

PP14767/09/2012(030761)

Tuesday, August 25, 2015

## Report of the Day

**Results Review: IOI Corp 4Q15, HOLD (TP: RM3.60): - "Hits by Translation Loss"**

**Results Review: FGV 2Q15, HOLD (TP: RM1.30): - "Difficult Business Environment Ahead"**

**Results Review: Dutch Lady 2Q15, HOLD (TP: RM41.60): - "Positive Growth"**

### At a Glance

FBMKLCI fell 42.53 points to finish at 1,532.14 in line with the negative regional market sentiment.....(See full report next page)

### Strategy

#### "Another Rout in Global Equity Market"

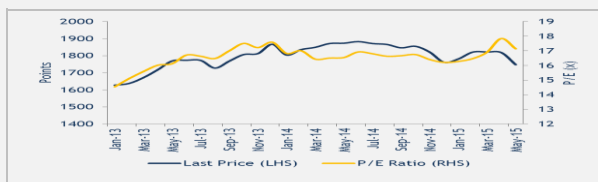
Today may not be different than yesterday as the local market sentiment will be dictated how much foreign investors spook over Ringgit momentum and oil performance.....(See full report next page)

### Corporate Highlights

- **IOI Corp, HOLD (TP: RM3.60):** Weaker ringgit affects IOI Corp earnings
- **FGV, HOLD (TP: RM1.30):** Net profit takes a hit from falling palm oil prices
- **Dutch Lady, HOLD (TP: RM41.60):** 2Q net profit doubles on higher revenue, lower raw material prices

### Economic Update

- **Singapore:** July core inflation edges higher, outlook murky
- **Indonesia:** Extends tax incentives for some industries to boost investment
- **Japan:** Abe says acceptable for BoJ to miss price goal



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	24-Aug	1:00 PM	Leading Index C1	-	107.2
US	25-Aug	9:45 PM	Markit US Composite PMI	-	55.7
US	25-Aug	9:45 PM	Markit US Services PMI	-	55.7
US	25-Aug	10:00 PM	New Home Sales	514K	482K
US	25-Aug	10:00 PM	Consumer confidence Index	93.0	90.9
US	26-Aug	7:00 PM	MBA Mortgage Applications	-	3.6%
US	26-Aug	8:30 PM	Durable Goods Orders	-0.5%	3.4%
US	26-Aug	8:30 PM	Durables Ex Transportation	0.3%	0.8%
EU	27-Aug	4:00 PM	M3 Money Supply YoY	-	5.0%
US	27-Aug	8:30 PM	GDP Annualized QoQ	3.2%	2.3%
US	27-Aug	8:30 PM	Personal Consumption	3.0%	2.9%
US	27-Aug	8:30 PM	GDP Price Index	2.0%	2.0%
US	27-Aug	8:30 PM	Core PCE QoQ	-	1.8%
US	27-Aug	8:30 PM	Initial Jobless Claims	-	-
US	27-Aug	8:30 PM	Continuing Claims	-	-
US	27-Aug	10:00 PM	Pending Home Sales MoM	1.0%	-1.8%
EU	28-Aug	5:00 PM	Economic Confidence	-	104.0
EU	28-Aug	5:00 PM	Consumer Confidence	-	-
US	28-Aug	8:30 PM	Personal Income	0.4%	0.4%
US	28-Aug	8:30 PM	Personal Spending	0.4%	0.2%
US	28-Aug	10:00 PM	U. of Mich. Sentiment	93.3	92.9
JP	28-Aug	7:30 AM	Jobless Rate	-	3.4%
JP	28-Aug	7:30 AM	Job-To-Application Ratio	-	1.19
JP	28-Aug	7:50 AM	Retail Trade YoY	-	0.9%
JP	28-Aug	7:50 AM	Retail Sales MoM	-	-0.8%
MY	28-Aug	6:00 PM	Money Supply M3 YoY	-	6.0%

Research Team  
 research@mna.com.my  
 03-22877228/03-22825373

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,532.14	-42.53	-2.70
FBMEMAS	10,485.14	-309.83	-2.87
FBMEMAS SHA	10,901.91	-287.98	-2.57
FBM100	10,241.80	-287.97	-2.73
Volume (mn)	2,580.08	791.24	44.23
Value (RMmn)	2,495.35	369.31	17.37
FBMKLCI YTD Chg			-13.01

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.1	-6.5
Local Institution	54.4	385.3
Foreign Investors	26.5	-378.8

## Top Gainers

	Close	Change+/-	(+/- %)
UMS HLDGS BHD	2.70	0.40	17.39
JMR CONGLOMER	1.12	0.12	12.00
TOP GLOVE CORP	8.50	0.11	1.31

## Top Losers

	Close	Change+/-	(+/- %)
BAT	59.00	-1.00	-1.67
CARLSBERG BREW	11.00	-0.90	-7.56
TASEK CORP BHD	14.50	-0.68	-4.48

## World Indices

	Close	Change+/-	(+/- %)
DJIA	15,871.35	-588.40	-3.57
NASDAQ	4,526.25	-179.79	-3.82
S&P 500	1,893.21	-77.68	-3.94
FTSE 100	5,898.87	-288.78	-4.67
DAX	9,648.43	-476.09	-4.70
Nikkei 225	18,540.68	-895.15	-4.61
HSI	21,251.57	-1,158.05	-5.17
KOSPI	1,829.81	-46.26	-2.47
STI	2,854.53	-116.48	-3.92
KLCI Futures	1,459.00	(52.50)	(0.03)
USDMYR 3M	14.89	(0.02)	(0.00)
USDMYR 6M	14.96	0.01	0.00
USDMYR 12M	14.73	(0.00)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	38	0.1	0.2%
Brent (USD/bbl)	42.7	-2.8	-6.1%
Gold(USD/ounce)	1,155	-0.2	0.0%
Coal (USD/mt)	58.5	-0.3	-0.5%
CPO (RM/mt)	1,916	-70.0	-3.5%
Rubber	133	-7.4	-5.3%
RM/USD	4.24	0.0745	-1.76%
EUR/USD	0.86	0.0023	0.27%
YEN/USD	118.87	0.46	-0.39%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average declined 588.40 points to 15,781.35, S&P 500 down 77.68 points to 1,893.21. Nasdaq dropped by 179.79 points to 4,526.25. Stocks plunged on Monday, closing off session lows in high volume trade as fears of slowing growth in China pressured global markets.
- The market's going to be focused on China tonight to see if they come on tonight with something that would be considered a viable (way) to stimulate growth in that economy,

### The Local Market

- FBMKLCI fell 42.53 points to finish at 1,532.14 in line with the negative regional market sentiment. There were 100 gainers and 941 decliners in total value traded of RM2.49 billion.
- Among the losers on Bursa Malaysia were BAT slid RM1.00 to RM59.00, Carlsberg Brewery dropped 90 cent to RM11.00, Tasek Corp declined 68 cent to RM14.50 and Sime Darby shed 59 cent to RM7.02.

### Strategy

- **“Another Rout in Global Equity Market”**  
Wall Street was beaten straight into its stomach after dipping by almost 4% preceding the almost 9% tumble in China equity market and followed Japan Nikkei's 225 that dipped by over 4%. S&P 500 and DJIA tumbled a hefty 77.68 (-3.94%) and 588.40 (-3.57%) points to end at 1,893.21 and 15,871.46 respectively, with both indexes dipping below its 1,900 and 16,000 psychological level. Wall Street (DJIA) started its trading day on the wrong footing after dropping steeply by 1000 points before recovering to close almost 600 points lower. All in, DJIA had shaven over 1000 points in 2 trading days as worry over increasing downside risk to growth in China along with decelerating economic momentum in emerging economies had punctured trading sentiment, sending flight to safety in safe haven assets. Today will be no less drama for global equity market as Brent had dived below USD45 per barrel, risking further drop as the US interest rate adjustment looms. Ringgit touching RM4.24 per Dollar yesterday does not help as sentiment in local market was also equally wobbly. Today may not be different than yesterday as the local market sentiment will be dictated how much foreign investors spook over Ringgit momentum and oil performance. To reiterate, we have yet to see the bottom of this rout yet.
- 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

**IOI Corp, HOLD (TP: RM3.60): Weaker ringgit affects IOI Corp earnings**

Despite registering higher revenue, IOI Corp Bhd's net profit fell 60.8% to RM159.7mil for the fourth quarter ended June 30, 2015, from RM407.5mil in the previous corresponding period due mainly to lower contribution from its plantation segment, as well as a net foreign currency translation loss. During the quarter in review, the plantation conglomerate's revenue rose 3.9% to RM2.94bil from RM2.83bil. Its earnings per share (EPS) fell to 2.52 sen from 6.42 sen previously. In a statement, IOI said its plantation profit fell 26% year-on-year (y-o-y) to RM235.8mil during the quarter in review due to the lower crude palm oil (CPO) price realised, which averaged at RM2,197 per tonne, compared with RM2,661 per tonne previously. *(Source: The Star)*

**FGV, HOLD (TP: RM1.30): Net profit takes a hit from falling palm oil prices**

Felda Global Ventures Holdings Bhd (FGV), which is buying a 37% stake in Indonesian planter Eagle High Plantations Tbk, said net profit for the second quarter ended June 30, 2015 plunged 70% to RM46.09mil from RM151.86mil a year ago. The weak results were mainly due to lower earnings from palm-related segments. Revenue in the second quarter came in at RM4.19bil from RM3.87bil a year earlier. In a filing with Bursa Malaysia yesterday, FGV said that the palm plantation segment recorded a lower profit of RM92.69mil in 2015 compared with last year's RM324.86mil, mainly due to lower average crude palm oil (CPO) prices. *(Source: The Star)*

**Dutch Lady, HOLD (TP: RM41.60): 2Q net profit doubles on higher revenue, lower raw material prices**

Dutch Lady Milk Industries Bhd (Financial Dashboard)'s net profit doubled to RM48.78 million or 76.2 sen per share for the second quarter ended June 30, 2015 (2QFY15) from RM24.27 million or 37.95 sen per share a year ago. Dutch Lady attributed the higher earnings to improved revenue and lower raw material prices. Revenue for 2QFY15 also rose 3.8% to RM278.29 million from RM268.23 million in 2QFY14, mainly contributed by the relaunch of Dutch Lady Children Formula Milk, but slightly offset by the goods and services tax (GST) implementation impact. For the six-month period (1HFY15), Dutch Lady's net profit expanded 39% to RM65.9 million or 102.8 sen per share against RM47.34 million or 73.95 sen per share in 1HFY14, largely attributed to favourable raw material prices. *(Source: The Edge)*

**Boustead Holdings (CP: RM4.10): Q2 profit down 25% to RM50.8m**

Boustead Holdings Bhd's profit fell 25% to RM50.80mil in the second quarter ended June 30, 20145 from RM67.70mil a year ago due to the weaker performance in its trading and industrial division and also the slump in crude palm oil (CPO) prices. It said on Monday profit attributable to shareholders or earnings were RM2.9mil compared with RM34.60mil. Revenue was down 14.7% to RM2.207bil from RM2.588bil. Earnings per share were 0.28 sen compared with 3.35 sen a year ago. Boustead said the weaker financial performance was due to the trading and industrial division's turnover due to the decline in volume and fuel price. The plantation division reported lower revenue mainly due to a drop in palm product prices. *(Source: The Star)*

**E&O (CP: RM1.50): Plans to list UK property unit in London**

Eastern & Oriental Bhd (E&O), which reported a 22.6% rise in net profit to RM23.3mil in the first quarter ended June 30, is planning to list its UK-based property unit on the Alternative Investment Market (AIM) of the London Stock Exchange. The proposed public issue of E&O plc is expected to raise minimum gross proceeds of £36mil (RM241.5mil), which would be utilised for debt repayment to E&O Property Development Bhd, property development expenditure, as well as working capital, investments and acquisitions. In a filings with Bursa Malaysia, the lifestyle property developer said the proposed listing of E&O PLC on AIM would involve proposed placings, a restricted offer and offer for sale of up to 250.99 million shares. *(Source: The Star)*

**Eversendai (CP: RM0.73): Q2 earnings surge as orderbook hits RM1.8b**

Steel structure player Eversendai Corp Bhd's profits for the second quarter ended June 30, 2015 rose 93% to RM14.10mil from RM7.30mil a year ago as its order book rose to RM1.8bil. The company said on Monday the earnings growth was underpinned by a 90% rise in revenue to RM425.23mil from RM222.54mil a year ago. Earnings per share were 1.82 sen compared with 0.94 sen. It declared an interim dividend of 1.25 sen a share. For the first half, its revenue surged 82.6% to RM828mil from RM453.26mil in the previous corresponding period. Its earnings rose 83.1% to RM33.49mil from RM18.29mil. *(Source: The Star)*

**Genting Malaysia (CP: RM3.80): Issues debt notes worth RM2.4b**

Genting Malaysia Bhd (GENM) has issued RM2.4 billion debt notes to pay for operating expenses, capital expenditure and working capital, which include financing the development and/or redevelopment of its properties in Genting Highlands, Pahang. This confirms a digital edge Daily report published on Aug 13 that GENM was raising RM2.4 billion from the fixed income market. In a filing with Bursa Malaysia, GENM said the medium-term notes (MTNs) are being issued in two tranches, a RM1.1 billion tranche with maturities of five years, and a RM1.3 billion tranche with maturities of 10 years. *(Source: The Edge)*

**MRCB (CP: RM0.83): Q2 earnings plunge to RM60.10m**

Malaysian Resources Corp Bhd's (MRCB) net profit for the second quarter ended June 30, 2015 almost halved to RM60.10 million from RM118.53 million a year ago due to higher expenses and lower profit from operations. In a filing with Bursa Malaysia yesterday, MRCB reported higher expenses of RM444.54 million in 2Q compared with RM312.16 million a year ago while profit from operations was lower at RM135.34 million compared with RM188.53 million a year ago. Revenue for the quarter rose 62.82% to RM530.28 million from RM325.69 million a year ago due to higher revenue recognition from all business divisions. *(Source: The Edge)*

**Kulim (CP: RM2.67): Ventures into e-learning**

Kulim (M) Bhd has ventured into e-learning after acquiring a 51% stake in Classruum Technologies Sdn Bhd for RM2.55mil. The stake was acquired from its two founders Aziz Ramli and Sophia Yasmin Yusoff Khan who now hold 25% and 24% respectively. Kulim chairman Datuk Kamaruzzaman Abu Kassim said with the rising Internet usage, higher computer literacy and lower telecommunications costs, the e-learning market in Malaysia was ripe for take-

off. He said as the supplementary solution to the existing education system, Classroom.com supported the Government's approach to encourage technology usage and e-learning under the Economic Transformation Programme. (Source: *The Star*)

**Lii Hen (CP: RM5.75): 2Q net profit up 96% on year, declares 7 sen dividend**

Lii Hen Industries Bhd recorded a 96% net profit rise for its second quarter ended June 30, 2015 (2QFY15) at RM12.66 million, from RM6.45 million a year earlier, as the furniture manufacturer benefited from a weaker ringgit versus the US dollar. As export-based Lii Hen sells its products in US dollars, a weaker ringgit translates into higher income when the US dollar-denominated sales are converted into the Malaysian currency. Lii Hen reported revenue increased to RM138.28 million, from RM97.86 million, due to continuous market demand for the group's products, especially its bedding items, besides the strengthening US dollar against the ringgit. (Source: *The Edge*)

**Poh Huat (CP: RM2.60): Suffers US\$2m loss in a fire in Vietnam yesterday**

Poh Huat Resources Holdings Bhd's major Vietnamese subsidiary Poh Huat Furniture Industries Vietnam Joint-Stock Company (Poh Huat Vietnam) has suffered an approximate US\$2 million (RM8.44 million) loss in US-bound finished goods due a fire that engulfed two contiguous factory blocks yesterday. In a filing with Bursa Malaysia, the group said the fire, which lasted from 3.20am till 10.15am the same day, destroyed the factory blocks that housed a finishing line and finished goods warehouses measuring 1.053ha. The affected buildings are located within Poh Huat Vietnam's manufacturing facilities in the Province of Binh Duong (Binh Duong facilities), being the smaller of Poh Huat Vietnam's two manufacturing facilities. (Source: *The Edge*)

**AirAsia X (CP: RM0.16): Expects brighter days ahead**

AirAsia X Bhd believes that the worst is over for the long-haul low-cost carrier and is optimistic of regaining investor confidence by posting encouraging numbers in the second half. AirAsia X acting chief executive officer (CEO) Benyamin Ismail said the airline had seen positive signs of a turnaround and would continue to build on the momentum and keep customers happy. (Source: *New Straits Times*)

**ECONOMIC UPDATES**

**Singapore: July core inflation edges higher, outlook murky**

Singapore's core inflation edged higher in July, but growing uncertainty about the outlook for growth and prices was seen likely to keep open the possibility of further monetary easing. The Monetary Authority of Singapore's (MAS) core inflation gauge rose 0.4% in July from a year earlier, higher than the median forecast of a steady 0.2% year-on-year forecast in a Reuters survey. The contribution of recently declining electricity prices to lowering core inflation was diluted by a slight slowing down in the rate at which power prices fell in July, allowing in some core CPI inflation, in addition to higher services prices. (Source: *The Edge*)

**Indonesia: Extends tax incentives for some industries to boost investment**

Indonesia has extended its tax incentives for "pioneering" industries such as oil refinery and infrastructure to help attract more investment into the country as economic growth has slowed to its weakest in six years. Indonesia is now offering a tax reduction of between 10% and 100% for up to 15 years to firms investing a minimum of 1 trillion rupiah (\$71.5 million) in certain industries, the finance ministry said in a statement on its website on Monday. The tax break can be extended for an additional five years if companies obtain permission from the finance minister. Previously, the tax break was up to 10 years and if companies qualified, they could obtain 100% relief. (Source: *The Edge*)

**Japan: Abe says acceptable for BoJ to miss price goal**

Prime Minister Shinzo Abe said it was acceptable for the Bank of Japan (BoJ) to miss its self-imposed deadline to meet its inflation target, suggesting that the government was in no mood now to pressure the central bank to expand monetary stimulus. Consumer inflation has ground to a halt mainly due to the effect of slumping oil prices, keeping the BoJ under pressure to do more to meet its pledge - made in April 2013 - to accelerate inflation to 2% in roughly two years. Abe expressed confidence that Japan's economy remained on a solid recovery path, adding that with oil prices continuing to fall, the BoJ missing the two-year deadline could not be helped. (Source: *The Star*)

**Thailand: Plans economic measures, to speed up investment**

Thailand plans to introduce short-term economic measures to help low-income earners and farmers as well as speed up investment projects, a new deputy prime minister said on Monday, as the military government seeks to boost the flagging economy. South-East Asia's second-largest economy has yet to regain traction more than a year after the army seized power in May 2014 to end months of political unrest, with exports and domestic demand stubbornly subdued. The economy has consistently missed government targets, putting pressure on the junta to reshuffle the cabinet to try to lift growth as a weak economy could undermine support for the generals. (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.

## DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)  
 (A wholly-owned subsidiary of INSAS BERHAD)  
 A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6  
 The Boulevard, Mid Valley City,  
 Lingkaran Syed Putra,  
 59200 Kuala Lumpur  
 Tel: +603 – 2282 1820 Fax: +603 – 2283 1893  
 Website: [www.mnaonline.com.my](http://www.mnaonline.com.my)

Head Of Research



Rosnani Rasul  
 M&A Securities