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Thursday, July 16, 2015

Report of The Day

Result Review: Maxis 2Q15, HOLD (TP: RM7.00) - "Be Wary of Maxis Return"

Strategy Report: 3Q15 Malaysia Economic Outlook – "The Test will be 2Q15 GDP"

Strategy Report: Telco Sector (Overweight) – "The Awaken of Forgotten Giant"

At a Glance

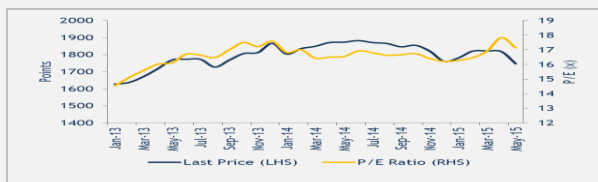
FBM KLCI gained 6.16 points to finish at 1,727.26 in tandem with mixed the regional market sentiment.....(See full report next page)

Corporate Highlights

- **Maxis, HOLD (TP: RM7.00):** Posts profit after tax of RM485m in Q2 FY15
- **Zhulian Corp, (TBD):** Net profit jumps 34%
- **Maybank, BUY (TP: RM10.70):** Ties up with Thai bank to boost transaction banking

Economic Update

- **Malaysia:** Inflation rate in June exceeds survey as food prices rise
- **Japan:** BoJ cuts annual economic growth, inflation forecasts
- **China:** State revenue jumps in June, aided by property taxes



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 Applicants	-	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	1036K
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	1,727.26	6.16	0.36
FBMEMAS	11,882.66	36.38	0.31
FBMEMAS SHA	12,356.75	34.25	0.28
FBM100	11,573.53	35.94	0.31
Volume (mn)	1,306.77	-172.91	-11.69
Value (RMmn)	1,695.60	8.29	0.49
FBMKLCI YTD Chg			-1.93

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.9	-23.9
Local Institution	56.1	138.4
Foreign Investors	27.0	-114.5

Top Gainers

	Close	Change+/-	(+/- %)
BAT	65.34	1.34	2.09
HONG LEONG FIN	15.90	0.62	4.06
CYCLE & CARR BIN	3.47	0.46	15.28

Top Losers

	Close	Change+/-	(+/- %)
METROD	1.71	-0.24	-12.31
WARISAN TC HLD	2.63	-0.22	-7.72
DIGI.COM BHD	5.40	-0.15	-2.70

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,050.17	-3.41	-0.02
NASDAQ	5,098.94	-5.95	-0.12
S&P 500	2,107.40	-1.55	-0.07
FTSE 100	6,753.75	0.00	0.00
DAX	11,539.66	22.76	0.20
Nikkei 225	20,463.33	78.00	0.38
HSI	25,055.76	-65.15	-0.26
KOSPI	2,072.91	13.68	0.66
STI	3,338.86	22.36	0.67
KLCI Futures	1,715.00	12.50	0.01
USDMYR 3M	9.93	0.13	0.01
USDMYR 6M	9.97	0.05	0.01
USDMYR 12M	10.13	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	52	0.3	0.5%
Brent (USD/bbl)	57.1	-1.5	-2.5%
Gold(USD/ounce)	1,149	0.0	0.0%
Coal (USD/mt)	60.5	0.1	0.2%
CPO (RM/mt)	2,196	-9.0	-0.4%
Rubber	163	1.0	0.6%
RM/USD	3.80	-0.0043	0.11%
EUR/USD	0.91	-0.0007	-0.08%
YEN/USD	123.91	0.15	-0.12%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 3.41 points to 18,050.17; S&P 500 down 1.55 points to 2,107.40. Nasdaq slid by 5.95 points to 5,098.94. Stocks closed mildly lower Wednesday as investors remained anxious ahead of an impending Greek parliament vote.
- The Greek parliament faces a midnight deadline to pass reforms needed to secure a bailout deal from its creditors. After defaulting on a loan to the International Monetary Fund at the beginning of July, Athens has another payment due to the European Central Bank Monday.

The Local Market

- FBMKLCI gained 6.16 points to finish at 1,727.26 in tandem with mixed the regional market sentiment. There were 376 gainers and 353 decliners in total value traded of RM1.69 billion.
- Among the gainers on Bursa Malaysia were BAT gained RM1.34 to RM65.34, Hong Leong Finance jumped 62 cent to RM15.90, Cycle & Carriage Bin grew 46 cent RM3.47, and Time DotCom soared 29 cent to RM6.89.

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

Maxis, HOLD (TP: RM7.00): Posts profit after tax of RM485m in Q2 FY15

Maxis Bhd posted profit after tax of RM485mil in the second quarter ended June 30, 2015 (Q2 FY15) compared with RM455mil in Q1, FY15 as it continued to strengthen its operating and financial performance. The telco said on Wednesday the better performance was underpinned by strong customer propositions and high performing network. Maxis said the comparable profit after tax in Q2 FY15 was due to adjustments for one-off items including accelerated depreciation due to network modernization programme and change in estimated asset useful lives totaling RM56mil. The tax effect of the adjustment was RM14mil. Maxis invested RM260mil in Q2 FY15 to support network mod. (Source: The Star)

Zhulian Corp, (TBD): Net profit jumps 34%

Costume jewellery manufacturer, Zhulian Corp Bhd's net profit jumped 34.2% to RM11.10mil in the second quarter ended May 31, 2015, from RM8.27mil a year ago on the back of higher revenue from Myanmar market and strengthening of the US dollar. However, its revenue fell 15.8% to RM55.26mil compared to RM65.64mil a year ago due to a drop in local market sentiment. For its first half of this year, its revenue slipped 16.1% to RM110.48mil, from RM131.80mil a

year ago. Consequently, its net profit was down 7% to RM23.65mil, compared to RM25.44mil a year ago. *(Source: The Star)*

TNB, BUY (TP: RM15.20): Mulls buying 13 power assets from 1MDB

Tenaga Nasional Bhd (TNB) has submitted an indicative non-binding offer for 13 of 1Malaysia Development Bhd's (1MDB) 14 power assets, both locally and abroad. Following the recent RM47 million acquisition of a 70% stake in the Jimah East power plant from 1MDB, TNB is now aiming to acquire another five domestic and eight international power assets from 1MDB. TNB wishes to announce that it continuously evaluates a range of potential investment opportunities as part of its commitment to ensuring sustainable long-term earnings growth and maximising shareholder value. With this in mind and in response to the process being run by 1MDB in respect of its investment in Edra, TNB has submitted an indicative non-binding proposal to acquire the five domestic and eight international power assets of Edra," TNB told the stock exchange yesterday. *(Source: The Sun Daily)*

Maybank, BUY (TP: RM10.70): Ties up with Thai bank to boost transaction banking

Maybank has tied up with Kasikornbank Pcl, a Thai commercial bank, to boost transaction banking as well as tap into business opportunities arising from the Asean Economic Community (AEC). Maybank said on Wednesday both banks would provide customers with transaction banking services in Malaysia and Thailand. Maybank Group head of global banking Amirul Feisal Wan Zahir said it is timely for both banks to tie up as the Asean economy is expected to remain resilient and register a gross domestic product of 5.2%. Kasikornbank executive vice-president Pipit Aneaknithi said both countries share abundant business connectivity reflected by the cross-border trade volume of US\$28bil, which will be enhanced further by the AEC. *(Source: The Star)*

MMC Corp, BUY (TP: RM3.00): Forks out nearly RM500m for 30% stake in NCB Holdings

MMC Corp Bhd has bought a further 9.08% stake in logistics and port operator NCB Holdings Bhd, boosting its shareholding to 30.13% as it seeks to remain a key player in the ports industry in Malaysia. All in, over the last eight months, MMC has forked out RM494.73mil for its present stake in NCB, the owner of Northport (M) Bhd and Kontena Nasional Bhd. MMC said on Wednesday that its unit MMC Ventures Sdn Bhd (MMCV) had signed an agreement with Retirement Fund Inc (KWAP) to acquire 42.67 million shares of NCB or a 9.08% stake. The purchase consideration for the 9.08% stake was RM186.50mil or RM4.37 per share. At RM4.37, this was 9.25% above NCB's closing price of RM4 on Tuesday. *(Source: The Star)*

IHH Healthcare, SELL (TP: RM5.19): To develop technology-based products

IHH Healthcare Bhd's Turkey operations will be conducting research and development works to commercially market healthcare related software, operating and information systems, web-based applications and other technology solutions. The planned technologically-driven products are to be marketed to its national and international client base, according to the

company's statement to Bursa Malaysia. It has established a new wholly owned company, Acibadem Teknoloji AS, for this purpose. (Source: *The Star*)

Parkson, (TBD): Sells stake in Singapore-listed subsidiary for RM638mil

Parkson Holdings Bhd has proposed an internal group reorganisation that will see its Singapore-listed subsidiary Parkson Retail Asia Ltd (PRA) being parked under Hong Kong-listed Parkson Retail Group Ltd (PRG). Parkson Holdings told Bursa Malaysia that its unit East Crest International Ltd, which owns 67.6% on PRA and 52.7% in PRG, would sell its entire stake in PRA to PRG's wholly-owned subsidiary Oroleon (Hong Kong) Ltd for S\$228.51mil (RM637.65mil). Parkson Holdings' effective equity interest in PRA will be diluted from 67.6% to 35.9%, which would result in lower earnings contribution to the Parkson Holdings group going forward. (Source: *The Star*)

Bursa Malaysia (CP: RM8.10): Net profit up 5.6% to nearly RM50mil

Bursa Malaysia's net profit rose 5.6% to RM49.48mil in the second quarter ended June 30, 2015 (Q2, FY15), from RM46.85mil a year ago due to improvement in performance from securities market, derivatives market, and others segment. It said on Wednesday its revenue increased 3.14% to RM127.01mil from RM123.15mil a year ago due to a rise in trading revenue, listing and issuer revenue and depository services revenue. Earnings per share were 9.30 sen per share. In the first half of FY15, its revenue was up 3.16% to RM254.11mil from RM246.31mil a year ago. Its net profit for the first half rose 4.9% to RM96.54mil, from RM91.99mil a year ago. Despite global and domestic challenges, the stock exchange operator said its return of equity performance was up 2% to 25% compared to a year ago. (Source: *The Star*)

Mercury Industries (CP: RM1.29): To tap into EcoFirst and Meda Inc

Paint manufacturer Mercury Industries Bhd expects to secure more contracts from EcoFirst Consolidated Bhd and Meda Inc Bhd. This followed the approval given by its shareholders at its EGM on Wednesday for the acquisition of 70% of Paramount Bounty for RM42mil. Paramount Bounty is a construction firm which is 70% owned by Datuk Tiong Kwing Hee. Tiong is chief executive officer and substantial shareholder of EcoFirst with a 17% stake. He also owns 15% of Meda Inc. While the acquisition was a related-party transaction (RPT), Tiong said the corporate exercise would provide Mercury with more resources to work with. (Source: *The Star*)

Perwaja (CP: RM0.28): Gets RM1.8b injection from Zhi Yuan

Loss-making steel maker Perwaja Holdings Bhd has announced a series of corporate exercises, which includes a capital injection of RM1.8 billion by its white knight, Chinese conglomerate Tianjin Zhi Yuan Investment Group Co Ltd to revive the Kemaman manufacturing plant. Upon completion of the restructuring plan, Zhi Yuan will emerge as the single largest shareholder of Perwaja, with a 64.25% stake. It, however, will seek an exemption from the authorities from undertaking a mandatory takeover offer for the remaining Perwaja shares. Kinsteel Bhd's shareholding in Perwaja, meanwhile, will be reduced to 9.89% from the current 31.25%, based on the minimum subscription level. Yesterday, ailing Perwaja inked a master framework agreement with

Zhi Yuan for the proposed regularisation and revitalisation scheme, which is expected to be completed by June next year. *(Source: The Sun Daily)*

ECONOMIC UPDATES

Malaysia: Inflation rate in June exceeds survey as food prices rise

Malaysia's inflation rate in June rose 2.5%, which was slightly higher than the 2.4% forecast, mainly due to the increase in food and non-alcoholic beverages. The Statistics Department said on Wednesday the inflation rate, which is measured by the Consumer Price Index (CPI), increased by 2.5% to 113.0 compared with 110.2 a year ago. Overall, the index for food and non-alcoholic beverages, which accounts for 30.3% of the CPI, rose 3.4% on-year in June. It said the index for non-food (69.7 of the CPI) recorded a slower increase of 2.1%. CPI for June 2015 increased 0.6% on a month-on-month basis. CPI for the first six months in 2015 also registered an increase by 1.4% as compared to the same period last year, it said. *(Source: The Star)*

Japan: BoJ cuts annual economic growth, inflation forecasts

Japan's central bank has cut its annual growth and inflation forecasts for the world's third-largest economy, with analysts warning weaknesses remained and the downgrade hinted at a disappointing second quarter. After a two-day policy meeting, the Bank of Japan (BoJ) said Japan's economy would expand 1.7% in the fiscal year to March 2016 while inflation would come in at 0.7%. That was down from 2% and 0.8, respectively, estimated earlier this year. While the bank kept up its view that Japan's economy was "expected to continue recovering moderately", it acknowledged that a pick-up in exports and industrial production had seen "some fluctuations". Hideo Kumano, senior economist at Dai-ichi Life Research Institute, said that trimming the growth forecasts "probably means growth in the April-June quarter was not very good". Official second-quarter GDP data are due next month. *(Source: The Star)*

China: State revenue jumps in June, aided by property taxes

China said government revenue in June was 13.9 percent higher than a year earlier, thanks in part to higher property tax payments, and this supported a spike in state spending. The Finance Ministry said on Wednesday that June revenue hit 1.53 trillion yuan (\$246.5 billion) after the biggest annual percentage rise this year. May's total was 1.44 trillion yuan, only 5 percent above the year-earlier level. The big rise in June was a result of companies paying more taxes on the back of stronger earnings, as well as a tentative improvement in the housing market, which has battled a downturn since 2014. The figures could lift hopes that China's economy is stabilising after a difficult half-year that climaxed with a stock market rout. Data released earlier on Wednesday showed the Chinese economy had annual growth of 7 percent in April-June, slightly above market expectations. *(Source: The Edge)*

China: Malaysia urged to develop halal industry

Malaysia and China should work closely in developing the vast halal market worldwide, said Halal Industry Development Corporation Sdn Bhd (HDC) general manager of strategic planning and monitoring Syaifulzafni Aziz. He said China,

with its very strong agriculture industry, and Malaysia, with its expertise, experience and technology in the halal industry and poised to be a global halal hub by 2020, could use their respective advantages to develop the global halal market together. This is very critical, as products can be supplied in a consistent manner. Syaifulzafni pointed out that the halal market is growing tremendously in Malaysia and globally, with the annual value of the halal market reaching US\$2.3 trillion worldwide. (Source: *The Star*)

Indonesia: Trade surplus narrows in June raises growth concerns

Indonesia's trade surplus narrowed to \$477 million in June, with weak imports and exports underscoring concerns over weakening growth in Southeast Asia's largest economy. Faster falls in imports than exports have resulted in Indonesia posting monthly trade surpluses since December 2014. In June, imports tumbled 17.42 percent, but at a slower pace than expected in a *Reuters* poll. In dollar terms, June imports were the biggest this year. Imports were bolstered by buying before and during the Muslim fasting month of Ramadan, which started in mid-June this year. But year-on-year comparisons were difficult to assess as Ramadan began near the end of June last year. June exports were down 12.78 percent from a year ago, largely reflecting a near-50 percent drop in oil and gas shipments as prices slumped globally. (Source: *The Edge*)

New Zealand: Inflation Remains Below Target, Pointing to Rate Cut

New Zealand inflation accelerated in the second quarter while remaining below the central bank's target band, supporting expectations Governor Graeme Wheeler will cut interest rates again next week. The consumers price index rose 0.3 percent from a year earlier, Statistics New Zealand said in Wellington Thursday. The gain matched the median forecast of 17 economists surveyed by Bloomberg. Prices increased 0.4 percent from the first quarter. Benign inflation adds to signs Wheeler will cut the official cash rate to 3 percent on July 23 following a quarter-point reduction last month. The Reserve Bank of New Zealand said then that lower borrowing costs were needed to get inflation back to the middle of its 1 percent to 3 percent target. The New Zealand dollar fell after the report. It bought 65.77 U.S. cents at 10:49 a.m. in Wellington from 65.97 cents immediately before the release. (Source: *Bloomberg*)

U.S.: Factory output flat in June

U.S. factory production failed to advance for a second straight month in June, the Federal Reserve said on Wednesday in a report that could bolster concerns the economy lost a bit of steam toward the end of the second quarter. The Fed said manufacturing output was unchanged both last month and in May. A month ago it had said factory production dipped 0.2 percent in May. The weakness last month was concentrated in the auto sector, where output fell 3.7 percent. Excluding that decline, factory production would have increased 0.3 percent. (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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