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Tuesday, March 24, 2015

Report of The Day

Results Review: Scientex 2Q15 – “Boost by Segmental- Manufacturing and Property”

At a Glance

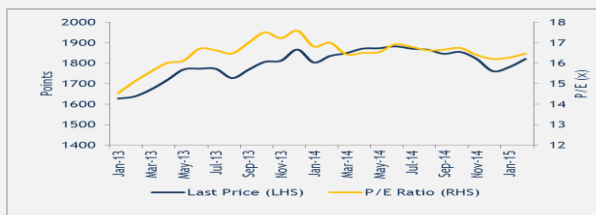
FBMKLCI declined 7.80 points to finish at 1,795.85 due to the profit taking activities.....(See full report next page)

Corporate Highlights

- **Scientex, HOLD (TP: RM7.30):** Q2 earnings up 6.3% to RM36m
- **Maybank, BUY (TP: RM10.70):** Named ‘Best Bank Brand in Malaysia’
- **IHH, HOLD (TP: RM4.92):** Buys 51% stake in India’s Continental Hospitals for RM167mil

Economic Update

- **Malaysia:** Ministry urges traders, business owners to pass GST savings on to consumers
- **Singapore:** Longest disinflation since 2009 supports easing case
- **U.S.:** Existing home sales rise marginally in February



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	23-Feb	10:00 PM	Existing Home Sales	4.94M	4.82M
US	23-Feb	10:00 PM	Existing Home Sales MoM	2.5%	-4.9%
EU	23-Mar	11:00 PM	Consumer Confidence	-	-6.7
EU	24-Mar	5:00 PM	Markit Eurozone Manufacturing PMI	-	51.0
EU	24-Mar	5:00 PM	Markit Eurozone Services PMI	-	53.7
EU	24-Mar	5:00 PM	Markit Eurozone composite PMI	-	53.3
CN	24-Mar	9:45 AM	HSBC China Mmanufacturing PMI	50.5	50.7
JP	24-Mar	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	51.6
US	24-Mar	8:30 PM	CPI MoM	0.2%	-0.7%
US	24-Mar	8:30 PM	CPI Ex Food and Energy MoM	0.1%	0.2%
US	24-Mar	8:30 PM	CPI YoY	-0.1%	-0.1%
US	24-Mar	9:45 PM	Markit US Manufacturing PMI	55.3	55.1
US	24-Mar	10:00 PM	New Home Sales	475K	481K
US	24-Mar	10:00 PM	New Home Sales MoM	-1.3%	-0.2
JP	25-Mar	7:50 AM	PPI Services YoY	-	3.4%
US	25-Mar	7:00 PM	MBA Mortgage Applications	-	-3.9%
US	25-Mar	8:30 PM	Durable Goods Orders	0.6%	2.8%
US	25-Mar	8:30 PM	Durables Ex Transportation	0.5%	0.3%
US	26-Mar	8:30 PM	Initial Jobless Claims	-	-
US	26-Mar	8:30 PM	Continuing Claims	-	-
US	26-Mar	9:45 PM	Markit US Composite PMI	-	57.2
US	26-Mar	9:45 PM	Markit US Services PMI	-	57.1
JP	27-Mar	7:30 AM	Jobless Rate	3.5%	3.6%
JP	27-Mar	7:50 AM	Retail Trade YoY	-2.1%	-2.0%
JP	27-Mar	7:50 AM	Retail Sales MoM	0.6%	-1.3%
US	27-Mar	8:30 PM	GDP Annualized QoQ	2.4%	2.2%
US	27-Mar	8:30 PM	Personal Consumption	-	4.2%
US	27-Mar	8:30 PM	Core PCE QoQ	-	1.1%
US	27-Mar	10:00 PM	U. of Mich. Sentiment	92.0	91.2

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,795.85	-7.80	-0.43
FBMEMAS	12,343.24	-41.00	-0.33
FBMEMAS SHA	12,959.35	-24.55	-0.19
FBM100	12,038.84	-40.29	-0.33
Volume (mn)	2,131.97	8.05	0.38
Value (RMmn)	1,772.29	-1,365.36	-43.52
FBMKLCI YTD Chg			1.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.1	4.1
Local Institution	54.6	-30.3
Foreign Investors	24.3	26.2

Top Gainers

	Close	Change+/-	(+/- %)
GLOBETRONICS TE	5.55	0.25	4.72
HUNZA PROPRTI	2.33	0.23	10.95
PCHEM	5.34	0.22	4.30

Top Losers

	Close	Change+/-	(+/- %)
BAT	67.70	-0.90	-1.31
HONG LEONG CAP	9.70	-0.58	-5.64
NESTLE (MALAY)	73.50	-0.50	-0.68

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,116.04	-11.61	-0.06
NASDAQ	5,010.97	-15.44	-0.31
S&P 500	2,104.42	-3.68	-0.17
FTSE 100	7,037.67	15.16	0.22
DAX	11,895.84	-143.53	-1.19
Nikkei 225	19,754.36	194.14	0.99
HSI	24,494.51	119.27	0.49
KOSPI	2,036.59	-0.65	-0.03
STI	3,410.13	-2.31	-0.07
KLCI Futures	1,784.00	(23.50)	(0.01)
USDMYR 3M	10.29	0.01	0.00
USDMYR 6M	10.44	(0.01)	(0.00)
USDMYR 12M	10.58	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	47	0.0	0.0%
Brent (USD/bbl)	55.9	0.6	1.1%
Gold(USD/ounce)	1,190	0.6	0.1%
Coal (USD/mt)	62.4	-1.7	-2.6%
CPO (RM/mt)	2,186	26.0	1.2%
Rubber	172	0.7	0.4%
RM/USD	3.70	-0.0383	1.04%
EUR/USD	0.91	-0.0003	-0.03%
YEN/USD	119.67	-0.06	0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 11.61 points to 18,116.04, S&P 500 tumble by 3.68 points to 2,104.42. Nasdaq decline by 15.44 points to 5,010.97. U.S. stocks closed lower on Monday as investors looked ahead to a light week of economic reports amid some consolidation in currency and oil prices.
- The action in the dollar has closely affected stocks of late as traders anticipate monetary policy tightening by the Federal Reserve sometime later this year.

The Local Market

- FBMKLCI declined 7.80 points to finish at 1,795.85 due to the profit taking activities. There were 374 gainers and 436 decliners in total value traded of RM1.77 billion.
- Among the losers on Bursa Malaysia were BAT dropped 90 cent to RM67.70, Hong Leong Capital slid 58 cent to RM9.70, Nestle (M) fell 50 cent to RM73.50 and KLK shed 38 cent to RM22.14.

Strategy

- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Scientex, HOLD (TP: RM7.30): Q2 earnings up 6.3% to RM36m

Scientex Bhd's earnings rose 6.3% to RM36.05mil in the second quarter ended Jan 31, 2015 from RM33.92mil a year ago on higher revenue from its manufacturing and property sectors. The packaging manufacturer and property developer said on Monday revenue increased by 20.7% to RM462.86mil from RM383.49mil a year ago. Earnings per share were 15.98 sen compared with 15.34 sen. This was attributed to higher sales in both the manufacturing and property segments. Scientex said in the Q2, FY14, manufacturing segment revenue rose 13.3% to RM327.0mil from RM288.5mil a year ago, on higher sales of industrial and consumer packaging products. (Source: The Star)

Maybank, BUY (TP: RM10.70): Named 'Best Bank Brand in Malaysia'

Maybank was named the 'Best Bank Brand in Malaysia' as it was the only Malaysian founded institution in top 100 global bank brands that was included in the an annual research conducted by Brand Finance. The financial service provider achieved a brand rating of AA+ this year, moving up to 91st position in 2015 from 93rd in 2014. The company said in a press release on Monday that Maybank's brand value was doubled to RM8.25bil (US\$2.24bil) in 2015 compared with 2010. Maybank's group chief marketing officer Mohamed Adam

Wee Abdullah said that this recognition is a testimony to the group's tradition of value creating for stakeholders. *(Source: The Star)*

IHH, HOLD (TP: RM4.92): Buys 51% stake in India's Continental Hospitals for RM167mil

Malaysia's largest private healthcare provider IHH Healthcare Bhd has acquired a 51% stake in Hyderabad, India-based Continental Hospitals Ltd (CHL) for RM166.73mil. The acquisition comes on the heels of the Competition Commission of Singapore's blocking of a deal by IHH to acquire Radlink-Asia from Fortis Healthcare Singapore Pte Ltd for RM346.5mil. The competition regulator had blocked the deal as the acquisition would have resulted in a substantial lessening of competition in the area of radiology and imaging services for private outpatients in the island-republic. IHH said in the filing with Bursa that it had acquired 71.09 million shares in CHL, which owns a 750-bed hospital with involvement in "delivering primary, secondary, tertiary and quaternary healthcare services." It said the acquisition would not have any effect on its issued and paid-up capital and substantial shareholders' stakes. There would also be no material effect on the company's earnings and net assets for the current financial year ending Dec 31, 2015. *(Source: The Star)*

Kejuruteraan Samudra (CP: RM0.48): Gets takeover offer

Oil and gas service provider Kejuruteraan Samudra Timur Bhd (KSTB) has received a voluntary takeover offer from the company's major shareholder Datuk Chee Peck Kiat and parties acting in concert to acquire all the remaining shares they do not own for a cash consideration of 48 sen per share and 18 sen per warrant. Besides Peck Kiat, his son Cheng Chun, Darmendran Kunaretnam and Trance Rex Sdn Bhd, who collectively hold 43.53 million KSTB shares, representing 23.73% of the issued and paid-up capital of the company, also made the offer. In a filing with Bursa Malaysia, KSTB said the offer represented a two-sen, or 4.35%, premium over the company's last-traded price as at March 20, and a 5.88% premium over its last-transacted warrant price. *(Source: The Star)*

Sunway (CP: RM3.60): Completes asset sale

Sunway Bhd has completed the disposal of Sunway Hotel Georgetown and Wisma Sunway for RM134mil. In a filing with Bursa Malaysia yesterday, the developer also announced its intention to lease the Sunway Hotel Georgetown. The sales and purchase agreement was conducted between two of Sunway's units, SunwayMas Sdn Bhd and Daksina Harta Sdn Bhd, with RHB Trustees Bhd as trustee of Sunway Real Estate Investment Trust. *(Source: The Star)*

Hibiscus (CP: RM0.82): JV secures RM323m loan

Hibiscus Petroleum Bhd's jointly-controlled entity, Lime Petroleum Norway AS (Lime Norway) has secured a NOK700 million (RM323 million) loan to fund its four drilling programmes in 2015. It said that the financing facility is an NOK400 million increase from NOK300 million it initially obtained from Skandinaviska Enskilda Banken AB (SEB). The SEB facility was first secured in December 2013. Additionally, it said that Lime Petroleum Plc (Lime) had to-date injected about US\$35 million (NOK282 million) total funds into Lime Norway. *(Source: The Star)*

APFT (CP: RM0.18): To dispose of R66 turbine helicopter

APFT Bhd's wholly-owned subsidiary, APFT Services Sdn Bhd has yesterday entered into a sale and purchase agreement with Solaire Sdn Bhd to dispose its used Robinson R66 Turbine Helicopter for US\$870,000. It said in a filing with Bursa Malaysia yesterday, the acquisition will not have any material effect on its share capital, substantial shareholders' shareholdings and is expected to not have any material effect on its net assets, earnings and gearing for the financial ending March 31, 2016. *(Source: The Sun Daily)*

Tanjung Offshore (CP: RM0.48): EGM called off, Tan now exec director

Tanjung Offshore Bhd's substantial shareholder Tan Sri Tan Kean Soon, appears to have turned the tide at Tanjung Offshore, managing to uplift a suspension on his role in the company, get re-designated to an executive role and appoint three others on the board without going through with an extraordinary general meeting (EGM). The group yesterday announced that the three whom had called for the EGM, Tan, Datuk Dr. Nik Norzrul Thani N. Hassan Thani and Datin Norhafizah Mohd Nordin, had called off the meeting, as it had met the objective it had set out to achieve. In a filing with the stock exchange, the trio said Nik Norzrul Thani, Datuk Maheran Mohd Salleh and Tan Sam Eng's appointment to the board and George William Warren Jr's resignation led to the withdrawal of its request for an EGM. He had cited "exploration of other opportunity elsewhere" as his reason for leaving the board. *(Source: The Sun Daily)*

Perak Corp (CP: RM2.85): Reject Amin's RM3.50's offer

Perak Corp Bhd (PCB) has rejected Amin Halim Rasip's offer to buy its 5% stake in Integrax Bhd saying that Tenaga Nasional Bhd's (TNB) offer is "superior" to his despite him offering a higher price. It said that Amin's offer of RM3.50 a share for a 5% stake in the port operator constitutes "a clear strategic risk" if it plans to dispose its entire, albeit reduced, equity interest in Intergrax on a piece-meal basis. In a stock exchange filing yesterday, PCB stated that "the board is of the view that the Amin's offer does not constitute a superior offer as compared to TNB offer. Therefore the board wishes to announce that after careful examination of the terms, conditions and implications of the Amin offer, the board has resolved to reject the aforesaid offer." *(Source: The Sun Daily)*

Cliq Energy (CP: Suspended): Suspends trading pending QA announcement

Cliq Energy Bhd has announced a suspension on trading of its shares yesterday from 3.38pm, pending an announcement, its filing with Bursa Malaysia showed. According to sources familiar with the company, Cliq Energy will be announcing its first qualifying acquisition (QA), which will see it graduate from being a special purpose acquisition company effective tomorrow (Tuesday, March 24). Note that April 2016 is Cliq Energy's deadline to deliver a qualifying acquisition. Although the source remained tight-lipped on the proposed QA, The Edge Weekly had previously reported the shell company was eyeing acquisition of one of Jura Energy Corp's subsidiary, Frontier Holdings Ltd. Frontier has two gas fields Sara Suri and Kandra in Pakistan. *(Source: The Edge)*

UMW Toyota: Aims to maintain 15% market share

UMW Toyota Motor Sdn Bhd expects to maintain its 15% market share of total industry volume this year, driven by new model launches. "It's what we're

aiming for this year as its a competitive market," UMW Toyota president Datuk Ismet Suki said at a press conference following the unveiling ceremony of its completely-knocked-down (CKD) Camry Hybrid production line at its factory in Shah Alam today. The company invested RM180mil in the production line and expects to produce 7,000 units of its Camry (both petrol and hybrid variants) this year. Ismet said the company is targeting to sell up to 900 Camry models a month. It will launch the CKD hybrid Camry next month. *(Source: The Star)*

EkuiNAS: Closes FY 2014 with RM605m investments

Ekuiti Nasional Bhd (EkuiNAS), a government linked private equity fund management company, recorded investments of up to RM605mil in its financial year 2014 (FY14). It said on Monday the latest two investments accounted for RM124mil which included a 60% stake in Tranglo Sdn Bhd (Tranglo) and 70% of Tenby Educare Sdn Bhd (Tenby). It invested RM54mil in Tranglo, a leading global provider of cross border airtime transfer service, which reflected the group's venture into technology, media and telecommunications industry. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: Ministry urges traders, business owners to pass GST savings on to consumers

Domestic Trade, Cooperatives and Consumerism Ministry have urged traders who derive cost savings from the Goods and Services Tax (GST) to pass them on to consumers. "Prices should be changed accordingly, as the 10% sales tax will be eliminated once the 6% GST is implemented," the ministry's senior principal assistant director Guna Selan Marian told reporters, after Deloitte's Price Control and Anti-Profiteering Seminar today. Depending on different businesses, he said the pricing can be adjusted upwards or downwards. Some businesses will benefit from the GST, as the 10% sales and service tax will be abolished come April 1. Under the Price Control and Anti-profiteering Act 2011 (PCAPA), Guna said there could be changes in the pricing of the products with the change in the tax base, but businesses have to maintain their net profit margin for 18 months until June 30, 2016. *(Source: The Edge)*

Singapore: Longest disinflation since 2009 supports easing case

Singapore's longest stretch of disinflation since the global financial crisis backs the case for a second easing in monetary policy this year, predicted by a growing number of analysts in recent weeks. Consumer prices fell 0.3 percent from a year earlier in February, data released in Singapore Monday showed. That's the fourth straight month of declines, the most extensive slump since the second half of 2009. The Monetary Authority of Singapore, which uses the exchange rate as its main policy tool, will decide next month whether to add to an unscheduled January decision to join global central banks in monetary easing. Recent economic data show the Southeast Asian nation's growth outlook faltering, even as officials predict prices will recover later this year. *(Source: The Edge)*

U.S.: Existing home sales rise marginally in February

U.S. home resales rebounded less than expected in February as a persistent shortage of properties on the market pushed up prices, suggesting a challenging spring selling season. The National Association of Realtors said on Monday that existing home sales rose 1.2 percent to an annual rate of 4.88 million units. January's sales pace was unrevised at 4.82 million units. Apart from tight supply, sales were also constrained by harsh winter weather. Sales in the Northeast, which was slammed by disruptive weather for much of the winter, tumbled 6.5 percent last month. Sales in the Midwest were unchanged. Sales rose 1.9 percent in the South and jumped 5.7 percent in the West. Economists had forecast home resales, which are measured at the closing of contracts, rising to a 4.90 million-unit pace last month. *(Source: The Edge)*

U.S.: Fed's Rate Path Post-Liftoff Won't Be Smooth, Fischer Says

Federal Reserve Vice Chairman Stanley Fischer wants investors to fasten their seatbelts. Fischer said on Monday in New York that raising interest rates "likely will be warranted before the end of the year" and cautioned policy wouldn't be uniform or predictable. Officials last week opened the door to a rate increase as soon as June, while indicating in their forecasts they will go slow once they get started. Fischer's comments are the first from Fed leadership since Chair Janet Yellen's Wednesday press conference after the Federal Open Market Committee meeting. *(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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