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Friday, August 14, 2015

Report of the Day

Results Review: Gas Malaysia 2Q15-“Stable Earnings Ahead”

Results Review: Media Prima 2Q15-“Recovering, but Still Down”

At a Glance

FBMKLCI surged 11.69 points to finish at 1,621.62 in tandem with the positive regional market sentiment.....(See full report next page)

Strategy

“Expect FBMKLCI to Be Steady Today”

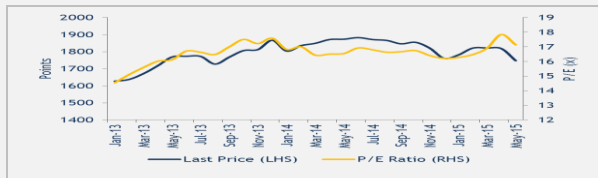
We opine the bellwether index to continue charting higher today.....(See full report next page)

Corporate Highlights

- **Gas Malaysia, BUY (TP: RM2.89):** Profit down
- **Media Prima, BUY (TP: RM1.68):** Q2 profit jumps 23%
- **Gamuda, BUY (TP: RM5.87):** Gets PDP job for Penang project

Economic Update

- **Malaysia:** 2Q economic growth slows to 4.9%
- **Malaysia:** No conclusion in sight for TPP talks: Mustapa
- **Europe:** ECB sees growth risks from China, Fed rate hike



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	3-Aug 4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2	
US	3-Aug 8:30 PM	Personal Income	0.4%	0.5%	
US	3-Aug 8:30 PM	Personal Spending	0.1%	0.9%	
US	3-Aug 9:45 PM	Markit US Manufacturing PMI	-	53.8	
US	3-Aug 10:00 PM	Construction Spending MoM	0.7%	0.8%	
US	3-Aug 10:00 PM	ISM Manufacturing	53.5	53.5	
US	3-Aug 9:45 PM	ISM Prices Paid	49.5	49.5	
CN	3-Aug 9:45 AM	Caixin China PMI Mfg	48.3	48.2	
MY	3-Aug 10:15 PM	Nikkei Malaysia PMI	-	47.6	
EU	4-Aug 5:00 PM	PPI MoM	-	0.0%	
EU	4-Aug 5:00 AM	PPI YoY	-	-2.0%	
US	4-Aug 10:00 PM	Factory Orders	1.6%	-1.0%	
JP	4-Aug 7:50 AM	Monetary Base YoY	-	34.2%	
EU	5-Aug 4:00 PM	Markit Eurozone Service PMI	-	53.8	
EU	5-Aug 4:00 PM	Markit Eurozone Composite PMI	-	53.7	
EU	5-Aug 5:00 PM	Retail Sales MoM	-	0.20%	
EU	5-Aug 5:00 PM	Retail Sales YoY	-	2.4%	
US	5-Aug 7:00 PM	MBA Mortgage Application	-	0.8%	
US	5-Aug 8:15 PM	ADP Employment Change	210K	237K	
US	5-Aug 8:30 PM	Trade Balance	\$-42.25B	\$-41.87B	
US	5-Aug 9:45 PM	Markit US Composite PMI	-	55.2	
US	5-Aug 9:45 PM	Markit US Service PMI	-	55.2	
CN	5-Aug 9:45 AM	Caixin China PMI Composite	-	50.6	
CN	5-Aug 9:45 AM	Caixin China PMI Services	-	51.8	
MY	5-Aug 12:00 PM	Export YoY	-2.9%	-6.7%	
MY	5-Aug 12:00 PM	Import YoY	-5.1%	-7.2%	
MY	5-Aug 12:00 PM	Trade Balance MYR	5,25B	5,51B	
EU	6-Aug 4:10 PM	Markit Eurozone Retail PMI	-	50.4	
US	6-Aug 8:30 PM	Initial Jobless Claims	-	-	
US	6-Aug 8:30 PM	Continuing Claims	-	-	
JP	6-Aug 1:00 PM	Leading Index CI	-	106.2	
JP	6-Aug 1:00 PM	Coincident Index	-	109.0	
US	7-Aug 8:30 PM	Change In Nonfarm Payrolls	220K	223K	
US	7-Aug 8:30 PM	Change In Manufact. Payrolls	5K	4K	
US	7-Aug 8:30 PM	Unemployment Rate	5.3%	5.3%	
US	7-Aug 8:30 PM	Labor Force Participation Rate	-	62.6%	
MY	7-Aug -	Foreign Reserves	-	\$100.5B	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,621.62	11.69	0.73
FBMEMAS	11,130.14	114.12	1.04
FBMEMAS SHA	11,552.25	99.46	0.87
FBM100	10,852.20	101.43	0.94
Volume (mn)	1,863.30	-626.78	-25.17
Value (RMmn)	2,210.82	-81.92	-3.57
FBMKLCI YTD Chg			-7.93

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.9	-2.1
Local Institution	58.9	112.6
Foreign Investors	23.2	-110.5

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY	46.50	0.50	1.09
TOP GLOVE	7.70	0.50	6.94
CARLSBERG	12.38	0.44	3.69

Top Losers

	Close	Change+/-	(+/- %)
KLK	21.02	-0.22	-1.04
BLD PLANTATION	8.20	-0.20	-2.38
UMS HLDGS	2.30	-0.19	-7.63

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,408.25	5.74	0.03
NASDAQ	5,033.56	-10.83	-0.21
S&P 500	2,083.39	-2.66	-0.13
FTSE 100	6,568.33	-2.86	-0.04
DAX	11,014.63	90.02	0.82
Nikkei 225	20,595.55	202.78	0.99
HSI	24,018.80	102.78	0.43
KOSPI	1,983.46	7.99	0.40
STI	3,091.78	30.29	0.99
KLCI Futures	1,590.50	17.50	0.01
USDMYR 3M	13.91	(0.38)	(0.03)
USDMYR 6M	13.73	(0.20)	(0.01)
USDMYR 12M	13.63	(0.25)	(0.02)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.4	-0.9%
Brent (USD/bbl)	49.2	-0.4	-0.9%
Gold(USD/ounce)	1,115	0.0	0.0%
Coal (USD/mt)	59.3	-0.1	-0.3%
CPO (RM/mt)	2,014	19.0	1.0%
Rubber	148	-1.1	-0.7%
RM/USD	4.01	-0.0168	0.42%
EUR/USD	0.90	-0.0003	-0.03%
YEN/USD	124.41	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 5.74 points to 17,408.25, S&P 500 down 2.66 points to 2,083.39. Nasdaq tumble by 10.83 points to 5,033.56. U.S. equities pared gains and closed mostly lower on Thursday despite concerns over China having been largely subsided while investors digested a number of economic data points.
- U.S. stocks gave back most of their gains from the afternoon after trading in a back-and-forth range throughout the morning despite a massive fall in oil prices.

The Local Market

- FBMKLCI surged 11.69 points to finish at 1,621.62 in tandem with the positive regional market sentiment. There were 714 gainers and 217 decliners in total value traded of RM2.22 billion.
- Among the gainers on Bursa Malaysia were Dutch Lady rose 50 cent to RM46.50, Top Glove up 50 cent to RM7.70, Carlsberg increased 44 cent to RM12.38 and Time Dotcom gained 37 cent to RM6.00.

Strategy

- **“Expect FBMKLCI to Be Steady Today”**

Wall Street ended mixed yet again as investors chewed on the steady US retail sales. S&P 500 lost 2.66 (-0.13%) points to end at 2,083.39 while DJIA jumped 5.74 (0.03%) points to finish at 17,408.25 respectively. US July retail sales gained by 0.6%, slightly above estimates, which made investors kind of relief and hence, slightly improving sentiment. Other than that, there was not much that can hurt sentiment, leading some investors to accumulate some attractive valued stocks. Local wise, with the better-than-expected 2Q15 GDP that grew 4.9%, beating consensus of 4.5%, pushing YTD average to 5.25%, within Bank Negara expectation, can help to anchor good sentiment today. Despite private consumption growth dipping slightly to 6.4% due to GST adjustment, not too far off from long term average of 6.8%, we think that Malaysia delivered a healthy set of GDP numbers, considering the challenging external outlook. Assuming Ringgit does not slide down further, we opine the bellwether index to continue charting higher today.

- 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

Gas Malaysia, BUY (TP: RM2.89): Profit down

Gas Malaysia Bhd posted a net profit of RM33.68mil for the second quarter ended June 30, a 31% drop from RM48.9mil in the same period a year earlier due to tariff revisions in May and November 2014 resulting in lower gross profit. Revenue for the quarter rose 17.26% to RM765mil from RM678mil previously driven by higher sales volume of gas and the upward revision of natural gas tariff. Gas Malaysia declared a first interim dividend of 3.5 sen per share amounting to RM44.94mil for the financial year ending Dec 31.

Media Prima, BUY (TP: RM1.68): Q2 profit jumps 23%

Broadcaster Media Prima Bhd posted a 22.6% jump in net profit to RM43.94mil for the second quarter ended June 30 compared with the same quarter a year ago on lower staff costs and higher revenue from the television segment. However, revenue for the same quarter fell 5.8% to RM365.82mil compared to a year ago. Earnings per share for the second quarter increased to 3.96 sen, while earnings per share stood at RM1.44. For the first-half, the company's net profit declined slightly to RM63.83mil while revenue for the same period dropped 6.4% to RM695.2mil. In a separate filing, the company announced a first interim single tier dividend of three sen per share for financial year ending Dec 31, 2015.

Gamuda, BUY (TP: RM5.87): Gets PDP job for Penang project

Gamuda Bhd has been appointed as the Project Delivery Partner (PDP) to oversee and realise certain key components in the RM27bil Penang Transport Master Plan (PTMP). Sources told *StarBiz* that the group has recently received the letter of award from the state government following a state executive councillor meeting, which endorsed the appointment. On Aug 12, State Local Government, Traffic Management, and Flood Mitigation Committee chairman Chow Kon Yeow announced that a PDP had been appointed and the company was given two weeks to accept or decline the appointment. It is learnt that Gamuda has formed a company with two local firms to implement the PTMP project. (Source: *The Star*)

WCT, BUY (TP: RM1.54): Gets tenants for 50% of lettable space for JB mall

WCT Holdings Bhd has secured tenants for 50% of lettable space in its Paradigm Mall JB. The four anchor tenants are Sogo (KL) Department Store, Golden Screen Cinemas (GSC), which would set up a 16-screen multiplex, Village Grocer and an operator of a 20,000 sq ft ice-skating rink and an indoor rocknasium. The four tenants will take up 200,000 sq ft, 60,000 sq ft, 30,000 sq ft and 20,000 sq ft of space, respectively. Targeted at locals and Singaporeans, Paradigm Mall JB will feature six storeys over 13 acres fronting the Skudai Highway. Food and beverage tenants would take up about 20% of the tenancy mix, and fashion would take up 30% while the rest would be miscellaneous shops. (Source: *The Star*)

Dayang, BUY (TP: RM2.64): Now holds 94.8% in Perdana Petroleum after MGO

Dayang Enterprise Holdings Bhd's mandatory general offer for the shares it does not own in Perdana Petroleum Bhd has closed, with Dayang gaining acceptances for a further 45.16% stake in Perdana. As at the closing of the offer today at 5pm, Dayang received acceptances for some 338.04 million shares, representing a 45.16% equity stake in Perdana. This brings Dayang's total stake in Perdana to 709.57 million shares, equal to a 94.8% interest in the company, according to Perdana's filing on Bursa Malaysia. As for Perdana's warrants, Dayang received acceptances for 15.13 million shares, representing 49.39% of the total warrant base, bringing its total holdings to 27.90 million warrants or 91.11% of the outstanding warrants. *(Source: The Star)*

Bumi Armada, BUY (TP: RM1.32): To pay RM14m to settle Caspian dispute

Bumi Armada's unit has agreed to pay 3.2mil euros (RM14mil) to settle a dispute with SEA Srl over the Filanovsky field development project in the Russian sector of the Caspian Sea. Its unit Bumi Armada Caspian LLC had on Thursday signed a settlement agreement following a 28.5mil euros (RM127mil) claim by SEA Srl over a service contract for post trenching and backfilling services. "As part of the settlement, the arbitration proceedings will be discontinued. The settlement is not expected to have a material financial effect on the Bumi Armada," it said. Bumi Armada Caspian had received the notice of arbitration for the Sept 28, 2012 contract for providing the services for the Filanosky field development project. The service contract value was 16.2mil euros. In the notice of arbitration, SEA Srl had claimed about 28.5mil euros against Bumi Armada Caspian under the service contract. *(Source: The Star)*

Barakah Offshore (CP: RM0.92): To add deepwater skills in tie-up with Norway's Ocean Installer

Barakah Offshore Petroleum Bhd is set to add deepwater capabilities to its portfolio as its unit teams up with a Norwegian subsea service provider. The company on Thursday said its unit PBJV Group Sdn Bhd recently signed a memorandum of collaboration with Ocean Installer Ltd (OI) for the exclusive tie-up to provide deepwater installation of subsea umbilicals, risers and flowlines (SURF) and related services in Malaysia. Barakah said they would explore the key areas of sharing each party's expertise, resources and develop business for the offshore oil and gas market jointly in Malaysia. *(Source: The Star)*

Ewein (CP: RM0.72): Signs MoU with Consortium Zenith BUCG to develop 'Wellness City of Dreams'

Ewein Zenith Sdn Bhd, a 60%-owned subsidiary of Ewein Bhd (Ewein), has signed a memorandum of understanding (MoU) with Consortium Zenith BUCG Sdn Bhd to develop three parcels of land as a "Wellness City of Dreams" in Penang. In a filing with Bursa Malaysia, Ewein said the proposed development, to take place on the three parcels of land measuring about 50 acres, constitutes a "wellness" resort with facilities such as a mall, apartments, retirement and healthcare residential suites, business and specialist centre as well as a hotel. Ewein did not disclose the exact location of the parcels of land. *(Source: The Edge)*

Bina Darulaman (CP: RM0.67): Targets RM193 million GDV from TTIS project

Kedah-based property developer Bina Darulaman Bhd (BDB) is targeting to realise a gross development value (GDV) of RM193 million next year, from its Taman Tunku Intan Safinaz (TTIS) township, via the development of 611 units of affordable apartments and houses. The TTIS township, which is targeted to be fully completed by 2021, entails the development of TTIS commercial hub, mosque, recreational park, as well as low-cost and affordable apartments. BDB yesterday signed a financing agreement worth RM320 million with Malayan Banking Bhd and OCBC Al-Amin Bank Bhd to assist the TTIS projects, expand its quarry business and undertake the state-wide road maintenance project. (Source: *The Sun*)

Takaso (CP: RM0.55): Plans mixed development project in Malacca

Takaso Resources Bhd plans to undertake a mixed development project in Taman Melaka Raya, Malacca with an estimated gross development value of RM134.15mil. In a statement yesterday, Takaso said prior to that, it had acquired a piece of leasehold land in Malacca from Mega Irama Enigma Sdn Bhd via its wholly-owned unit Tristar City Sdn Bhd, for over RM9mil. Takaso said although the land was initially been approved to be developed into a seven-storey budget hotel with 174 rooms, it planned to turn it into a mixed development project as it saw properties in the area were in high demand. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: 2Q economic growth slows to 4.9%**

Malaysia's second quarter (2Q15) economic growth slowed to 4.9% from a year earlier on lower exports and as domestic consumption expanded at a weaker pace. The Statistics Department said the country's 2Q15 economic growth as measured by its gross domestic product (GDP) slowed from 5.6% in 1Q15. "(2Q15) Exports dropped further to negative 3.7% reflected by the subdued performance in exports of goods and services. Meanwhile, imports also posted a negative growth of 2.8% due to a contraction in imports of goods. "Private final consumption expenditure grew at 6.4% (Q12015: 8.8%). The growth was driven by the consumption on food and beverages, housing and utilities, communication, and transportation," the department said. (Source: *The Edge*)

Malaysia: No conclusion in sight for TPP talks: Mustapa

Minister of International Trade & Industry Datuk Seri Mustapa Mohamed has hinted that Malaysia will take a longer time to make a decision on whether to join the Trans-Pacific Partnership (TPP) following a failure to make strides at the TPP ministerial meeting in Hawaii in July. There was an expectation that the negotiation will be substantially concluded by the end of July in Hawaii, but that did not happen. We don't know when this would happen. I cannot say with any degree of certainty it will happen," he told a media briefing here yesterday. Earlier, Mustapa had said the government will make a decision in the third quarter this year on whether to join the TPP. (Source: *The Sun*)

Hong Kong: Economy forecast to post mild Q2 growth, outlook gloomy

Hong Kong's economy is expected to have expanded slightly in the second quarter helped by consumption, but the outlook in coming months will be dampened by a slowdown in China, a drop in mainland tourists to the city and weak retail sales. Prospects for the Asian financial centre could be further compounded if a surprise Chinese yuan devaluation this week puts a deeper dent in tourists' spending power. Economic growth for the April to June quarter is forecast to have expanded 2.1 percent, according to the median forecast of six economists with year-on-year estimates. *(Source: The Edge)*

China: Central Bank says no basis for further yuan depreciation, will monitor cross-border flows

China's central bank said on Thursday that there is no basis for further depreciation in the yuan currency given strong economic fundamentals, in a bid to reassure jittery global financial markets after it devalued the currency earlier in the week. The People's Bank of China (PBOC) said that the country's strong economic environment, sustained trade surplus, sound fiscal position and deep foreign exchange reserves provide "strong support" to the exchange rate. The PBOC also said that it will monitor "abnormal" cross border flows. China's yuan fell for a third day on Thursday, after the PBOC shocked markets by pushing its official guidance rate down 2 percent on Tuesday, the sharpest adjustment in the history of China's foreign exchange market. *(Source: The Edge)*

Europe: ECB sees growth risks from China, Fed rate hike

China's financial market volatility could have a bigger-than-expected impact on the euro zone's fragile economic recovery while a U.S. rate hike could also add to headwinds, the European Central Bank said in the minutes of its July rate meeting. Recovery in the 19-member euro zone remained moderate and gradual, in line with previous forecasts, but this was a "disappointing" outcome as real GDP still only stood close to 2008 levels while the United States has registered a significant rebound, the ECB said in the minutes of its July 15-16 meeting, released on Thursday. The risk that growth would be lower than forecast remained, it said, with some data, like disappointing industrial output figures in the spring, pointing to remaining weaknesses and uncertainties. *(Source: The Edge)*

Greece: Economy unexpectedly surged before capital controls

Greece's economy grew in the second quarter in a surprise surge just before the standoff between the government and its creditors forced officials to impose capital controls. The Hellenic Statistical Authority in Athens said Thursday gross domestic product rose 0.8 percent, as it revised up the first quarter to show stagnation. Nominal GDP, which excludes adjustments for price changes, fell 0.7 percent in the period through June. The data came as a shock after economists in a *Bloomberg* survey forecast a 0.5 percent contraction. Recent reports painted a picture of an economy crippled by months of bailout haggling and question marks over the nation's future in the euro. The turmoil forced the government to increase its use of emergency funds for banks and shut its financial system. *(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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