory Orders	0.0%	-0.4%
JP	2-Jul	7:50 AM	Monetary Base YoY	-	35.6%
EU	3-Jul	4:00 PM	Markit Eurozone Service PMI	54.4	54.4
EU	3-Jul	4:00 PM	Markit Eurozone Composite PMI	-	54.1
EU	3-Jul	5:00 PM	Retail Sales MoM	-	0.7%
EU	3-Jul	5:00 PM	Retail Sales YoY	-	2.2%
CN	3-Jul	9:45 AM	HSBC China Composite PMI	-	51.2
CN	3-Jul	9:45 AM	HSBC China Service PMI	-	53.5
JP	3-Jul	9:35 AM	Markit Japan Service PMI	-	51.5
JP	3-Jul	9:35 AM	Markit/JMMA Japan Composite PMI	-	51.4
MY	3-Jul	9:35 AM	Export YoY	-	-8.8%
MY	3-Jul	9:35 AM	Import YoY	-	-7.0%
MY	3-Jul	9:35 AM	Trade Balance MYR	-	6.89B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,706.64	14.72	0.87
FBMEMAS	11,771.94	80.42	0.69
FBMEMAS SHA	12,208.85	49.52	0.41
FBM100	11,458.74	77.44	0.68
Volume (mn)	1,745.47	69.17	4.13
Value (RMmn)	2,251.03	537.09	31.34
FBMKLCI YTD Chg			-3.10

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.4	-40.4
Local Institution	54.3	113.4
Foreign Investors	30.3	-73.0

Top Gainers

	Close	Change+/-	(+/- %)
BAT	62.00	1.14	1.87
NESTLE (MALAY)	71.50	0.38	0.53
PCHEM	6.32	0.24	3.95

Top Losers

	Close	Change+/-	(+/- %)
CHIN TECK PLANT	8.70	-0.56	-6.05
HAP SENG CONS	5.20	-0.28	-5.11
AEON CREDIT SER	13.44	-0.26	-1.90

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,619.51	23.16	0.13
NASDAQ	4,986.87	28.40	0.57
S&P 500	2,063.11	5.47	0.27
FTSE 100	6,520.98	-99.50	-1.50
DAX	10,944.97	-138.23	-1.25
Nikkei 225	20,235.73	125.78	0.63
HSI	26,250.03	283.05	1.09
KOSPI	2,074.20	13.71	0.67
STI	3,317.33	37.15	1.13
KLCI Futures	1,694.50	25.50	0.02
USDMYR 3M	10.12	0.01	0.00
USDMYR 6M	10.17	0.02	0.00
USDMYR 12M	10.28	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	1.1	2.0%
Brent (USD/bbl)	63.6	1.6	2.5%
Gold(USD/ounce)	1,174	1.6	0.1%
Coal (USD/mt)	60.8	0.3	0.6%
CPO (RM/mt)	2,229	-38.0	-1.7%
Rubber	167	-5.9	-3.4%
RM/USD	3.77	-0.011	0.29%
EUR/USD	0.90	0.0008	0.09%
YEN/USD	122.39	-0.11	0.09%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 23.16 points to 17,619.51; S&P 500 up 5.47 points to 2,063.11. Nasdaq surged by 28.40 points to 4,986.87. Stocks closed higher Tuesday in a slight recovery from the worst trading day of the year as investors remained on edge amid the imminent Greece repayment deadline to the IMF.
- Meanwhile, Greece faces a 1.5 billion euro payment due to the International Monetary Fund at midnight CEST Tuesday. A euro zone official said in a Reuters report that there's "no way" the Eurogroup will release funds for Greece to meet the deadline tonight.

The Local Market

- FBMKLCI gained 14.72 points to finish at 1,706.64 lifted by heavyweight stocks. There were 495 gainers and 309 decliners in total value traded of RM2.25 billion.
- Among the gainers on Bursa Malaysia were BAT up RM1.14 to RM62.00, Nestle gained 38 cent to RM71.50, Petronas Chemical surged 24 cent to RM6.32 and KLK soared 22 cent each to RM21.40.

Strategy

- **"Greece Misses Payment to IMF; Wall Street Gains"**

Wall Street picked up beaten down share price yesterday, ending the first half of the year in less-than-encouraging performance amid prolong nervousness over Greece. Greece missed their first payment to IMF yesterday. IMF assistance is now officially frozen until the arrears are paid. S&P 500 and DJIA gained **5.47 (0.27%)** and **23.16 (0.13 %)** points to end at **2,063.11** and **17,619.51** respectively. As mentioned, Greece failed to meet their debt obligation with IMF, the first advanced nation to do so. In return, IMF has stopped all financial assistance to Greece until the arrears are paid, pushing the country into deeper pit. At the moment, there is nothing to pin on except wait for the 5th of July to come. That day Greece parliamentarian will vote whether to accept or decline the latest austerity measures demanded by their creditors. Acceptance means Greece will stay in Eurozone and a decline means Greece will be independent from Eurozone. For the global equity market, that will be the day that could either move axis or otherwise. At this juncture, we expect nervousness to prevail that will essentially cap risk taking.

- 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 and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

FGV, TBD: Felda says to rely on debt to fund Eagle High stake purchase

Malaysia's Felda Global Ventures Holdings Bhd said it plans to rely mostly on debt to fund its \$680 million purchase of a 37 percent stake in Indonesia's PT Eagle High Plantations, adding that its debt-to-equity ratio would remain at a reasonable level. "The cost of debt is cheap at the moment. If you're doing business you make sure you take it at the cheapest rate," CEO Mohd Emir Mavani Abdullah told Reuters in an interview. The world's third-largest palm plantation operator had said earlier it planned to pay for 30 percent of Eagle High in cash and would issue new shares to acquire the other 7 percent. The deal will raise Felda's debt-to-equity ratio from 0.72 times to 1.1 times if it relies solely on borrowings, but Emir said the level is reasonable for a growing company and still lower than its rivals. (Source: *The Edge*)

UEM Sunrise, TBD: Sells Johor building for RM138mil

UEM Sunrise Bhd's unit UEM Land Bhd has sold the Imperia Building in Nusajaya, a newly-built office block with a retail area, to UEM Group Bhd (UEMG) for RM137.8mil in cash. The company said in a filing with Bursa Malaysia that the gross proceeds of RM130mil (excluding the goods and services tax) would be used to redeem part of the 450 million redeemable convertible preference shares (RCPS) issued by Bandar Nusajaya Development Sdn Bhd (BND), a unit of UEM Land, to UEMG within the next six months. If not redeemed, the RCPS would be automatically converted into ordinary RM1 shares in BND upon maturity on Nov 27, 2015, leading to UEMG having a direct stake in the company. (Source: *The Star*)

MRCB (CP: RM1.18): Gets RM1bil Bukit Jalil stadium job

Malaysian Resources Corp Bhd (MRCB) is tipped to refurbish the various sports facilities at the National Sports Complex (NSC) in Bukit Jalil, including the 17-year-old Bukit Jalil Stadium, which is the main venue for sporting events in the country. Sources said the refurbishment work could cost up to RM1bil and in return, MRCB would get parcels of land in the vicinity of the NSC for development if the proposal is approved. Apart from the refurbishment of the various facilities, the job will also involve building a sports museum and hall of fame to commemorate sporting greats. (Source: *The Star*)

George Kent (CP: RM1.28): Targets to boost order book to RM3bil

George Kent (M) Bhd, a water meter manufacturer and construction outfit, aims to grow its order book to RM2bil-RM3bil this year. The company, with an order book of RM1.5bil now, hopes to bid for more infrastructure jobs relating to water and sewerage, and the construction of hospitals, railway and the upcoming MRT 2 project, among others. Chairman Tan Sri Tan Kay Hock said the outlook for the group was good mainly driven by the company's export business in water meters and its strong brand name. Tan said the group hoped to continue with its trend of increasing its earnings in the coming quarters as it was well-placed in the water meters segment. (Source: *The Star*)

Kumpulan Europlus (CP: RM1.03): Debt financing facility of RM4.74bil set up for West Coast Expressway

West Coast Expressway Sdn Bhd (WCE) has inked a RM4.74bil loan and debt notes from the Government and local banks to fund its RM5.9bil West Coast Expressway project. The highly anticipated expressway would link Taiping, Perak and Banting in Selangor with three interchanges in Lumut, Perak. WCE, an 80%-owned subsidiary of Kumpulan Europlus Bhd (KEuro), has signed a RM2.24bil Government support loan facility agreement and RM1.5bil from RHB Investment Bank Bhd, RHB Bank Bhd and Malayan Banking Bhd. *(Source: The Star)*

Daya Materials (CP: RM0.12): Expects to return to the black in FY15

Daya Materials Bhd is confident of a turnaround this financial year ending Dec 31, 2015 against the RM35.7mil in net losses recorded last year. Group chief executive officer Datuk Lim Thean Shiang said on Tuesday the company's turnaround strategy was based on its upstream and downstream businesses. Lim said the company would look to increase the utilisation rates for the offshore vessels - Siem Daya 1 and Siem Daya 2 -- that it charters from Siem Offshore Rederi AS. Also, he said Daya Materials plans to increase contracts using third party vessels due to higher spot rates. These are typically offshore installation and construction projects, he added. *(Source: The Star)*

Dagang Net (CP: RM0.25): Targets Earning Boost By 10 Per Cent From Global Halal Exchange

Dagang NeXchange Bhd's unit, Dagang Net Technologies Sdn Bhd, which manages the online Global Halal Exchange (GHE), expects it to contribute 10 per cent to the group's earning within five years. Its Chief Executive Officer, Zulina Mohammed Salleh, said currently, its contribution was small because it started its operations a year ago. GHE is still in the process of improving its business model and plans to introduce eight sectors to the online platform in the fourth quarter of this year. "Among the sectors are food and drinks, logistics, media, pharmaceuticals, tourism, Islamic financing, cosmetics and fashion," she said after signing the memorandum of understanding with Al Ansar Health Sdn Bhd. *(Source: Bernama)*

BCorp (CP: RM0.41): Sells landfill project in China for RM77mil, Q4 net loss widens

Berjaya Corp Bhd (BCorp) has inked an agreement to dispose of its 100% stake in a sanitary landfill management project in Guangdong, China, for 126.75 million yuan (RM76.97mil). It told Bursa Malaysia that it had sold Berjaya Environmental Engineering (Foshan) Co Ltd, which has a 28-year concession expiring in March 2040 to develop, operate and manage the Bainikeng Sanitary Landfill in Sanshui District in Foshan, to Foshan City Nanhai Grandblue Solid Waste Treatment Holding Co Ltd. BCorp said the proposed disposal provided an opportunity for the BCorp group to unlock its investment in Berjaya Environmental at an attractive value. It said that the sale would result in a pre-tax gain of about RM41.21mil. The proposed disposal is subject to the approvals from certain authorities in China. *(Source: The Star)*

Yong Tai (CP: RM0.46): To gain RM6.77m from sale of loss-making garment units

Yong Tai Bhd expects to record a gain of RM6.77mil from the sale of its loss making garment businesses. It said on Tuesday it was selling its 100% equity interests in Golden Vertex Sdn Bhd and The Image Outlet Sdn Bhd to Extreme Riches Sdn Bhd for a total consideration of RM2 under its strategy to create value by disposing of its loss making subsidiaries. Yong Tai expects the disposal to be completed by the third quarter of 2015. Golden Vertex's core activity is manufacturing of garment, nylon, yarn and tailoring articles. (Source: *The Star*)

IPO: Ikhmas Jaya plans to bid for RM5bil jobs by year-end

Ikhmas Jaya Group Bhd, which is slated to list on Bursa Malaysia's Main Market on July 27, plans to bid for construction jobs worth up to RM5bil by the year-end. Group managing director Datuk Ang Cheng Siong said the projects included affordable homes being built by the Government, new and extension of highways, as well as infrastructure jobs, such as the Light Rail Transit Line 3 (LRT3) and Mass Rapid Transit Line 2 (MRT2). He told a press conference this after the launch of the company's initial public offering (IPO) prospectus here today. Ang said the company's tender book was now at RM3bil and that its success rate in securing contracts was between 15% and 20%. Going forward, he said Ikhmas Jaya was poised to continue registering commendable growth, given its outstanding order book of RM346mil. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Domestic PPI For May Falls By 0.9 Per Cent**

Malaysia's Producer Price Index (PPI) for May 2015 decreased 0.9 per cent to 103.5 from 104.4 recorded in April 2015, the Statistics Department said today. This was due to a decrease in the local production index of 1.5 while the import price index increased 0.1 per cent. Year-on-year comparison showed that the PPI for local production fell 9.4 per cent in May 2015, the department said in a statement. The highest drop was displayed by the mining index (-34.9 per cent), followed by agriculture, forestry and fishing (-8.1 per cent), manufacturing (-5.6 per cent) and electricity and gas (-5.3 per cent). The index for water supply, however, increased at 1.9 per cent. The PPI for local production also decreased by 1.5 per cent in May 2015 compared with the previous month, mainly due to the decreases in mining (-3.6 per cent), manufacturing (-1.3 per cent) and agriculture, forestry and fishing (-0.7 per cent). (Source: *Bernama*)

U.S.: Consumer confidence rises; manufacturing still soft

U.S. consumer confidence increased solidly in June, with households upbeat about the labor market, supporting views the economy was back on firmer footing after wobbling at the start of the year. The rise in confidence came despite moderate increases in gasoline prices. Other data on Tuesday showed house prices rising in April from a year ago and factory activity in the Midwest stabilizing after hitting a 5-1/2-year low in February. Consumer spirits are soaring right now showing the economy is on track for further gains this year, said Chris Rupkey, chief financial economist at MUFG Union Bank in New York.

The Conference Board said its index of consumer attitudes rose to a reading of 101.4 this month from 94.6 in May. *(Source: The Star)*

China: May services trade deficit widens as Chinese tourists splurge

China's trade deficit in services widened to \$18.3 billion in May, as Chinese tourists continued to spend more abroad than foreigners visiting the country, the foreign exchange regulator said on Tuesday. The deficit was led by a \$16.2 billion gap in spending between Chinese and foreign tourists, according to data from the State Administration of Foreign Exchange (SAFE). The country posted a \$17.3 billion deficit on trade in services in April. Last year the services sector had a deficit of \$10.2 billion in May. For the first five months, China had a deficit of \$76.7 billion in services trade and a surplus of \$207.8 billion on trade in goods, producing a combined surplus on trade in goods and services of \$131 billion, the data showed. *(Source: The Star)*

Indonesia: Record bond inflow has Aberdeen braced for reversal

Indonesia has all the ingredients for a bond-market slump: accelerating inflation, slowing economic growth and Asia's second-weakest currency this year. And yet foreign investors are snapping up the country's debt at the fastest pace on record, lured by a yield premium over Treasuries that's averaged more than six percentage points this month. They pumped 17.8 trillion rupiah (\$1.3 billion) into the sovereign notes last week, the most since the Finance Ministry started tracking the data in 2003. The inflows show how the search for yield is prompting money managers to look past risks in emerging markets with a history of capital flight. *(Source: The Edge)*

Thailand: Factory output tumbles in May, reflecting poor exports

Thai factory output fell more than expected in May, fresh evidence that the junta has not been able to pull South-East Asia's second-largest economy out of a rut. The Industry Ministry said on Tuesday that May output dropped 7.6% from a year earlier, the largest fall since March 2014. A Reuters poll forecast a 4.8% decline. Over the past two years, Thailand's factory production index has fallen every month, except in February, on a yearly basis. Industrial goods account for over 70% of exports, and the streak of output declines reflects how weak that traditional growth engine has been. Exports fell in both 2013 and 2014, and the Thai National Shippers' Council said on Tuesday it will be a "miracle" if there's any increase this year. The central bank expects a third year of contraction for exports. *(Source: The Star)*

Greece: Becomes first advanced economy in arrears to IMF

The International Monetary Fund on Tuesday confirmed Greece had not made its 1.5 billion euro (US\$1.7 billion) loan repayment to the Fund, making it the first advanced economy to ever be in arrears to the Fund. The missed payment, the largest in the Fund's history, is equivalent to a default, in that both imply a breach of Athens' obligations. IMF spokesman Gerry Rice said Greece can now only receive further IMF funding once the arrears are cleared. Rice confirmed that Greece had asked for a last-minute repayment extension earlier on Tuesday, which the Fund's board will consider "in due course." *(Source: The Star)*

Greece: Asks for bailout extension as clock ticks down

Greece pleaded for a short-term bailout extension on Tuesday to avert a midnight default as frantic efforts gathered pace to salvage a deal that could keep Athens in the euro, with Germany warning that time had run out to extend vital credit lines. As the clock ticked down towards midnight, when billions of euros in locked-up bailout funds are due to expire, euro zone finance ministers called a last-minute conference call (1700 GMT) to discuss the Greek request. (Source: *The Star*)

Europe: EU in last-ditch bid to Greece, urges 'yes' vote to bailout

The head of the European Commission made a last-minute offer to try to persuade Greek Prime Minister Alexis Tsipras to accept a bailout deal he has rejected before a referendum on Sunday which EU partners say will be a choice of whether to stay in the euro. But Greek government sources said the leftist premier stood by his rejection of the creditors' conditions and Greece would default on a crucial repayment due to the International Monetary Fund on Tuesday, plunging it deeper into financial crisis. EU and Greek government sources said Jean-Claude Juncker had offered to convene an emergency meeting of euro zone finance ministers on Tuesday to approve an aid payment to prevent Athens defaulting, if Tsipras sent a written acceptance of the terms. (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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