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Monday, August 17, 2015

Report of the Day

Company Update: Gamuda, BUY (TP: RM5.87) – “Grab PDP Role of PTMP”

Company Update: Dayang, BUY (TP: RM2.64) – “Holds 94.8% Equity Stake in Perdana”

Company Update: Mah Sing, BUY (TP: RM1.63) – “RM359.6 million Purchase of Seremban Land ends”

At a Glance

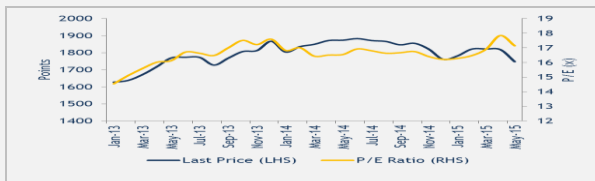
FBM KLCI tumbled 24.80 points to finish at 1,596.82 as heavy selling pressure in heavyweight counters drove KLCI in red.....(See full report next page)

Corporate Highlights

- **Gamuda, BUY (TP: RM5.87):** Confirms JV bags Penang transport master plan
- **Mah Sing, BUY (TP: RM2.17):** Rescinds RM359m purchase of Seremban land
- **FGV (TBD):** To sign documents soon

Economic Update

- **India:** Economic reform agenda hits roadblocks
- **Indonesia:** Central Bank to keep rates steady as rupiah slides
- **Spain:** IMF urges Spain to keep reform focus ahead of elections



KEY ECONOMIC RELEASE				
	Date	Local Time	Event	Survey Prior
JP	17-Aug	7:50 AM	GDP SA QoQ	-0.5% 1.0%
JP	17-Aug	7:50 AM	GDP Annualized SA QoQ	-1.8% 3.9%
JP	17-Aug	7:50 AM	GDP Nominal SA QoQ	0.1% 2.3%
US	18-Aug	10:30 PM	Housing Starts	1190K 1174K
CN	18-Aug	9:30 AM	China July Property Prices	- -
US	19-Aug	7:00 PM	MBA Mortgage Applications	- 0.1%
US	19-Aug	8:30 PM	CPI MoM	0.1% 0.3%
US	19-Aug	8:30 PM	CPI Ex Food and Energy MoM	0.2% 0.2%
US	19-Aug	8:30 PM	CPI YoY	0.2% 0.1%
MY	19-Aug	12:00 PM	CPI YoY	- 2.5%
US	20-Aug	8:30 PM	Initial Jobless Claims	- -
US	20-Aug	8:30 PM	Continuing Claims	- -
US	20-Aug	9:45 PM	Bloomberg Consumer Comfort	- -
US	20-Aug	9:45 PM	Bloomberg Economic Expectations	- 45.5
US	20-Aug	10:00 PM	Existing Home Sales	5.41M 5.49M
US	20-Aug	10:00 PM	Philadelphia Fed Business Outlook	6.2 5.7
US	20-Aug	10:00 PM	Existing Home Sales MoM	-1.3% 3.2%
US	20-Aug	10:00 PM	Leading Index	0.2% 0.6%
MY	20-Aug	10:30 PM	Bloomberg Aug. Malaysia Economic Survey	- -
EU	21-Aug	10:00 PM	Consumer Confidence	- -7.1
US	21-Aug	9:45 PM	Markit US Manufacturing PMI	- 53.8
MY	21-Aug	-	Foreign Reserves	- \$96.7B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,596.82	-24.80	-1.53
FBMEMAS	10,965.92	-164.22	-1.48
FBMEMAS SHA	11,385.35	-166.90	-1.44
FBM100	10,693.43	-158.77	-1.46
Volume (mn)	1,980.30	117.01	6.28
Value (RMmn)	2,146.69	-64.14	-2.90
FBMKLCI YTD Chg			-9.34

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.3	24.8
Local Institution	58.6	379.0
Foreign Investors	23.1	-403.8

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE	72.78	0.50	0.69
UNITED U-LI CORP	3.89	0.19	5.14
LINGKARAN TRAN	4.80	0.16	3.45

Top Losers

	Close	Change+/-	(+/- %)
BAT	60.00	-2.20	-3.54
DUTCH LADY MILK	45.80	-0.70	-1.51
KLK	20.62	-0.40	-1.90

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,477.40	69.15	0.40
NASDAQ	5,048.24	14.68	0.29
S&P 500	2,091.54	8.15	0.39
FTSE 100	6,550.74	-17.59	-0.27
DAX	10,985.14	-29.49	-0.27
Nikkei 225	20,519.45	-76.10	-0.37
HSI	23,991.03	-27.77	-0.12
KOSPI	1,983.46	7.99	0.40
STI	3,114.25	22.47	0.73
KLCI Futures	1,553.00	(36.00)	(0.02)
USDMYR 3M	14.63	0.07	0.00
USDMYR 6M	14.38	0.03	0.00
USDMYR 12M	14.33	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.5	-1.2%
Brent (USD/bbl)	48.7	-0.5	-1.1%
Gold(USD/ounce)	1,115	-0.5	0.0%
Coal (USD/mt)	59.4	0.1	0.2%
CPO (RM/mt)	2,047	11.0	0.5%
Rubber	146	-2.4	-1.6%
RM/USD	4.08	0.0698	-1.71%
EUR/USD	0.90	0.0009	0.10%
YEN/USD	124.30	-0.01	0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 69.15 points to 17,477.40, S&P 500 up 8.15 points to 2,091.54. Nasdaq jumped by 8.15 points to 5,048.24. U.S. stocks ended a volatile week higher on Friday after upbeat U.S. economic data and as euro zone finance ministers agreed to launch a third bailout program for Greece.
- U.S. producer prices rose for a third straight month in July, suggesting the drag on inflation from weaker oil prices was easing, while industrial output advanced at its strongest pace in eight months.

The Local Market

- FBMKLCI tumbled 24.80 points to finish at 1,596.82 as heavy selling pressure in heavyweight counters drove KLCI in red. There were 147 gainers and 814 decliners in total value traded of RM2.14 billion.
- Among the losers on Bursa Malaysia were British American Tobacco weakened RM2.20 to RM60.00, Dutch Lady dropped 70 cent to RM45.80, Kuala Lumpur Kepong declined 40 cent to RM20.62 and PPB Group fell 38 cent to RM14.74.

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

Gamuda, BUY (TP: RM5.87): Confirms JV bags Penang transport master plan

Gamuda Bhd's 60% owned joint venture had received a letter of award from the Penang government to carry out the alternative transport master plan and to provide new reclamation sites. The company confirmed a StarBiz report on Friday that SRS Consortium had been picked to be the Project Delivery Partner (PDP) to oversee and realise certain key components in the RM27bil in the master plan. Gamuda said SRS Consortium would implement the plan which would comprise of different public transport companies in Penang Island and Seberang Perai and provide new reclamation sites. The other members of SRS Consortium are Ideal Property Development Sdn Bhd and Loh Phoy Yen Holdings Sdn Bhd which will hold 20% each. *(Source: The Star)*

Mah Sing, BUY (TP: RM2.17): Rescinds RM359m purchase of Seremban land

Mah Sing Group Bhd has cancelled its purchases of a piece of prime freehold land in Seremban for RM359.55mil due to a breach in the sale and purchase agreement (SPA). It said on Friday its solicitors had sent a letter to the vendors seeking the refund of the deposit of 10% of the purchase consideration equivalent to RM35.96mil. The SPA is void and/or rescinded, due to, amongst

others, misrepresentation and/or the breach of terms and conditions of the agreement by the vendors and/or events that are unlawful have occurred. The board is of the opinion that the rescission of the proposed acquisition is in the best interests of Mah Sing and its shareholders. Mah Sing, which had raised RM629.32mil from the rights issue with warrants (which was completed on Feb 26, 2015), would reallocate part of the funds which were originally intended for the land purchase. (Source: *The Star*)

FGV (TBD): To sign documents soon

Felda Global Ventures Holdings Bhd (FVG) has substantially completed the due diligence for the proposed acquisition of a 37% stake in Indonesia stock exchange-listed PT Eagle High Plantations. In a filing with Bursa Malaysia yesterday, FGV said it aimed to sign the definitive documents "as soon as reasonably practicable." According to reports, it is believed that FGV will likely hold an EGM as early as September to seek approval from its shareholders and relevant authorities on the deal. FGV had in mid-June proposed to acquire the 37% stake in Eagle High from Rajawali Group, which is controlled by Indonesian business tycoon Tan Sri Peter Sondakh. Under the terms of the deal, FGV will pay US\$632mil cash for a 30% stake and offer 95 million new FGV shares for 7% more in Eagle High, which is equivalent to about US\$47mil. (Source: *The Star*)

Boustead (CP: RM4.20): Boustead's unit settles five-year contractual dispute with Marapura

Boustead Naval Shipyard Sdn Bhd (BNS) — a subsidiary of Boustead Holdings Bhd — has come to an amicable settlement with Marapura Sdn Bhd over a contractual dispute. However, the settlement amount was not disclosed in Boustead's filing with Bursa Malaysia today. On Aug 13, BNS and Marapura have agreed to an amicable settlement and pursuant thereto, BNS has withdrawn its appeal at the Court of Appeal with no order as to costs," Boustead's filing read. In July 2010, Marapura had initiated a legal suit against BNS over the contractual dispute, which involved the construction of additional single-storey assembly workshops and extensions to BNS' ship transfer rail at the Lumut shipyard. (Source: *The Edge*)

GAB (CP: RM12.98): Net profit drops slightly to RM44mil

Guinness Anchor Bhd's (GAB) net profit for its fourth quarter ended June 30, 2015 dropped 6.2% to RM44.02mil from RM46.94mil in the corresponding period. Revenue slipped to RM397.62mil from RM412.87mil. In a note to Bursa Malaysia yesterday, the brewery said the lower revenue was mainly due to the replacement of sales tax by the goods and services tax (GST). For its financial year ended June 30, 2015, net profit grew to RM214.19mil from RM198.21mil in the previous corresponding period, while revenue increased to RM1.75bil from RM1.61bil a year earlier. (Source: *The Star*)

Hektar (CP: RM1.48): Reports RM11.86mil net profit

Hektar Real Estate Investment Trust posted a 3.4% gain in net profit to RM11.86mil in the second quarter ended June 30, 2015, against RM11.48mil in the same period last year. In its filing with Bursa Malaysia, the company said revenue during the period was 2.6% higher at RM30.98mil compared with RM30.19mil in the previous year. For the first half, Hektar recorded higher net

profit of RM22.96mil on better revenue of RM62.58mil on the back of positive rental reversions at Subang Parade, and the completion of its asset enhancement initiative at Central Square. (Source: *The Star*)

MCT (CP: RM1.18): AMID the weak market sentiment, newly-listed

MCT Bhd has no plans to revise the terms or placement price of its call option granted to its substantial shareholder Philippine-listed Ayala Land Inc. MCT executive director Datuk Lim Kok Boon (*pic*) tells *StarBizWeek* that the company is confident that its offering for Ayala, which was made before market troubles surfaced, still reflects the intrinsic long-term value of the company. The call option gives Ayala the choice to increase its stake in MCT at a minimum placement price of RM1.28 per share, or another formula that is calculated based on the 20 market days volume weighted average market price; whichever is the higher. No plans to revise call option granted to Ayala. (Source: *The Star*)

Fitters (CP: RM0.50): Counts on clean energy solutions

Fitters Diversified Bhd, which has proposed to acquire a 40% stake in Germany-based renewable energy systems supplier AHT Syngas Technology NV, sees huge potential for its clean energy solutions. Fitters had in July proposed to acquire the 40% stake in AHT Syngas for 1.6 million euros (RM6.6mil) cash. Prior to that, Fitters' renewable energy unit, Future NRG Sdn Bhd, had also formed a 70:30 joint venture with AHT Services GmbH in AHT NRG Sdn Bhd. Apart from China, AHT NRG is also looking to provide its clean energy solutions to Indonesia. Wong said Indonesia was a different market whereby the Indonesian government wanted to reduce fuel subsidy, which was causing it to lose billions of dollars each year. (Source: *The Star*)

Petronas: Lowers rig count

In an affirmation of the depressed market conditions for the oil and gas sector, Petroliaam Nasional Bhd (Petronas) president and group CEO Datuk Wan Zulkiflee Wan Ariffin said that only 14 of Petronas' oil rigs will be in operation by the end of this year, compared with 39 as at the end of last year. The idling of over half of its oil rigs within a year is a clear indication of the challenges facing the industry which has had to endure collapsed crude oil prices for more than a year. Globally, the rig count, considered a proxy for industry activity, has fallen sharply since last June. Essentially, oil and gas exploration companies have been slashing their capital expenditure budgets and idling exploration activities such as rigs, which are no longer viable amid this low crude oil price environment. (Source: *The Star*)

ECONOMIC UPDATES

India: Economic reform agenda hits roadblocks

Indian Prime Minister Narendra Modi's ambitious reform agenda has stalled with crucial bills stuck in India's parliament, which ended its latest session this week in bitter uproar. After sweeping to power 15 months ago in a landslide election victory, Modi's right-wing government promised a string of business-friendly reforms to attract foreign investment and revive the economy. But the opposition has blocked flagship tax and land reforms with rowdy protests in

parliament, while a much-touted plan to overhaul archaic labour laws has yet to be unveiled. A year after Modi's first Independence Day speech, hailed as a political tour de force, analysts say he risks failing to deliver on his promises. (Source: *The Star*)

Indonesia: Central Bank to keep rates steady as rupiah slides

Indonesia's central bank is likely to keep its benchmark rate on hold at a policy meeting on Tuesday, even though Southeast Asia's largest economy is growing at its weakest in six years. Economists say Bank Indonesia's (BI) hands are tied on options to spur growth as it must stand guard against high inflation and capital outflows from a vulnerable rupiah. All 18 economists polled by *Reuters* expected the central bank to keep the benchmark rate at 7.50 percent, where it has been since February. China's decision to devalue yuan this week has pushed down emerging Asia's currencies to multi-year lows, bashing the rupiah among them, and sparking fears of a "currency war. The rupiah, the second-worst performer in emerging Asia so far this year after Malaysia's ringgit, hit a 17-year low of 13,825 per dollar on Wednesday, but has pared some losses. (Source: *The Edge*)

Spain: IMF urges Spain to keep reform focus ahead of elections

Spain must stay the course on economic reforms if it wants to generate growth and reduce its sky-high unemployment rate, ahead of a year-end general election, the International Monetary Fund said on Friday. The clearer we are in not reversing existing structural reforms and fiscal consolidation, the stronger is the defence against any external risks. The Washington-based IMF warned that backtracking on reforms would "create uncertainty and damage the recovery, especially if external conditions deteriorate. Spain is benefiting from a weaker euro which helps boost exports and lower oil prices and is less exposed to "external contagions" such as the Greek economic crisis, it added. (Source: *The Star*)

U.S.: Consumers feel the pain

AS recent as August last year, Jonathan, who employs a Filipina maid, paid her wages amounting to a total of RM1,260 per month, which is equivalent to US\$400. This month, he will have to fork out 32% or RM400 more just to pay her the same amount of US\$400. And that's not the only expense that has gone up. The cost of his grocery bill has also increased substantially over the past few months, especially because of the imported goods that he buys. Even then, Jonathan, a salaried worker, has bigger worries on a larger scale. His son is studying in the United States, his elderly mother uses medication which is imported from the US and he doesn't want to begin to imagine how much more he will have to pay for his car's spare parts when he services it next. (Source: *The Star*)

Germany: Uncertainty over IMF role in Greek rescue raises risks for Merkel

German Chancellor Angela Merkel will ask lawmakers to back an 86 billion euro (\$95.5 billion) bailout for Greece at a special session of parliament on Wednesday despite uncertainty about whether the International Monetary Fund (IMF) is on board. Parliamentary approval is not in doubt because the Social Democrats (SPD) and Greens are expected to back the rescue but the vote

could expose divisions in Merkel's conservative ranks. The vote is shaping up as a major test for both Merkel and one of her closest allies, the head of her conservative bloc in parliament, Volker Kauder. *(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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