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Wednesday, July 15, 2015

Report of The Day

Initiation Coverage: Sunway Construction, BUY (TP: RM1.40 - "Sweet Smell of the Growth")

Sector Update: Rubber Glove (Neutral) - "Strengthening USD Boost Glove Players"

Sector Update: Construction (Overweight) - "Seal the Deal on KVMTR2 PDP"

Company Update: SapuraKencana, BUY (TP: RM2.95) - "New Awards from Mumbai"

Company Update: MMC Corporation, BUY (TP: RM3.00) - "Bags PDP Role for MRT 2"

At a Glance

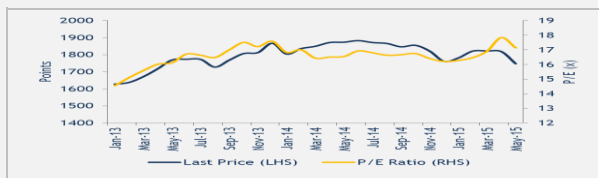
FBMKLCI gained 4.99 points to finish at 1,721.10 in tandem with mixed the regional market sentiment(See full report next page)

Corporate Highlights

- **FGV, TBD(TP: TBD):** To strengthen its position in downstream sector
- **CIMB, BUY (TP: RM6.10):** CIMB Islamic CEO to resign from post effective August 15
- **V.S. Industry (CP: RM5.36):** Proposes stock split to improve marketability

Economic Update

- **China:** Bank lending up sharply in June, helped by c.bank support
- **Indonesia:** To impose palm oil export levy on Thursday
- **Singapore:** Q2 GDP unexpectedly shrinks



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	10-15 Jul	-	New Yuan Loans CNY	10.50B	900.8B
CN	10-15 Jul	-	Money Supply M2 YoY	0.1	0.1
CN	13-Jul	-	Trade Balance	\$56.35B	\$59.49B
CN	13-Jul	-	Export YoY	1.0%	-2.5%
CN	13-Jul	-	Import YoY	-15.0%	-17.6%
JP	13-Jul	12:30 PM	Industrial Production MoM	-	-2.2%
JP	13-Jul	12:30 PM	Industrial Production YoY	-	-4.0%
JP	13-Jul	12:30 PM	Capacity Utilization MoM	-	-0.4%
EU	14-Jul	5:00 PM	Industrial Production SA MoM	-	0.1%
US	14-Jul	8:30 PM	Retail Sales Advance MoM	0.3%	1.2%
US	14-Jul	8:30 PM	Retail Sales Ex Auto MoM	0.6%	1.0%
US	14-Jul	8:30 PM	Retail Sales Ex Auto and Gas	0.5%	0.7%
US	15-Jul	7:00 PM	MBA Mortgage Applications	-	-4.6%
US	15-Jul	8:30 PM	PPI Final Demand MoM	0.2%	0.5%
US	15-Jul	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.1%
US	15-Jul	9:15 PM	Industrial Production MoM	0.2%	-0.2%
US	15-Jul	9:15 PM	Capacity Utilization	78.1%	78.1%
CN	15-Jul	10:00 AM	Retail Sales YoY	10.2%	10.1%
CN	15-Jul	10:00 AM	Retail Sales YTD YoY	10.3%	10.4%
CN	15-Jul	10:00 AM	Industrial Production YoY	6.0%	-
CN	15-Jul	10:00 AM	Industrial Production YTD YoY	6.2%	-
CN	15-Jul	10:00 AM	GDP YoY	6.8%	7.0%
CN	15-Jul	10:00 AM	GDP YTD YoY	6.9%	7.0%
MY	15-Jul	12:00 PM	CPI YoY	-	2.1%
EU	16-Jul	5:00 PM	CPI MoM	-	0.2%
EU	16-Jul	5:00 PM	CPI YoY	-	0.2%
EU	16-Jul	7:45 PM	ECB Main Refinancing Rate	-	0.1%
EU	16-Jul	7:45 PM	ECB Deposit Facility Rate	-	-0.2%
EU	16-Jul	7:45 PM	ECB Marginal Lending Facility	-	0.3%
US	16-Jul	8:30 PM	Initial Jobless Claims	-	-
US	16-Jul	8:30 PM	Continuing Claims	-	-
US	17-Jul	8:30 PM	Housing Starts	1100K	1034K
US	17-Jul	8:30 PM	Building Permits	1104K	1275K
US	17-Jul	8:30 PM	CPI MoM	0.3%	0.4%
US	17-Jul	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.1%
US	17-Jul	8:30 PM	CPI YoY	0.1%	0.0%
US	17-Jul	10:00 PM	U. of Mich. Sentiment	96.5	96.1

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,721.10	4.99	0.29
FBMEMAS	11,846.28	38.55	0.33
FBMEMAS SHA	12,322.50	33.62	0.27
FBM100	11,537.59	36.35	0.32
Volume (mn)	1,479.68	-18.80	-1.25
Value (RMmn)	1,687.31	230.98	15.86
FBMKLCI YTD Chg			-2.28

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.4	-21.4
Local Institution	55.4	-5.8
Foreign Investors	22.2	27.2

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANTAT	27.30	0.80	3.02
BAT	64.00	0.60	0.95
AEON CREDIT SER	13.52	0.48	3.68

Top Losers

	Close	Change+/-	(+/- %)
MATRIX CONCEPT	2.63	-0.05	-1.98
ALLIANZ MALAYSI	11.30	-0.18	-1.57
PPB GROUP BERH	15.16	-0.16	-1.04

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,053.58	75.90	0.42
NASDAQ	5,104.89	33.38	0.66
S&P 500	2,108.95	9.35	0.45
FTSE 100	6,753.75	15.80	0.23
DAX	11,516.90	32.52	0.28
Nikkei 225	20,385.33	295.56	1.47
HSI	25,120.91	-103.10	-0.41
KOSPI	2,059.23	-2.29	-0.11
STI	3,316.50	5.28	0.16
KLCI Futures	1,703.00	5.00	0.00
USDMYR 3M	10.21	(0.05)	(0.00)
USDMYR 6M	10.34	0.02	0.00
USDMYR 12M	10.42	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	53	0.3	0.5%
Brent (USD/bbl)	58.5	0.7	1.1%
Gold(USD/ounce)	1,156	0.4	0.0%
Coal (USD/mt)	60.4	0.0	0.0%
CPO (RM/mt)	2,201	3.0	0.1%
Rubber	162	-1.5	-0.9%
RM/USD	3.81	0.0043	-0.11%
EUR/USD	0.91	0	0.00%
YEN/USD	123.35	-0.05	0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 75.90 points to 18,053.58; S&P 500 up 9.35 points to 2,108.95. Nasdaq soared by 33.38 points to 5,104.89. Stocks closed higher in light volume trade Tuesday as second-quarter earnings season began and investors eyed developments in Greece and a slight recovery in oil prices.
- The Greek finance ministry submitted a reform bill Tuesday. The nation's parliament has until Wednesday night to approve the legislation, paving the way for Athens to meet a Monday repayment deadline to the European Central Bank.

The Local Market

- FBMKLCI gained 4.99 points to finish at 1,721.10 in tandem with mixed the regional market sentiment. There were 477 gainers and 287 decliners in total value traded of RM1.68 billion.
- Among the gainers on Bursa Malaysia were United Plantation gained 80 cent to RM27.30, BAT jumped 60 cent to RM64.00, Aeon Credit Services grew 48 cent RM13.52, and NCB Holdings soared 32 cent to RM4.00.

Strategy

- Our 2015 year-end target is **1,660** based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on auto, construction, and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

FGV, TBD(TP: TBD): To strengthen its position in downstream sector

Felda Global Ventures Holdings Bhd (FGV) is confident of strengthening its market position as the leader in the palm-based downstream sector in Asia. It aims to achieve this by further diversifying products and integrating with the groups upstream oil-palm plantation division. Head of Palm Downstream cluster Datuk Zakaria Arshad said by collaborating with leading industry giants in the downstream and upstream sector, FGV can better control supply and diversify into new products. Zakaria said an integral component for FGV towards achieving this goal is to expand its plantation landbank, and have better control of supply, as well as profit margin. He added that to offset volatile palm oil prices which continue to weigh on oil palm plantation companies, FGV plans to go further downstream and penetrate new markets. (Source: The Star)

CIMB, BUY (TP: RM6.10): CIMB Islamic CEO to resign from post effective August 15

CIMB Islamic Bank's CEO Badlisyah Abdul Ghani will be resigning from his post effective August 15, a week after his Facebook posting on the Wall Street Journal (WSJ) article that prompted CIMB Group chairman Datuk Seri Nazir

Razak to order an internal inquiry on him. CIMB Group Holdings Bhd announced Badlisayah's resignation, who is also CIMB Islamic board member, in a filing with Bursa Malaysia yesterday. CIMB Islamic senior managing director and deputy CEO Mohamad Safri Shahul Hamid has been selected to be the person in charge of the bank. The board of CIMB Islamic has agreed for the group nomination and remuneration committee to start the process of identifying the next CEO for the bank. (Source: The Sun)

V.S. Industry (CP: RM5.36): Proposes stock split to improve marketability

V.S. Industry Bhd has proposed to undertake a share split involving the subdivision of every one V.S. Industry share of RM1 each into five shares of 20 sen each in the company. As at July 7, 2015, being the latest practicable date prior to this announcement, the issued share capital of V.S. Industry was RM229.86 million comprising 229.86 million shares (including 1.15 million treasury shares held by the company). Upon completion of the proposed share split, the issued share capital of the company shall be RM229.86 million comprising 1.15 billion subdivided shares. (Source: The Edge)

Icon Offshore (CP: RM0.39): Bags RM55m contracts to supply tugs

Icon Offshore Bhd has received two letters of award from oil major to provide two anchor handling tug/supply vessels. It said on Tuesday the contracts were for two years effective July, 2015 with an extension of one year valued at RM55mil. "Under the long term contracts, Icon Offshore is required to provide amongst others, transportation of supplies from supply bases to drilling rigs/platforms and vice-versa to the oil major," it said. Icon Offshore expected the contracts to contribute positively to the earnings and net assets of ICON for the financial year ending Dec 31, 2015 and beyond. (Source: The Star)

Perwaja (CP: Suspended): Shares suspended today

Trading in Perwaja Holdings Bhd shares were suspended today pending the signing of the conditional master framework agreement with China's TianJin Zhiyuan Investment Group Co Ltd, in a bid to revive the Kemaman steel plant. This follows a preliminary lease agreement with Zhiyuan in May for leasing a portion of the land forming the Kemaman plant to Zhiyuan, whereby the land will be utilised by Zhiyuan to locate its plant and machinery to be imported from China. Both parties have agreed to revive and transform the Kemaman Plant into a profitable metal-steel related manufacturing plant. Zhiyuan is committed to investing RM300 million for the revival of the plant. Perwaja's share price was down 2.5 sen or 8.2% to 28 sen yesterday, with 18.86 million shares traded. (Source: The Sun)

OCK (CP: RM0.83): Plans rights issue to raise up to RM145 million

Telecommunications network service provider, OCK Group Bhd is planning to undertake a renounceable rights issue of up to 290.5 million new shares on the basis of one rights share for every two existing shares held. Attached together with the rights shares there will be free detachable warrants on the basis of one warrant for every one rights share subscribed. The proposed renounceable rights issue with warrants is expected to raise gross proceeds of up to RM145.24 million based on the indicative issue price of 50 sen per rights share. The objective of this corporate exercise is to strengthen our

financial position and prepare the Group to seize future opportunities for business expansion and working capital. (Source: *The Sun*)

Sumatec (CP: RM0.18): Finds another buyer for its stake in shipping firms

Sumatec Resources Bhd has identified another potential buyer for its stakes in Semua Shipping Sdn Bhd and Semado Maritime Sdn Bhd. However, Sumatec did not reveal who the buyer was. The company said in a filing with Bursa that it would make the necessary announcement when it executed the new sale and purchase agreement. Sumatec also denied it was an entity in a heads of agreement with Asia Bioenergy Bhd, Hoe Leong Corp Ltd and Reachmont Logistics Sdn Bhd - for the proposed acquisition of Semua Shipping and Semado Maritime, as reported recently in a financial daily. (Source: *The Star*)

Ewein Zenith (CP: RM0.81): In RM25bil Penang wellness resort city job

Up-and-coming property developer Ewein Bhd's subsidiary, Ewein Zenith Sdn Bhd, has been awarded the champion of Entry Point Project 10 under the Economic Transformation Programme by the Domestic Trade, Cooperatives and Consumerism Ministry. Ewein said in a filing with Bursa Malaysia that this would complement its current property development business, as its subsidiary would be developing a wellness resort city – Wellness City of Dreams – on 50 acres in Bandar Tanjong Pinang. The project will be located on 110 acres of reclaimed land given to Consortium Zenith BUCG Sdn Bhd by the Penang government in return for building the RM6.3bil undersea tunnel and three road bypasses. (Source: *The Star*)

Tecnic (CP: RM0.75): Now officially a PN16 cash company

Tecnic Group Bhd, which completed the disposal of its entire business to sister company SKP Resources Bhd for RM200 million this year, is now officially a Practice Note 16 or cash company under Bursa Malaysia's listing requirements. In a filing today, Tecnic said pursuant to the disposal of its entire equity interests in Plastictecnic (M) Sdn Bhd, Sun Tong Seng Mould-Tech Sdn Bhd and Bangi Plastics Sdn Bhd – for which it received the final outstanding amount of RM9.43 million on July 8 – it has received a letter from Bursa dated today (July 14) notifying Tecnic that it is now a cash company. As such, Tecnic must regularise its condition by submitting a proposal to acquire a new core business to the Securities Commission Malaysia (SC) within 12 months from the date of the notice. (Source: *The Edge*)

ECONOMIC UPDATES

China: Bank lending up sharply in June, helped by c.bank support

China's banks made 1.28 trillion yuan (\$206.18 billion) in new loans in June, handily topping market expectations, while broad money supply growth quickened last month, thanks to the central bank loosening policy to support the slowing economy. In June, the central bank cut lending rates for the fourth time in seven months, and lowered the amount of cash some banks must keep as reserves. The June loan data was announced a day before China unveils its second-quarter growth figure. Economists expect a six-year low of 6.9 percent,

and they anticipate further policy easing moves in its wake. China's central bank will fine-tune its policy to provide more liquidity for the economy, a senior bank official said on Tuesday, as recent easing steps help lower funding costs for companies. The June lending and money supply figures "are higher than market expectations, indicating recent government measures have gained traction to lift loan demands in the real economy. (Source: *The Edge*)

Indonesia: To impose palm oil export levy on Thursday

Indonesia will impose a levy on palm oil exports starting on Thursday after weeks of delay, providing as much as 4.5 trillion rupiah (\$337.58 million) this year to state coffers, government officials said. The new levy will require exporters to pay \$50 per tonne for crude palm oil and \$30 for processed palm oil products shipments when the export tax is cut to zero - which happens when a reference price drops below \$750 a tonne. The proceeds from the levies are to be partly used to help fund Indonesia's biodiesel subsidies that were introduced to help cut the country's oil import bill and to soak up excess palm oil at the world's top producer of the tropical oil. The levy, announced in March, has faced repeated delays due to administrative issues, making it difficult for traders to set prices and raising doubts over whether the levy will be successful in generating planned biodiesel subsidies. (Source: *The Edge*)

Singapore: Q2 GDP unexpectedly shrinks

Singapore's economy unexpectedly contracted in the second quarter as sluggish global demand knocked the city-state's manufacturing sector, dimming the outlook as growth in key trade partner China continues to cool. Gross domestic product shrank 4.6 percent in the second quarter from the previous three months on an annualised and seasonally adjusted basis, pressured by the manufacturing sector contracting 14 percent on quarter, advance estimates from the Ministry of Trade and Industry (MTI) showed on Tuesday. That was in sharp contrast to a revised 4.2 percent expansion clocked in the first quarter and well below the median forecast of 0.8 percent growth in a Reuters poll. (Source: *The Star*)

Greece: Needs debt relief far beyond EU plans

Greece will need far bigger debt relief than euro zone partners have been prepared to envisage so far due to the devastation of its economy and banks in the last two weeks, a confidential study by the International Monetary Fund seen by *Reuters* shows. The updated debt sustainability analysis (DSA) was sent to euro zone governments late on Monday, hours after Athens and its 18 partners agreed in principle to open negotiations on a third bailout programme of up to 86 billion euros in return for tougher austerity measures and structural reforms. The dramatic deterioration in debt sustainability points to the need for debt relief on a scale that would need to go well beyond what has been under consideration to date - and what has been proposed by the ESM," the IMF said, referring to the European Stability Mechanism bailout fund. (Source: *The Edge*)

Indonesia: Central bank holds key rate at 7.5%

Indonesia's central bank kept its benchmark interest rate unchanged at 7.5% on Tuesday, saying the level was in line with its efforts to manage inflation targets for this year and 2016. The central bank also stood pat on its overnight deposit

and lending facility rates, leaving them at 5.5% and 8%, respectively. Analysts in a Reuters poll had unanimously expected Bank Indonesia to keep all interest rates unchanged as it guards against inflation and potentially more weakness in the rupiah. Indonesia's annual inflation rate was 7.26% in June, the highest this year, while the rupiah is the second-worst performing currency in emerging Asia after Malaysia's ringgit. *(Source: The Star)*

Thailand: Faces drought, affecting agriculture production

Thailand is facing a drought across the country, particularly in the Chao Phaya Basin that has affected its agricultural production. However, water supply to industrial estates was not affected as they have their own supply, Gen. Anupong Paojinda, Minister of Interior told a news conference after the Cabinet meeting here on Tuesday. The Chao Phaya basin, which included four dams from the lower north until the central region, were severely affected due to the prolonged drought following the El-Nino effect. Gen. Anupong said farmers in the agricultural cultivation areas affected by the drought had been asked not to pump water from canals into their farmlands to ensure adequate water for domestic consumption. *(Source: The Star)*

U.S.: Business inventories increase modestly in May

U.S. business inventories rose modestly in May, suggesting restocking will probably not contribute to economic growth in the second quarter. The Commerce Department said on Tuesday business inventories rose 0.3 percent after an unrevised 0.4 percent increase in April. The increase was in line with expectations. Inventories are a key component of gross domestic product. Retail inventories excluding autos, which go into the calculation of GDP, edged up 0.1 percent in May. April's retail inventories excluding autos were revised down to show them increasing 0.5 percent instead of 0.6 percent. Inventories contributed 0.45 percentage point to GDP in the first quarter and economists do not expect restocking to add to output in the second quarter. *(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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