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Wednesday, August 26, 2015

Report of the Day

Results Review: TM 2Q15, HOLD (TP: RM6.87): - "Operating Cost Still High"

Results Review: IJM Plant 1Q16, HOLD (TP: RM2.93): - "A Good Start"

Results Review: Genting Plant 2Q15, HOLD (TP: RM9.66): - "Hit by Plantation-Malaysia Segment"

Results Review: TSH 2Q15, HOLD (TP: RM1.95): - "No Doubt-Challenging Environment"

Results Review: Dayang 2Q15, BUY (TP: RM1.80): - "Orderbook Remain Intact"

Results Review: UMW-OG 2Q15, HOLD (TP: RM0.90): - "Sign of Painful Years"

Results Review: IJM Corp 1Q16, BUY (TP: RM8.14): - "Clear Growth Trajectory"

Results Review: AMRB 2Q15, NR (TP: RM0.56): - "Cease Coverage on Poor Outlook"

At a Glance

FBMKLCI reversed its losses by 31.80 points to finish at 1,563.94 as the heavy sell off was halted.....(See full report next page)

Strategy

"China Cuts Policy Rates"

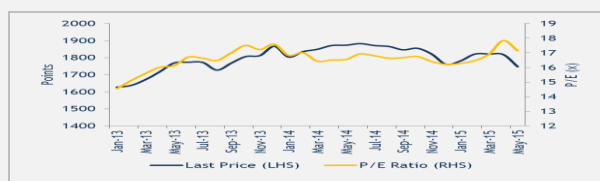
We think that sentiment may yet to recover convincingly despite the attractive valuation by the bellwether index now.....(See full report next page)

Corporate Highlights

- **Telekom Malaysia, HOLD (TP: RM6.87):** Q2 earnings flat at RM212m
- **Genting Plantations, HOLD (TP: RM9.66):** 2Q net profit down 42.2% on lower palm prices, softer property sales
- **TSH Resources, HOLD (TP: RM1.95):** 2Q net profit down 80% on lower CPO prices, FFB production

Economic Update

- **Malaysia:** Sukuk curve steepens as inflation adds to outflow risk
- **U.S.:** consumer confidence, housing data signal economy's resilience
- **Indonesia:** Moves to protect shaky equity, forex markets



Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,563.94	31.80	2.08
FBMEMAS	10,646.44	161.30	1.54
FBMEMAS SHA	11,100.51	198.60	1.82
FBM100	10,411.82	170.02	1.66
Volume (mn)	2,759.74	179.66	6.96
Value (RMmn)	2,736.01	240.66	9.64
FBMKLCI YTD Chg			-11.20

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+/-	(+/- %)
BAT	60.00	1.00	1.70
DUTCH LADY MILK	46.38	0.58	1.27
PETRONAS DAG	20.88	0.52	2.55

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	25.82	-1.00	-3.73
TOP GLOVE CORP	7.90	-0.60	-7.06
SIGNATURE INTL	2.01	-0.35	-14.83

World Indices

	Close	Change+/-	(+/- %)
DJIA	15,666.44	-204.91	-1.29
NASDAQ	4,506.49	-19.76	-0.44
S&P 500	1,867.61	-25.60	-1.35
FTSE 100	6,081.34	182.47	3.09
DAX	10,128.12	479.69	4.97
Nikkei 225	17,806.70	-733.98	-3.96
HSI	21,404.96	153.39	0.72
KOSPI	1,846.63	16.82	0.92
STI	2,843.39	47.78	1.68
KLCI Futures	1,504.00	45.00	0.03
USDMYR 3M	15.02	0.34	0.02
USDMYR 6M	15.00	0.37	0.02
USDMYR 12M	14.75	0.49	0.03

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	39	-0.1	-0.1%
Brent (USD/bbl)	43.2	0.5	1.2%
Gold(USD/ounce)	1,145	4.2	0.4%
Coal (USD/mt)	58.6	0.0	0.1%
CPO (RM/mt)	1,906	-10.0	-0.5%
Rubber	132	-0.9	-0.7%
RM/USD	4.20	-0.047	1.12%
EUR/USD	0.87	-0.0011	-0.13%
YEN/USD	118.73	-0.1	0.08%

KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	24-Aug	1:00 PM	Leading Index CI	-	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%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 204.91 points to 15,666.44, S&P 500 down 25.60 points to 1,867.61. Nasdaq dropped by 19.76 points to 4,06.49. Stocks closed lower after a failed attempt at a bounce after the Dow's worst three-day point drop in history, as a recovery in oil prices and overnight easing in China helped investor sentiment.
- The Dow Jones industrial average and the S&P 500 closed lower after rallying about 3 percent earlier, their biggest reversal to the downside since Oct. 29, 2008.

The Local Market

- FBMKLCI reversed its losses by 31.80 points to finish at 1,563.94 as the heavy sell off was halted . There were 381 gainers and 487 decliners in total value traded of RM2.73 billion.
- Among the gainers on Bursa Malaysia were BAT surged RM1.00 to RM60.00, Dutch Lady soared 58 cent to RM46.38, Petronas Dagangan grew 52 cent to RM20.88 and Petronas Chemical added 42 cent to RM5.80.

Strategy

“China Cuts Policy Rates”

Wall Street tumbled again on Tuesday despite China's PBoC cut policy rates in a surprise move. S&P 500 and DJIA lost 25.60 (-1.35%) and 204.91 (-1.29%) points to end at 1,867.61 and 15,666.44 respectively. As mentioned, in an effort to appease wobbly sentiment, PBoC had cut its policy rates or its main lending rate by 25 basis points to 4.6% and lowered its reserve requirement ratio by 50 basis points to 18.0%, the former its second one in a month. Beneath

that investors would have sensed that China is grappling to keep its engine growth going and that will be a major concern. As for today, the local market will continue to be dictated by the movement of 2 key things namely Ringgit performance and oil trend. Should both continue to dip, we think that sentiment may yet to recover convincingly despite the attractive valuation by the bellwether index now.

- 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

Telekom Malaysia, HOLD (TP: RM6.87): Q2 earnings flat at RM212m

Telekom Malaysia posted a marginal 1% decline in earnings at RM212.906mil in the second quarter ended June 30, 2015 compared with RM214.03mil a year ago. It reported on Tuesday its revenue were slightly higher by 9.7% at RM2.84bil compared with RM2.82bil. Earnings per share were 5.69 sen compared with 5.97 sen a year ago. It declared an interim dividend of 9.30 sen a share compared with 9.50 sen a year ago. For the first half, its earnings fell 19.7% to RM340.98mil from RM424.66mil in the previous corresponding period. Its revenue rose 3.2% to RM5.61bil from RM5.44bil a year ago. (Source: The Star)

Genting Plantations, HOLD (TP: RM9.66): 2Q net profit down 42.2% on lower palm prices, softer property sales

Genting Plantations Bhd saw its net profit drop 42.2% to RM40.03 million or 5.18 sen per share for the second quarter ended June 30, 2015 (2QFY15) from RM69.23 million or 9.09 sen per share a year ago on lower palm prices and softer property sales. It also posted a 15.2% decline in revenue to RM305.73 million in 2QFY15 from RM360.51 million in 2QFY14. Despite lower earnings, the group declared an interim dividend of 2.5 sen per share for the financial year ending Dec 31, 2015 (FY15), payable on Oct 19. The weaker quarterly results dragged down Genting Plantations' net profit for the six months period (1HFY15) by 45.58% to RM92.68 million or 12.01 sen per share from RM170.29 million or 22.39 sen per share in 1HFY14. (Source: The Edge)

TSH Resources, HOLD (TP: RM1.95): 2Q net profit down 80% on lower CPO prices, FFB production

TSH Resources Bhd saw its net profit tumble 80% to RM7.083 million or 0.53 sen per share for the second quarter ended June 30, 2015 (2QFY15) from RM35.38 million or 2.63 per share a year ago, on lower crude palm oil (CPO) price, lower fresh fruit bunch (FFB) production and foreign exchange (forex) differences. Revenue for 2QFY15 also declined 31.7% to RM206.16 million from RM301.81 million in 2QFY14. In a filing with Bursa Malaysia today, TSH Resources said its

palm division posted lower operating profit of RM32.2 million in 2QFY15 due to lower FFB yield of 153,963 tonnes compared with 162,675 tonnes in 2QFY14. (Source: The Edge)

IJM Corp, BUY (TP: RM8.14): 1Q profit jumps two-and-a-half times on one-off gain

IJM Corp Bhd saw its net profit jump two-and-a-half times to RM336.87 million or 18.99 sen per share for the first financial quarter ended June 30, 2015 (1QFY16) from RM133.39 million or 9.23 sen per share a year ago, as the group benefited from a one-off gain from the disposal of its 74% stake in Jaipur Mahua Tollway Private Ltd for RM168.7 million. In a filing with Bursa Malaysia today, IJM said other factors contributing to the increase in 1QFY16 profit were lower net unrealised foreign exchange losses on US dollar-denominated borrowings to finance the group's investments in India and Indonesia; higher crop production in the group's plantation division; higher cargo revenue and margin from the port concession and the increased sale of piles in the industry division. (Source: The Edge)

IJM Plantation, HOLD (TP: RM2.93): Q1 net profit falls 12% to RM22.9m

IJM Plantations Bhd saw its net profit for the first quarter ended June 30, 2015 fall 12.4% to RM22.87 million on lower revenue and lower net unrealised exchange losses. Revenue was down 20% to RM141.74 million, against RM177.8 million a year ago, mainly due to lower commodity prices and sales volume. In a filing with Bursa Malaysia yesterday, the group said its fresh fruit bunch (FFB) production was lower in the first quarter due to the change in cropping pattern. However, it said the overall financial performance is improved, as a result of higher crop production from a larger mature planted area and lower net unrealised exchange losses from US Dollar borrowings during the quarter. (Source: The Edge)

Dayang, BUY (TP: RM1.80): Q2 revenue drop by 21%

Comparatively, the Group's revenue for the current quarter ended 30 June 2015 decreased by 21% while profit before tax (excluding share of results of an associate) for the current quarter decreased by 18% when compared to the corresponding quarter ended 30 June 2014. The lower revenue in the current quarter as compared to the corresponding quarter is mainly due to lower value of work orders received and performed in the current quarter. Whilst revenue decreased by RM47.3 million ie 21%, profit before tax (excluding share of results of an associate) decreased by RM10.7 million ie. 18%. The profit margin contribution for the work orders performed in the current quarter is slightly higher as compared to the corresponding quarter. (Source: Bursa Malaysia)

UMW Oil & Gas, HOLD (TP: RM0.90): Warns of low oil price impact on FY15 performance

UMW Oil & Gas Corp Bhd (UMW-OG) saw its net profit plunge 92.6% to RM4.46 million or 0.21 sen per share for the second quarter ended June 30, 2015 (2QFY15), from RM60.31 million or 2.79 sen per share a year ago, on lower contributions from both the drilling services and oilfield services segments. Revenue for 2QFY15 dropped 23.2% to RM183.37 million, from RM238.78 million in 2QFY14. Overseas operations contributed 50.5% to the group's

revenue in 2QFY15. In a filing with Bursa Malaysia, UMW-OG said 94.8% of the group's overall revenue was derived from the drilling services segment in 2QFY15, which was a decline of RM53.4 million or 23.5% over 2QFY14. (Source: *The Edge*)

AMRB, NR (TP: RM0.56): 1H15 PBT decline by 50.8% to RM39.64

The Group recorded a turnover of RM153.28 million for the financial period ended 30 June 2015 as compared to RM161.21 million for the same period last year, resulting in a negative variance of 4.9%. Revenue from Offshore Support Vessels (OSV) segment dropped by 5.4% due to lower average vessel utilisation rate. Revenue derived from Subsea Services/Offshore Installation & Construction (OIC) segment decreased by 5.6% as compared to last year, mainly due to lower contribution from subsea project. The profit before taxation for the current financial period of RM19.49 million resulted in a negative variance of 50.8% as compared to RM39.64 million recorded for the preceding financial year. (Source: *Bursa Malaysia*)

BIMB, BUY (TP: RM4.84): Gets three-day extension to submit 2Q financial results

BIMB Holdings Bhd, which wholly owns Bank Islam Malaysia Bhd has been granted a three-day extension by Bursa Securities to submit its financial results for the second quarter ended June 30, 2015 (2QFY15). In a filing with Bursa Malaysia today, BIMB said Bursa Securities, vide its letter dated Aug 24, has approved and given the group an extension of time of up to three market days upon receipt of the approval from the relevant authority, for the submission of its 2QFY15 financial results. The group had on Aug 20 submitted an application letter to Bursa Securities requesting for the extension of time. This is not the first time that BIMB had asked Bursa Securities for a time extension to submit its financial results. In February this year, the group had also requested for an extension to submit its financial results for the fourth quarter ended Dec 31, 2014. (Source: *The Edge*)

Hartalega, HOLD (TP: RM7.98): Targets to sell 16 billion gloves this year

Hartalega Holdings Bhd is targeting to sell 16 billion gloves this year, an increase of four billion or 33% than the 12 billion gloves sold last year. Group executive chairman Kuan Kam Hon said on Tuesday the higher sales would be underpinned by the commissioning of its two plants in its next generation integrated glove manufacturing complex (NGC). Fourteen new lines are up and running in the NGC with a production line speed of 45,000 pieces of glove per hour," he told reporters after the AGM and EGM. "We are targeting to have a total installed capacity of 20 billion pieces of glove per annum by end of this year," he added. Kuan said the company planned to open another two plants in the NGC by mid-2016. (Source: *The Star*)

CLIQ Energy (CP: RM0.66): Purchase of 51% stake in Phystech II meets rules

Cliq Energy Bhd said its proposed acquisition of a 51% equity interest in Phystech II from Kazakhstan-based Phystech Firm LLP meets all its investment criteria. Managing director/chief executive officer Ahmad Ziyad Elias said the company had conducted a stringent economic evaluation and sensitivity analysis on the proposed acquisition amid the depreciating ringgit and oil price

volatility. "It still has an economic value despite the global uncertainties. We are capable of withstanding the current oil price condition." (Source: *The Star*)

Petronas: To benefit from takeover of Shell's MLNG Dua stake

Petroleum Nasional Bhd (Petronas) will benefit from its takeover of Shell's 50% interest in the MLNG Dua liquefied natural gas (LNG) plant as the deal will enable the Malaysian national oil and gas producer to better match domestic gas production with regional LNG demand, BMI Research says. "With Petronas and its subsidiaries now becoming the operator of the project, we see this development as a positive for the firm as it will allow it to consolidate its operations in Sarawak and aid its efforts in developing the region as a gas hub," BMI Research, a global financial information services company, said. "By taking control of MLNG Dua, Petronas will have better control over the gas production and export in the Sarawak region and will be able to better match gas production with regional LNG demand," it added. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Sukuk curve steepens as inflation adds to outflow risk

Malaysia's Islamic bond investors are fleeing longer-dated sukuk as accelerating inflation adds to the risk of outflows amid a global emerging-markets selloff. The difference in yields between 2025 Shariah-compliant securities and three-year debt widened 14 basis points this year to average 67 in August, the most since May 2014. Data last week showed July's inflation rate was the highest in 11 months, while foreign ownership of bonds in Malaysia fell to the lowest since 2012. Longer-dated borrowing costs will rise further as the Federal Reserve prepares to raise interest rates, CIMB Group Holdings Bhd and Asian Finance Bank Bhd predict. Offerings of Islamic bonds in Malaysia dropped to a five-year low in 2015 as an 18% plunge in the ringgit and a collapse in oil prices made it hard to gauge earnings prospects. (Source: *The Edge*)

U.S.: consumer confidence, housing data signal economy's resilience

U.S. consumer confidence hit a seven-month high in August and new single-family home sales rebounded in July, suggesting underlying strength in the economy that could still allow the Federal Reserve to raise interest rates this year. The Conference Board said its consumer index jumped 10.5 points to 101.5 this month, the highest reading since January, amid optimism over the labor market. The survey, however, was conducted before a global equity markets sell-off that began last week, which has diminished the chances of a U.S. rate hike next month. Although sentiment could retreat in September, economists said any decline was likely to be modest. (Source: *The Star*)

Indonesia: Moves to protect shaky equity, forex markets

Indonesia stepped up efforts to protect its battered financial markets from global volatility on Tuesday, imposing new daily limits on how much shares can fall and organising a concerted share buy back programme. President Joko Widodo's administration has been forced to respond swiftly to the global sell-off, as Southeast Asia's economy is already struggling with weakening domestic consumption and rock bottom commodity prices. Indonesia's stock index is the

worst performer in the region so far this year, slumping around 20%, while the rupiah has fallen to a 17-year low against the dollar. To reduce market volatility, the stock exchange on Tuesday tightened the daily limit on how much shares can fall to a maximum of 10%, from the previous range of 20%–35%. (Source: *The Edge*)

Global: Emerging central banks step in to curb currency falls

Central bankers across emerging markets are being forced into action to stem falls in their currencies, especially after China allowed its yuan to weaken to four-year lows. A JPMorgan index tracking 22 emerging market currencies has hit successive record lows and losses have spiralled this week, forcing currencies to fresh multi-year and record lows. Until recently, policymakers in the developing world, facing sluggish growth and shrinking exports, were relatively sanguine about currency weakness. Now however most are desperate to prevent volatile swings or excessive declines that could exacerbate capital flight and inflation. (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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