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Monday, December 21, 2015

**At a Glance**

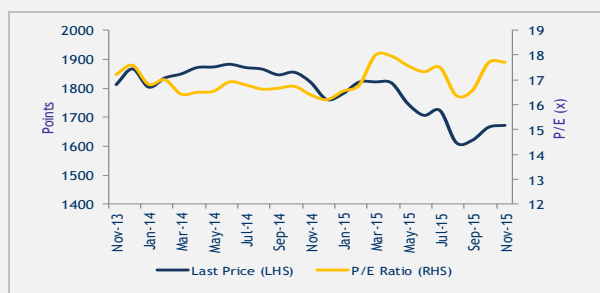
FBMKLCI dropped 12.62 points to finish at 1,643.90 due to negative regional market sentiments.....(See full report next page)

**Corporate Highlights**

- **Wah Seong, HOLD (TP: RM0.94):** To sell 25% stake in WDG Resources to Epilog Tegap
- **AFG, BUY (CP: RM4.00):** Alliance Bank Issues second tranche of notes worth RM300mil
- **Mah Sing, HOLD (TP: RM1.34):** To acquire co with interest in award-winning film as part of CSR drive

**Economic Update**

- **U.S.:** There's a 'Lot to Feel Good About' in U.S. Economy
- **Europe:** German Economy Ends Year on Solid Footing as Labor Market Booms
- **CHINA:** To keep its stimulus measures including interest rate cuts in 2016

**Bursa Malaysia**

	Close	Change+/-	(+/- %)
FBMKLCI	1,643.90	-12.62	-0.76
FBMEMAS	11,484.42	-97.46	-0.84
FBMEMAS SHA	12,391.05	-96.91	-0.78
FBM100	11,158.24	-99.48	-0.88
Volume (mn)	1,743.21	-205.71	-10.55
Value (RMmn)	2,155.09	-97.27	-4.32
FBMKLCI YTD Chg			-6.66

**Daily Trading Position (RM'mn)**

	Participation (%)	Net(RMm)
Local Retail	16.2	19.5
Local Institution	48.7	154.4
Foreign Investors	35.1	-173.9

**Top Gainers**

	Close	Change+/-	(+/- %)
PIE INDUSTRIAL	9.52	0.72	8.18
MALAYSIAN PAC	9.72	0.42	4.52
SCIENTEX BHD	9.50	0.35	3.83

**Top Losers**

	Close	Change+/-	(+/- %)
TOP GLOVE CORP	13.00	-0.60	-4.41
LAFARGE MALAYSI	8.51	-0.41	-4.60
BAT	55.00	-0.40	-0.72

**World Indices**

	Close	Change+/-	(+/- %)
DJIA	17,128.55	-367.29	-2.10
NASDAQ	4,923.08	-79.47	-1.59
S&P 500	2,005.55	-36.34	-1.78
FTSE 100	6,052.42	-50.12	-0.82
DAX	10,608.19	-129.93	-1.21
Nikkei 225	18,986.80	-366.76	-1.90
HSI	21,755.56	-116.50	-0.53
KOSPI	1,975.32	-2.64	-0.13
STI	2,844.09	-17.09	-0.60
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

**Other Key Economics Data**

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	35	-0.1	-0.2%
Brent (USD/bbl)	36.7	-0.2	-0.5%
Gold(USD/ounce)	1,065	-0.8	-0.1%
Coal (USD/mt)	52.2	0.0	-0.1%
CPO (RM/mt)	2,402	17.0	0.7%
Rubber	123	-0.2	-0.2%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average slumped 367.29 points to 17,128.55 points, S&P 500 eased by 36.34 points to 2,005.55. Nasdaq erased 79.47 points to 4,923.08. U.S. markets fell sharply on Friday as slumping oil prices raised concerns about slower growth, while the dollar slipped against the yen on views the Bank of Japan may not ease policy as much as expected.
- Equities suffered from fatigue after markets rose in anticipation of the Fed move, while the slumping price of oil drove investor sentiment on concerns over global growth and a growing supply surplus.

### The Local Market

- FBMKLCI dropped 12.62 points to finish at 1,643.90 due to negative regional market sentiments. There were 335 gainers and 498 decliners in total value traded of RM2.15 billion.
- Among the losers on Bursa Malaysia were Top Glove fell 60 cent to RM13.00, Lafarge Malaysia declined 41 cent to RM8.51, BAT slid 40 cent to RM55.00 and Allianz Malaysia shed 30 cent to RM10.30.

### Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

## CORPORATE HIGHLIGHTS

### Wah Seong, HOLD (TP: RM0.94): To sell 25% stake in WDG Resources to Epilog Tegap

Wah Seong Corp has proposed to dispose of 25% of its stake in WDG Resources Sdn Bhd (formerly known as Advanced Piping Systems Sdn Bhd) for RM200,000 in cash to Epilog Tegap Sdn Bhd as part of WDG's expansion plan. It was revealed that Spirolite (M) Sdn Bhd, an indirect wholly-owned subsidiary of Wah Seong, has entered into a share sale agreement with Epilog, in which the latter will acquire 200,000 shares, representing 25% of the equity interest in WDG for RM200,000. (Source: The Edge)

### AFG, BUY (CP: RM4.00): Alliance Bank Issues second tranche of notes worth RM300mil

Alliance Bank Malaysia Bhd, a unit of Alliance Financial Group Bhd, has completed a second issuance of RM300mil subordinated medium term notes (sub-MTNs) under its sub-MTNs programme of RM2bil in nominal value. The financial services group told Bursa Malaysia that the notes, which matures in 10 years and not callable for the first five years, bear a coupon rate of 5.65% per

year. The first tranche of RM900mil in nominal value, with the same tenure and at a coupon rate of 5.75% per year, was issued in October. *(Source: The Star)*

**Mah Sing, HOLD (TP: RM1.34): To acquire co with interest in award-winning film as part of CSR drive**

Mah Sing Group Bhd is acquiring privately-held VIP Sanctuary Sdn Bhd — which holds beneficial interest in the award-winning film entitled The Kid from the Big Apple — for RM60,000 cash, as part of efforts to raise funds for the property developer's foundation. Mah Sing said its wholly-owned subsidiary Mont Meridian Development Sdn Bhd has signed a conditional sale and purchase agreement (SPA) with several parties for the proposed acquisition. *(Source: The Edge)*

**Berjaya Assets (CP: RM0.80): Buys back Johor Sultan's stake in Berjaya Times Square for the same price**

Berjaya Assets Bhd (BASSETS) has acquired the entire 20% stake in its subsidiary Berjaya Times Square Sdn Bhd (BTS) held by Johor Sultan Ibrahim Ismail Ibni Almarhum Sultan Mahmud Iskandar Al-Haj for RM250 million or RM1.67 per share, enabling BASSETS to regain total control over BTS. BASSETS said it has signed a share sale agreement with Sultan Ibrahim for the acquisition. Following this, BTS is now a wholly-owned subsidiary of BASSETS. It said Sultan Ibrahim had offered to dispose of his stake comprising 150 million shares in BTS to BASSETS at the same consideration when he acquired the BTS shares in 2013. *(Source: The Edge)*

**BToto (CP: RM3.00): 2Q net profit falls 29%, pays 5 sen dividend**

Berjaya Sports Toto Bhd (BToto) saw its net profit fall 29.1% to RM70.65 million or 5.27 sen per share for the second financial quarter ended Oct 31, 2015 (2QFY16) from RM99.67 million or 7.39 sen per share a year ago, mainly due to lower contribution from its principal subsidiary Sports Toto Malaysia Sdn Bhd. The number forecast operator (NFO) said Sports Toto's pre-tax profit for 2QFY16 was reduced by 25.4% mainly due to the goods and services tax (GST) being absorbed, coupled with the lower prize payout in 2QFY15. *(Source: The Edge)*

**Brahims (CP: RM1.09): Sells 49% stake in airline catering business to SATS**

Brahim's Holdings Bhd has entered into a conditional share sale agreement to dispose of 49% of its equity stake in Brahim's Airline Catering Holdings Sdn Bhd (BACH) to SATS Investments Pte Ltd for a cash consideration of up to RM218 million. Brahim's Holdings said that it will be paid RM110 million upon the completion of the proposed disposal, while the remaining RM108 million will be paid upon achieving certain financial targets. The 49% equity stake in BACH represents 490,000 shares of RM1 each. *(Source: The Edge)*

**Eng Kah (CP: RM1.78): Boosts output**

Contract manufacturer Eng Kah Corp Bhd is ramping up the monthly production of its cosmetic, perfumery and personal care products worth RM7mil by mid-2016 from about RM5mil presently. Group managing director Ewe Eng Kah said the group's associate company Atika Beauty Manufacturing Sdn Bhd and wholly-owned subsidiary EK Universal Marketing Sdn Bhd would be the key drivers of growth in 2016. *(Source: The Edge)*

**Daya Materials (CP: RM0.10): Expanding in Vietnam**

DAYA Materials Bhd is aggressively expanding its reach in the Vietnamese market following its collaboration with a subsidiary of PetroVietnam, Vietnam's national oil and gas company. This collaboration would allow for easier access into the Vietnamese market, and hence lead to Daya bidding for, and likely winning more projects there. Earlier this month, Daya announced that it has entered into a memorandum of understanding (MoU) with Vietnamese firm Petroleum Trading Joint Stock Company (Petechem JSC) to provide products and services to the Vietnamese oil and gas market. *(Source: The Star)*

**IOI Properties (CP: RM2.15): Minorities advised to vote for Lim's land injection**

IOI Properties Group Bhd minority shareholders have been advised to vote in favour of chairman Tan Sri Lee Shin Cheng's move to inject his private land into IOI Properties. The independent adviser to the minority shareholders, Kenanga Investment Bank Bhd said on Friday the proposed acquisition was "fair and reasonable" and not detrimental to their interest. It advised them to vote in favour of the resolutions pertaining to the proposed acquisitions to be tabled at the EGM on Jan 4. To recap, IOI Properties announced in October it was buying 400 acres from Lee and his family for RM1.58bil in cash and new shares, a transaction that would need the approval of minority shareholders of the company as it was a related party transaction. *(Source: The Star)*

**ECONOMIC UPDATES****U.S.: There's a 'Lot to Feel Good About' in U.S. Economy**

Treasury Secretary Jacob J. Lew said the U.S. is growing in a strong way, and that there is "a lot to feel good about" how the economy is progressing, days after the Federal Reserve raised interest rates for the first time in almost a decade. While the country needs to ensure that the results of that growth are more broadly shared so that workers feel the benefits, the economy is doing well, Lew said in an interview with "CNN's Fareed Zakaria GPS" that will air on Sunday. *(Source: Bloomberg)*

**Europe: German Economy Ends Year on Solid Footing as Labor Market Booms**

Germany's private sector rounded off its best quarter since 2014, with job creation jumping to a four-year high, Markit Economics said. A Purchasing Managers' Index for manufacturing and services suggests economic expansion in Germany accelerated in the final months of the year from the 0.3 percent pace recorded in the July-September period, the London-based company said on Wednesday. A composite gauge for December slipped to 54.9 from 55.2 in November. Economists predicted a reading of 55. *(Source: Bloomberg)*

**China: To keep its stimulus measures including interest rate cuts in 2016**

China is expected to keep its stimulus measures including interest rate cuts in 2016 to underpin economic growth, Bloomberg economists has said. The central bank will likely make two 25 bp cuts in the loan rate and multiple cuts in the reserve requirement ratio in the first half. To combat a economic slowdown, China's central bank has cut benchmark interest rates five times since last

November and lowered banks' reserve requirement ratio three times since February. (Source: Bloomberg)

# 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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