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Tuesday, September 08, 2015

Report of The Day

Briefing Note: DiGi, BUY (TP: RM6.10) – “4G is The Way Forward”

At a Glance

FBMKLCI shed 6.31 points to finish at 1,582.85 due to the selling pressure on some heavyweight counters.....(See full report next page)

Strategy

“Market Direction to Come from China Equity Market Performance Today”

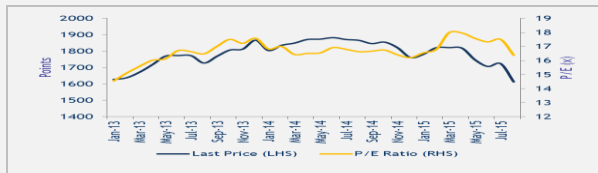
We expect the stock market gyration to continue.....(See full report next page)

Corporate Highlights

- **RHB Capital, BUY (TP: RM7.70):** Prices rights issue shares at RM4.82 each
- **FGV, HOLD (TP: RM1.30):** Taps India's oil palm potential
- **Scientex (CP: RM6.90):** Buys land in Iskandar for RM218m

Economic Update

- **Malaysia:** To conduct R&D of new palm-based products
- **Malaysia:** Service sector expects growth
- **China:** Cuts 2014 GDP growth



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	7-Sep	-	Foreign Reserves	\$3600.0B	\$3651.3B
EU	8-Sep	5:00 PM	GDP SA QoQ	0.3%	0.3%
EU	8-Sep	5:00 PM	GDP SA YoY	1.2%	1.2%
CN	8-Sep	-	Trade Balance	\$51.10B	\$43.03B
CN	8-Sep	-	Exports YoY	-5.0%	-8.3%
CN	8-Sep	-	Imports YoY	-6.0%	-8.1%
JP	8-Sep	7:50 AM	BoP Current Account Balance	-	¥558.6B
JP	8-Sep	7:50 AM	GDP SA QoQ	-0.4%	-0.4%
JP	8-Sep	7:50 AM	GDP Annualized SA QoQ	-1.7%	-1.6%
JP	8-Sep	7:50 AM	GDP Nominal SA QoQ	0.0%	0.0%
JP	8-Sep	7:50 AM	GDP Deflator YoY	1.6%	1.6%
US	9-Sep	7:00 PM	MBA Mortgage Applications	-	11.3%
US	10-Sep	8:30 PM	Initial Jobless Claims	-	-
US	10-Sep	8:30 PM	Continuing Claims	-	-
MY	10-Sep	12:00 PM	Industrial Production YoY	-	4.3%
CN	10-Sep	9:30 AM	CPI YoY	1.9%	1.6%
CN	10-Sep	9:30 AM	PPI YoY	-5.5%	-5.4%
US	11-Sep	8:30 AM	PPI Final Demand MoM	-0.1%	0.2%
US	11-Sep	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	11-Sep	8:30 PM	PPI Final Demand YoY	-0.9%	-0.8%
US	11-Sep	8:30 PM	PPI Ex Food and Energy YoY	-	0.6%
US	11-Sep	8:30 PM	PPI Ex Food, Energy, Trade YoY	-	0.9%
MY	11-Sep	6:00 PM	BNM Overnight Policy Rate	-	3.25%
CN	10-15 Sep	-	New Yuan Loans CNY	800.0B	1480.0B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,582.85	-6.31	-0.40
FBMEMAS	10,841.61	-40.43	-0.37
FBMEMAS SHA	11,366.06	-64.05	-0.56
FBM100	10,581.17	-44.62	-0.42
Volume (mn)	1,684.39	-164.60	-8.90
Value (RMmn)	1,530.84	-49.69	-3.14
FBMKLCI YTD Chg			-10.13

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.0	22.0
Local Institution	56.5	258.8
Foreign Investors	23.5	-280.8

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANTAT	26.80	0.70	2.68
TECNIC GROUP	1.20	0.30	33.33
APEX HEALTHCAR	4.19	0.29	7.44

Top Losers

	Close	Change+/-	(+/- %)
BAT	60.02	-1.00	-1.64
FAR EAST HLDGS	7.11	-0.39	-5.20
UMW HLDG BHD	7.77	-0.23	-2.88

World Indices

	Close	Change+/-	(+/- %)
DJIA	NA	NA	NA
NASDAQ	NA	NA	NA
S&P 500	NA	NA	NA
FTSE 100	6,074.52	31.60	0.52
DAX	10,108.61	70.57	0.70
Nikkei 225	17,860.47	68.31	0.38
HSI	20,583.52	-257.09	-1.23
KOSPI	1,883.22	-2.82	-0.15
STI	2,852.41	-11.40	-0.40
KLCI Futures	1,514.00	(1.00)	(0.00)
USDMYR 3M	14.99	(0.22)	(0.01)
USDMYR 6M	14.52	(0.18)	(0.01)
USDMYR 12M	14.38	(0.11)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	-1.5	-3.3%
Brent (USD/bbl)	47.6	-2.0	-4.0%
Gold(USD/ounce)	1,121	1.5	0.1%
Coal (USD/mt)	57.9	-1.2	-2.0%
CPO (USD/mt)	2,048	17.0	0.8%
Rubber	130	3.7	2.9%
RM/USD	4.33	0.07	-1.62%
EUR/USD	0.90	0.0004	0.04%
YEN/USD	119.38	0.1	-0.08%

What To Expect

U.S. Market

- US Stock Market closed on Labor Day.

The Local Market

- FBMKLCI shed 6.31 points to finish at 1,582.85 due to the selling pressure on some heavyweight counters. There were 330 gainers and 401 decliners in total value traded of RM1.53 billion.
- Among the losers on Bursa Malaysia were BAT dropped RM1.00 to RM60.02, Far East Holdings declined 39 cent to RM7.11, UMW Holdings slid 23 cent to RM7.77 and PPB Group down 20 cent to RM15.02.

Strategy

- **“Market Direction to Come from China Equity Market Performance Today”**
Wall Street was closed yesterday in observance of Labor Day as the back of continuous backslides in Asia’s equity market. Note that China reported a dent in its forex reserve for August indicating that the central bank has been fighting hard to stem the slide in Yuan, no thanks also to the surprise Yuan devaluation last month. China's reserves, the world's largest, fell by USD93.9 billion last month to USD3.557 trillion, central bank data showed on Monday, a trend that is nonetheless consistent across emerging countries. This has led Asian stock market to bleed in sync and we expect nervousness out of China to continue. With no market direction from Wall Street, China will dictate the performance of regional market today. Given the latest development, we expect the regional equity market along with that of local to continue to be volatile with downside bias. Added with jitteriness emanating from the US policy meeting next week and lack of catalyst to support the market, we expect the stock market gyration to continue.
- 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

RHB Capital, BUY (TP: RM7.70): Prices rights issue shares at RM4.82 each

RHB Capital Bhd has fixed the issue price for its proposed rights issue at RM4.82 per rights share on the basis of one rights share for every five existing company share. The issue price represents a discount of 20.3% to the theoretical ex-rights price of RHB Capital shares of RM6.05 based on its five-day volume weighted average market price up to and including Sept 4, 2015 of about RM6.29.

Based on the 2.58 million RHB Capital shares in issue as at yesterday, the rights issue will result in the issuance of 517.69 million new shares, raising gross proceeds of RM2.49 million. (Source: *The Sun*)

FGV, HOLD (TP: RM1.30): Taps India's oil palm potential

FELDA Global Ventures Holdings Bhd (FGV), the world's largest crude palm oil producer, plans to collaborate and explore partnership opportunities with a few Indian partners to further strengthen its market position as the leader in the oil palm-based downstream sector. FGV president and chief executive officer Datuk Mohammed Emir Mavani Abdullah said India is looking at the company's specialty products segment, especially on its cocoa butter substitutes for the bakery sector. "There is a big demand for oil palm-based products and I am sure you have heard the news that India is also trying to grow oil palm, therefore we are discussing with a few partners in India to work together on oil palm plantation," Mohammed Emir explained. India recently announced its plan to grow two million hectares of oil palm in the next three years. (Source: *NST*)

Scientex (CP: RM6.90): Buys land in Iskandar for RM218m

Scientex Bhd has proposed to acquire 326.06 acres of land in the Iskandar region, Johor for RM218.97mil to expand its existing landbank. The company said on Monday its unit Scientex Quartari Sdn Bhd had signed two sales and purchase agreements (SPA) with Bukit Gambir Company Sdn Bhd and Jayaplus Bakti Sdn Bhd respectively. Scientex said the proposed acquisition would provide the group adequate landbank to sustain its property development over the medium and longer term. It expects the land, all at Pulau, to provide a steady and sustainable property development model as it focuses on landed properties and affordably priced home. The first SPA was with Bukit Gambir for five parcels of freehold agriculture land and 369 sub-divided lots, totalling some 249 acres, and with Jayaplus Bakti for two parcels of freehold agriculture land measuring just under 74 acres for RM216.74mil in cash. (Source: *The Star*)

Scomi Energy (CP: RM0.25): Remains profitable despite global economic slowdown

Scomi Energy Services Bhd, a unit under Scomi Group Bhd, has not been directly impacted by the ringgit depreciation, says its Chief Financial Officer Mukhnizam Mahmud. Mukhnizam said the company has in fact benefited from the lower ringgit as 95 per cent of its operations are done in US dollars. For us the weakening of ringgit is a plus because most of our revenue is in US dollars, and 95 per cent of our businesses are conducted in that currency as well. In terms of value to the USD, we gain there (as most currencies around the region weakened against USD) and as long as the US dollars remain strong against the foreign exchange, we are safe. "Our cost is both in USD and local currency and about 30-40 per cent of our operations are done in ringgit. If it is in USD, it is a natural hedge, if it is in local currency it becomes a plus for us, said Mukhnizam after the annual general meeting earlier yesterday. (Source: *NST*)

Dagang NeXchange (CP: RM0.23): DNeX to acquire 30% equity in Ping Petroleum

Dagang NeXchange Bhd's (DNeX) wholly-owned subsidiary DNeX Petroleum Sdn Bhd is acquiring 30% equity of Ping Petroleum Ltd via a proposed subscription of

shares for US\$10 million (RM42 million) cash. In a filing with Bursa Malaysia yesterday, DNeX said its subsidiary has entered into a share subscription agreement with Ping Petroleum to subscribe for new ordinary shares of US\$0.001 each, representing 30% of the enlarged issued share capital of Ping Petroleum. The proposed share subscription will see DNeX Petroleum investing in Ping Petroleum's oil and gas businesses and assets, which includes the proposed acquisition of the Anasuria Cluster in the North Sea. *(Source: The Sun)*

The Media Shoppe (CP: RM0.14): Unit bags RM192m construction job in Terengganu

Software developer The Media Shoppe Bhd's (TMS) wholly-owned unit Exonion Sdn Bhd has been awarded a RM192 million project management job for the development of a 12.14ha tract in Kemaman, Terengganu, which marks its first foray into the property construction business. In a filing with Bursa Malaysia this evening, TMS said Exonion entered into a managing contract agreement for the said job in relation to a mixed development project on the land with Total Merit Sdn Bhd today. The development entails two storey shoplots with a total of 43 units, five blocks of 12-storey apartments with a total of 660 units, one block of 11-storey affordable apartment with a total of 240 units as well as amenities which include a mosque, kindergarten and swimming pool. *(Source: The Edge)*

China Stationery (CP: RM0.08): Applies to be uplifted from PN17

China Stationery Ltd has made an application for the upliftment from Practice Note 17 status, after recording net profits for two consecutive quarters. It said on Monday it had also submitted an application to Bursa Malaysia Securities Bhd to waive a submission of a regularisation plan. The integrated plastic stationery company posted a net profit of 28.21mil renminbi in the fourth quarter ended Dec 31, 2014 compared with 59.52mil renminbi a year ago. *(Source: The Star)*

Country Heights (CP: RM1.04): Unit slapped with RM28.10m income tax claim

Country Heights Holdings Bhd's wholly-owned subsidiary Country Heights Sdn Bhd (CHSB) has been slapped with two lawsuits from the Malaysian government claiming a total of RM28.10 million in income tax. In a filing to Bursa Malaysia today, Country Heights said two summonses for the above, both dated Aug 17, were received by the company on Sept 4. The first suit was for income tax for the years of assessment 1997 and 1998 — amounting to the sum of RM23.48 million. The second was for the year of assessment 2008, for RM4.62 million. *(Source: The Edge)*

Leweko (CP: RM0.12): Rights issue is undersubscribed by half

Timber-based Leweko Resources Bhd's renounceable rights issue, which is priced at above market value, is substantially undersubscribed. The rights issue of 161.17 million shares with detachable warrants was fixed at 20 sen per share with free warrants, compared with today's closing of 11.5 sen. In a filing with Bursa Malaysia, Leweko said up until Sept 2 the company received valid acceptances and excess applications for a total of 80.15 million shares, representing 49.73% of the total number of available shares under the rights issue with warrants. The company's share price closed at 14 sen on Sept 2. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: To conduct R&D of new palm-based products

Malaysia will continue to undertake research and development (R&D) to come out with new palm-based products, including nutraceutical and pharmaceutical, for the global markets. Plantation Industries and Commodities Minister Datuk Amar Douglas Uggah Embas said the Malaysian Palm Oil Board's (MPOB) offices in the United States, Europe, Africa, Pakistan and China would assist the industry by continually working with the authorities and industry players to increase the uptake of palm oil for food and non-food sectors. In his opening speech at the 35th Palm Oil Familiarisation Programme here on Monday, Uggah said palm oil offered a competitive advantage over other competing oils for applications in the food and non-food sectors. The text of his speech was read by MPOB chairman Datuk Wan Mohammad Khairil Anuar Wan Ahmad. *(Source: The Star)*

Malaysia: Service sector expects growth

Malaysia's service sector which has slowed down over the past six years is expected to see accelerated growth as the private sector is now empowered to implement government policies. President of the Malaysian Service Providers Confederation (MSPC) Choo Kok Beng said the services sector's contribution of 55 per cent to the nation's gross domestic product is expected to grow by an additional one percentage basis point in 2015. *(Source: NST)*

China: Cuts 2014 GDP growth

China on Monday lowered its gross domestic product (GDP) growth figure for last year by 10 basis points to 7.3%, authorities said, as concerns mount over slowing expansion in the world's second-largest economy. The National Bureau of Statistics said on its website that it lowered the figure from the 7.4% announced in January after a "preliminary confirmation". A final confirmation could come in January, it added. The new figure remains the lowest since 1990, when growth plummeted to 3.9%. Global stock markets have been pummelled by concerns over slowing growth in China, a key driver of the world economy. *(Source: The Star)*

China: Forex reserves in record fall as Beijing tries to calm markets

China's foreign exchange reserves posted their biggest monthly fall on record in August, reflecting Beijing's attempts to halt a slide in the yuan and stabilize financial markets following its surprise move to devalue the currency last month. China's reserves, the world's largest, fell by \$93.9 billion last month to \$3.557 trillion, central bank data showed on Monday. The drop left market watchers questioning how sustainable China's efforts to support the yuan are, as capital flows out of the country due to fears of an economic slowdown and prospects of rising U.S. interest rates. *(Source: Reuters)*

Indonesia: More exposed to capital flight than Malaysia, S&P says

Rocked by a political scandal and falling oil prices, Malaysia has been dominating headlines in recent months as the ringgit leads a drop in Asian currencies. That's taken the spotlight off the economy of neighboring Indonesia, which Standard & Poor's says is more exposed to capital flight. The thing about

Malaysia is that the capital market is deeper there, so there's less reliance on foreign capital among corporates or banks to fund their growth," said Kyran Curry, S&P's director of sovereign ratings in Singapore. "Indonesia is much more vulnerable to shifts in outflows and inflows. We're worried about Indonesia's foreign-exchange reserves." Bank Indonesia's reserves have fallen almost 9% in the six months through August. While that's less than in Malaysia, Curry says he's concerned as the monetary authority in Jakarta has recently been "spending a lot to stabilize volatility in the currency." . (Source: *The Edge*)

Thailand: Investment budget disbursements seen below target in fiscal year 2015

Thailand's finance ministry said on Monday it expects disbursement of the investment budget for the fiscal year ending September 2015 to fall short of target. "It is about 60% now. We may end the current fiscal year in the region of 70% as this is already a final month," Deputy Finance Minister Wisut Srisuphan told reporters. The total budget for 2015 is 2.575 trillion baht (\$71.3 billion), with the portion for investment around 451 billion baht (\$12.49 billion), ministry data showed. The ministry last week eased rules on budget approvals for small scale government projects to boost disbursements in the next fiscal year, Wisut said. (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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