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Thursday, August 27, 2015

Report of the Day

Results Review: MMC 2Q15, HOLD (TP: RM2.70): – “Temporary Disruption”

Results Review: UMW 2Q15, HOLD (TP: RM8.77): – “Sluggish Auto Contribution”

Results Review: Sime Darby 4Q15, TBA (TP: TBA)

Results Review: Mah Sing 2Q15, TBA (TP: TBA)

Results Review: Parkson 4Q15, TBA (TP: TBA)

At a Glance

FBMKLCI rose 16.43 points to finish at 1,580.37 driven by the gain in some heavyweight counters.....(See full report next page)

Strategy

“Wall Street Rebound Big Time”

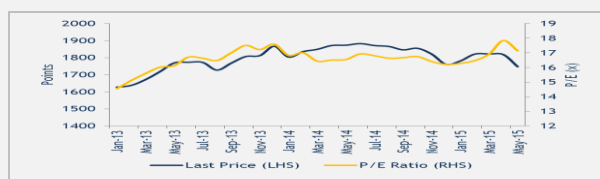
We expect the regional and local market to rebound lifted by lack of bad news and attractive valuations of bellwether index.....(See full report next page)

Corporate Highlights

- **Sime Darby, TBA (TP: TBA):** FY15 earnings down 31%
- **Mah Sing, TBA (TBA):** Scales back property launches, revises sales target
- **UMW Holdings, HOLD (TP: RM8.77):** Q2 earnings dive 51.79%

Economic Update

- **China:** Home prices seen rising mildly in 2015 on easing policy
- **Thailand:** To quicken investments worth nearly US\$47bil
- **India:** RBI governor says not in favour of depreciating rupee



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%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,580.37	16.43	1.05
FBMEMAS	10,745.46	99.02	0.93
FBMEMAS SHA	11,246.85	146.34	1.32
FBM100	10,514.60	102.78	0.99
Volume (mn)	2,150.74	-633.64	-22.76
Value (RMmn)	2,274.03	-489.72	-17.72
FBMKLCI YTD Chg			-10.27

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.8	-12.9
Local Institution	54.0	314.4
Foreign Investors	29.2	-301.5

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY	46.98	0.60	1.29
TENAGA	11.02	0.48	4.55
KLK	20.80	0.46	2.26

Top Losers

	Close	Change+/-	(+/- %)
FAR EAST HLDGS	7.70	-0.40	-4.94
SIGNATURE INTL	1.84	-0.17	-8.46
AMBANK HLDG	4.39	-0.01	-0.16

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,285.51	619.07	3.95
NASDAQ	4,697.54	191.05	4.24
S&P 500	1,940.51	72.90	3.90
FTSE 100	5,979.20	-102.14	-1.68
DAX	9,997.43	-130.69	-1.29
Nikkei 225	18,376.83	570.13	3.20
HSI	21,080.39	-324.57	-1.52
KOSPI	1,894.09	47.46	2.57
STI	2,874.55	-11.74	-0.41
KLCI Futures	1,505.00	11.00	0.01
USDMYR 3M	16.50	-	-
USDMYR 6M	15.55	-	-
USDMYR 12M	14.90	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	39	0.6	1.6%
Brent (USD/bbl)	43.1	-0.1	-0.2%
Gold(USD/ounce)	1,124	-1.1	-0.1%
Coal (USD/mt)	58.6	0.1	0.1%
CPO (RM/mt)	1,867	-39.0	-2.0%
Rubber	130	-1.6	-1.2%
RM/USD	4.25	0.05	-1.18%
EUR/USD	0.88	-0.0018	-0.20%
YEN/USD	120.13	0.21	-0.17%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 619.07 points to 16,285.51, S&P 500 up 72.90 points to 1,940.51. Nasdaq increased by 191.05 points to 4,697.54. U.S. stocks shot higher on Wednesday, rebounding from six consecutive days of declines that pushed the major averages into correction territory.
- In addition to an oversold bounce, some analysts also attributed the gains to comments from the Fed's William Dudley that a September rate hike looks "less compelling" and a strong durable-goods report.

The Local Market

- FBMKLCI rose 16.43 points to finish at 1,580.37 driven by the gain in some heavyweight counters. There were 407 gainers and 407 decliners in total value traded of RM2.27 billion.
- Among the gainers on Bursa Malaysia were Dutch Lady surged 60 cent to RM46.98, Tenaga soared 48 cent to RM11.02, KLK grew 46 cent to RM20.80 and Sime Darby added 33 cent to RM7.45.

Strategy

- **"Wall Street Rebound Big Time"**
Wall Street spiked big time yesterday as investors put aside their fear and picked up badly beaten share price, admittedly one of Wall Street's best since 2011. S&P 500 and DJIA gained a solid 72.90 (3.90%) and 619.07 (3.95%) points to end at 1,940.51 and 16,285.51 respectively, surpassing its important psychological level of 1,900 and 16,000 respectively. Pointedly, there was nothing out of the ordinary yesterday that could push the market to jump this high other than the fact the market has been badly floored recently, pushing valuation to drop to very attractive level. Nonetheless, we don't think that the volatility in the global equity market is over. Global macro issue still persist including that of China and US impending interest rate adjustment. Until and unless the latter is settled and on the table, tremor big and small may continue. As for today, we expect the regional and local market to rebound lifted by lack of bad news and attractive valuations of bellwether index.
- 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

Sime Darby, TBA (TP: TBA): FY15 earnings down 31%

Sime Darby Bhd reported a weaker set of earnings for the year ended June 30, 2015 as it was impacted by bearish commodity prices and volatile market conditions and expects the challenging business climate to continue. The conglomerate said on Wednesday its FY15 earnings fell 31% to RM2.312bil, while revenue was slightly lower at RM43.728bil compared with RM43.907bil a year earlier. For the fourth quarter, earnings fell at a slower pace of 17.1% to RM988.67mil but revenue rose 2.8% to RM12.86bil. Earnings per share were 15.92 sen compared with 19.65 sen. It proposed a final dividend of 19 sen, lower than the 30 sen a year earlier. (Source: *The Star*)

Mah Sing, TBA (TP: TBA): Scales back property launches, revises sales target

Mah Sing Group Bhd, which posted a net profit of RM90.49mil in the second quarter ended June 30, has scaled back property launches and revised its sales target in view of the challenging market condition. In the notes accompanying its financial results, the developer said the “operating environment in the short term was expected to stay challenging”. It added that market outlook had softened post the goods and services tax implementation and sentiment was further affected by, amongst others, the weakening ringgit. (Source: *The Star*)

UMW Holdings, HOLD (TP: RM8.77): Q2 earnings dive 51.79%

UMW Holdings Bhd's net profit slumped 51.79% to RM68.44 million for the second quarter ended June 30, 2015 compared with RM141.96 million in the previous corresponding period, due to lower contribution across all its four major segments. Revenue also slipped 12.14% from RM3.97 billion to RM3.49 billion. At a pre-tax level, the automotive, equipment, oil and gas and manufacturing and engineering divisions saw a 35.53%, 38.86%, 87.93% and 96.68% drop to RM263.37 million, RM33.68 million, RM8 million and RM396,000 respectively. In a filing with Bursa Malaysia, UMW said the group foresees the rest of the financial year to be challenging with the weakening of the ringgit and current sentiment. (Source: *The Sunday*)

MMC, HOLD (TP: RM2.70): 2Q earnings balloon after Malakoff's listing

MMC Corp Bhd's net profit shot up over eight times to RM1.35 billion or 44.32 sen per share in its second financial quarter ended June 30, 2015 (2QFY15), largely due to an exceptional gain and a fair value re-measurement of its investment after the listing of Malakoff Corp Bhd on the Main Market of Bursa Malaysia in May. The IPO netted it a gain of RM388.8 million from the sale of Malakoff shares RM388.8 million, besides resulting in a fair value re-measurement of its investment of RM955.4 million. Its net profit in 2QFY14 was reported to be RM165.45 million or 5.43 sen per share, while 2QFY15 revenue almost halved to RM1.44 billion from RM2.87 billion in the corresponding period last year. Meanwhile, in the cumulative six months (1HFY15) period, net profit expanded over seven times to RM1.45 billion (1HFY14: RM189.03 million) – again largely due to Malakoff's listing – while revenue shrunk to RM3.4 billion (1HFY14: 4.73 billion). (Source: *The Edge*)

Parkson, TBA (TP: TBA): Q4 turns to red from poor retail performance

Parkson Holdings Bhd (Parkson) swung into a net loss of RM90.95 million in the fourth quarter ended June 30, 2015 from a net profit of RM26.76 million dragged down by a weaker set of results from its retailing division. The group's retailing division's turned in a loss of RM3.72 million in the Q4'FY15 compared to a profit of RM49.83 million in the same period a year ago. The net loss came on the back of a 5.2% increase in the company's revenue during the quarter under review, from RM859.04 million to RM816.51 million. For the 12 months period, Parkson net profit slumped 69% to RM42.83 million from RM138.15 million before, while revenue fell by 5.1% to RM3.74 billion.

(Source: TheSunDaily)

IHH, TBA (TP: TBA): Reports higher earnings

Hospital operator IHH Healthcare Bhd posted a 9% rise in net profit to RM228.1mil for the second quarter ended June 30 compared to the same quarter a year ago on higher revenue contributions from three newly opened hospitals. The earnings growth was contrary to what analysts had expected, given the company's exposure to its Turkish operations. They expected a falling Turkish lira to have an impact on the company's earnings. The new hospitals that contributed to the company's earnings were Acibadem Atakent Hospital in Turkey and Pantai Hospital Manjung as well as Gleneagles Kota Kinabalu, both in Malaysia. (Source: The Star)

MSM, BUY (TP: RM5.46): To invest RM1.1bil in sugar refinery

MSM Malaysia Holdings Bhd will invest US\$259 million (RM1.1 billion) for the construction of Malaysia's largest sugar refinery in Tanjung Langsat, Johor. A design, engineering procurement and construction agreement (EPCC) was signed on Wednesday between MSM and Sharkara International, an affiliate of Thailand's Sutech Engineering Co Ltd, for a two-year contract worth US\$95.7 million. MSM president and group chief executive Officer Datuk Sheikh Awab Sheikh Abod said the sugar refinery in Johor, the third in the state, is targeted to be fully operational in the third quarter of 2017. (Source: The Star)

QL Resources (CP: RM3.89): Weak CPO prices weigh on QL Resources' 1Q profit

Weak crude palm oil (CPO) prices has weighed on QL Resources Bhd (Financial Dashboard)'s quarterly earnings performance with its net profit growing barely 1.4% to RM40.93 million, or 3.28 sen per share, for the first financial quarter ended June 30, 2015 (1QFY16). Revenue for the quarter was almost flat at RM655.29 million compared with RM653.56 million. No dividend was declared for the current quarter under review. In a filing with Bursa Malaysia today, the integrated livestock operator said its marine product manufacturing (MPM) segment was the main growth driver with the division's sales increasing by 9% due to higher fishmeal and surimi-based products margins. (Source: The Edge)

Hong Leong Financial (CP: RM13.22): Earnings down 5% in FY15 to RM1.62b

Hong Leong Financial Group Bhd's (HLFG) earnings fell 5% in the financial year ended June 30, 2015 from the RM1.706bil a year ago due to higher tax rate and higher non-controlling interest deduction. HLFG said on Wednesday its revenue dipped 1.3% to RM4.490bil from RM4.549bil a year ago. In the fourth quarter

ended June 30, 2015, its earnings fell nearly 2% to RM441.25mil from RM43mil a year ago. Its revenue was however higher at RM1.219bil, which was an increase of more than 5.4% from RM1.156bil a year ago. It announced a final dividend of 25 sen a share unchanged from a year ago. (Source: *The Star*)

Hong Leong Bank (CP: RM12.92): Full-year profit rises 6.2%

Hong Leong Bank Bhd (HLB) posted a 6.2% rise in earnings to RM2.23bil for the year ended June 30, 2015, bolstered by the strong growth in the final quarter which saw profit rising 14.4% to RM614.85mil. The banking group said on Wednesday FY15 pre-tax profit increased 5.1% to RM2.75bil, thanks to improved net interest income, impairment write-back and higher profit contribution from associates. Its FY15 revenue increased 0.7% at RM4.067bil. HLB's earnings per shares were 34.80 sen compared with 30.52 sen before. It proposed a final dividend of 26 sen, taking the year's total to 41 sen. (Source: *The Star*)

Barakah Offshore (CP: RM0.83): 2Q net profit down 62.4%, revenue weakens to RM124m

Barakah Offshore Petroleum Bhd saw its net profit for the second quarter ended June 30, 2015 (2QFY15) fall 62.4% to RM4.64 million or 0.58 sen per share from RM12.35 million or 1.99 sen per share a year earlier due to lower revenue. Revenue for the quarter decreased 22.47% to RM123.83 million from RM159.71 million due to the near completion and slowdown on the work orders received for the transportation and installation (T&I) contracts during the current quarter. For the six months through June 30, the integrated pipeline service provider posted a 9.27% decrease in net profit to RM19.76 million or 2.46 sen per share from RM21.78 million or 3.52 sen per share last year due to same reason. (Source: *The Edge*)

Tanjung Offshore (CP: RM0.34): Returns to the black in Q2

Tanjung Offshore Bhd returned to the black for its second quarter ended June 30 as the oil and gas services company's cost of sales halved. It said on Wednesday cost of sales fell 50.7% to RM13.55mil from RM27.48mil a year ago. Earnings were RM1.74mil compared with a loss of RM1.21mil a year ago. Tanjung Offshore's revenue plunged 56% to RM15.37mil from RM34.55mil a year ago due to completion of various engineering equipment packages this year. "There was a reduction in overall revenue recorded as most contracts are still at the bidding stages," it said. As for the first half, its topline tumbled 66% to RM23.51mil from RM68.81mil in the previous preceding period. (Source: *The Star*)

Tanah Makmur (CP: RM1.29): 2Q net profit up 5.6%, pays 6 sen dividend

Tanah Makmur Bhd reported a 5.6% increase in net profit for its second quarter ended June 30, 2015 (2QFY15) to RM13.25 million, from RM12.55 million a year ago, due to new launchings of residential units in its Kota Sri Ahmad Shah (SAS) township in Kuantan, Pahang. Revenue grew 24.7% to RM101.4 million in 2QFY15 from RM81.31 million in 2QFY14, on higher revenue from its plantation segment which was brought about by higher fresh fruit bunches (FFB) production. The group also declared an interim dividend of 6 sen per share for

the financial year ended Dec 31, 2015 (FY15), payable on Sept 28. *(Source: The Star)*

ECONOMIC UPDATES

China: Home prices seen rising mildly in 2015 on easing policy

Chinese home prices are expected to rise modestly this year thanks to government support measures for the sector, relieving some pressure on the faltering economy, a Reuters poll showed on Wednesday. Home prices are likely to rise 2 % in 2015 from a year earlier, and 3 % in 2016, according to the median of the poll, which surveyed 14 economists and property market analysts between Aug 18-25. Signs of stability in the property sector could ease fears of a sharper slowdown in China's economy, which is heading towards its weakest rate of expansion in 25 years due to a combination of cooling demand at home and abroad. *(Source: Reuters)*

Thailand: To quicken investments worth nearly US\$47bil

Thailand will speed up investment in 17 mega projects worth nearly US\$47 billion in fiscal years 2015 and 2016, the new transport minister said on Wednesday, as pressure mounts on the military-led government to revitalise a flagging economy. South-East Asia's second-largest economy is yet to regain momentum more than a year after a coup in May 2014 ended political unrest, with exports and domestic demand persistently sluggish. The government will try to open bids for six dual-track rail projects and a motorway this year, while pushing ahead on four electric train lines, Arkhom Termpittayapaisith, appointed last week in a reshuffled cabinet, told reporters. *(Source: Reuters)*

India: RBI governor says not in favour of depreciating rupee

Reserve Bank of India governor Raghuram Rajan said he was not in favour of depreciating the Indian rupee and joining a global wave of monetary measures that have weakened currencies, according to a newspaper interview on Wednesday. The comments, in an interview with The Economic Times, reiterate Rajan's frequent criticisms of the competitive devaluations he has said is occurring globally because of actions taken in the eurozone, Japan, and most recently China. Instead, Rajan said India needed to work on making its economy more competitive, while noting India is now "quite healthy" and in a better position to handle global turbulence than it was in 2013. *(Source: Reuters)*

Japan: Govt downgrades consumer spending, exports as economy stutters

Japan's government lowered its assessment of consumer spending and exports in August, a worrying sign that the economy is seeing just a tepid recovery from a contraction in the April-June quarter. The government stood by its assessment that Japan's economy is on track to recover but acknowledged the pace of improvement is patchy as worries stemming from the bursting of China's stock-market bubble roil global financial markets. Turmoil overseas is a threat to Japan, as this could undercut policymakers' efforts to spur inflation with quantitative easing and nurture a flourishing private sector with business-friendly structural reforms. *(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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(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

Head Of Research



Rosnani Rasul
M&A Securities