

PP14767/09/2012(030761)

Tuesday, May 31, 2016

Report of the Day

Results Review: Wah Seong 1Q16 – “Gloomy Outlook”

At a Glance

FBMKLCI down 7.32 points to close at 1,629.87 driven by the loss in selected heavyweight counters.....(See full report next page)

Strategy

“Sentiment to Remain Nervous”

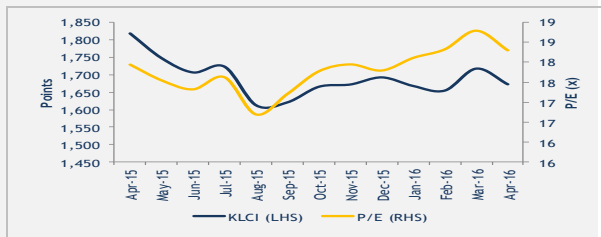
We think that the interest rate adjustment in the US could be cast in stone and this will weigh sentiment on Ringgit.....(See full report next page)

Corporate Highlights

- **Wah Seong, HOLD (TP: RM0.70):** 1Q net profit down 91%
- **Bintulu Port (CP: RM7.00):** Awards RM57.9m contract to build two tugs
- **QL (CP: RM4.43):** El Nino wreaks havoc on farms; 4Q earnings slump by 20%

Economic Update

- **Malaysia:** 1MDB undertakes coupon payment on 5.75% Islamic MTN
- **Japan:** April factory output up 0.3 pct mth/mth
- **Japan:** Shifts Investment From China to Southeast Asia



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	10-May	9:00 PM	Consumer Confidence	-7	-7
JP	30-May	7:50 AM	Retail Sales MoM	-0.50%	-1.40%
US	31-May	8:30 PM	Personal Income	0.40%	0.40%
US	31-May	8:30 PM	Personal Spending	0.40%	0.10%
US	31-May	8:30 PM	PCE Core MoM	0.20%	0.10%
US	31-May	8:30 PM	PCE Core YoY	1.60%	1.60%
US	31-May	9:00 PM	S&P/CasheShiller 20 City Index NSA	182.79	182.79
EU	31-May	4:00 PM	M3 Money Supply YoY	5.00%	5.00%
EU	31-May	5:00 PM	Unemployment Rate	10.20%	10.20%
EU	31-May	5:00 PM	CPI Estimate YoY	-0.20%	-0.20%
EU	31-May	5:00 PM	CPI Core YoY	0.70%	0.70%
JP	31-May	7:50 AM	Industrial Production MoM	-1.50%	3.80%
JP	31-May	7:50 AM	Industrial Production YoY	-5.20%	0.20%
JP	31-May	1:00 PM	Housing Starts YoY	4.00%	8.40%
JP	31-May	1:00 PM	Annualized Housing Starts	0.950m	0.993m
JP	31-May	1:00 PM	Construction Orders YoY	--	19.80%
CN	31-May	12:00 AM	Leading Index	--	99.1
US	1-Jun	7:00 PM	MBA Mortgage Applications	--	2.30%
US	1-Jun	9:45 PM	Markit US Manufacturing PMI	50.5	50.5
US	1-Jun	10:00 PM	ISM Manufacturing	50.5	50.8
US	1-Jun	10:00 PM	Construction Spending MoM	0.50%	0.30%
EU	1-Jun	4:00 PM	Markit Eurozone Manufacturing PMI	51.5	51.5
EU	1-Jun	5:00 PM	OECD Economic Outlook	--	--
JP	1-Jun	7:50 AM	Capital Spending YoY	2.90%	8.50%
JP	1-Jun	1:00 PM	Vehicle Sales YoY	--	7.20%
CN	1-Jun	9:00 AM	Manufacturing PMI	50	50.1
CN	1-Jun	9:00 AM	Non-manufacturing PMI	--	53.5
CN	1-Jun	9:45 AM	Caixin China PMI Mtg	49.3	49.4
US	2-Jun	8:15 PM	ADP Employment Change	178k	156k
US	2-Jun	8:30 PM	Initial Jobless Claims	--	268k
US	2-Jun	8:30 PM	Continuing Claims	--	2163k
US	2-Jun	9:45 PM	Bloomberg Consumer Comfort	--	42
EU	2-Jun	5:00 PM	PPI MoM	--	0.30%
EU	2-Jun	5:00 PM	PPI YoY	-4.30%	-4.20%
EU	2-Jun	7:45 PM	ECB Main Refinancing Rate	0.00%	0.00%
EU	2-Jun	7:45 PM	ECB Deposit Facility Rate	-0.40%	-0.40%
EU	2-Jun	7:45 PM	ECB Marginal Lending Facility	0.25%	0.25%
JP	2-Jun	7:50 AM	Monetary Base YoY	--	26.80%
US	3-Jun	8:30 PM	Trade Balance Revisions: U.S. International Trade In Goods and Services	-\$41.9b	-\$40.4b
US	3-Jun	8:30 PM	Change in Nonfarm Payrolls	160k	160k
US	3-Jun	8:30 PM	Unemployment Rate	4.90%	5.00%
US	3-Jun	9:45 PM	Markit US Services PMI	51.4	51.2
US	3-Jun	9:45 PM	Markit US Composite PMI	50.8	50.8
US	3-Jun	10:00 PM	ISM Non-Manf. Composite	55.3	55.7
US	3-Jun	10:00 PM	Factory Orders	1.10%	1.10%
US	3-Jun	10:00 PM	Factory Orders Ex Trans	0.80%	0.80%
US	3-Jun	10:00 PM	Durable Goods Orders	--	3.40%
EU	3-Jun	10:00 PM	Durables Ex Transportation	--	0.40%
EU	3-Jun	4:00 PM	Markit Eurozone Services PMI	53.1	53.1
EU	3-Jun	4:00 PM	Markit Eurozone Composite PMI	52.9	52.9
EU	3-Jun	5:00 PM	Retail Sales MoM	0.20%	-0.30%
EU	3-Jun	5:00 PM	Retail Sales YoY	2.10%	2.10%
CN	3-Jun	9:45 AM	Caixin China PMI Services	--	51.8
CN	3-Jun	9:45 AM	Caixin China PMI Composite	--	50.8
MY	3-Jun	12:00 PM	Exports YoY	0.20%	0.20%
MY	3-Jun	12:00 PM	Imports YoY	-1.10%	-5.50%
MY	3-Jun	12:00 PM	Trade Balance MYR	9.68b	11.19b

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,629.87	-7.32	-0.45
FBMEMAS	11,401.07	-46.73	-0.41
FBMEMAS SHA	11,916.20	-44.17	-0.37
FBM100	11,096.76	-44.95	-0.40
Volume (mn)	1,555.49	-288.88	-15.66
Value (RMmn)	1,647.96	-290.02	-14.97
FBMKLCI YTD Chg			-3.70

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	16.0	7.8
Local Institution	55.7	169.6
Foreign Investors	28.3	-177.4

Top Gainers

	Close	Change+/-	(+/- %)
AJIYA	3.96	0.36	10.00
DKSH HOLDINGS	3.92	0.17	4.53
SLP RESOURCES	2.45	0.16	6.99

Top Losers

	Close	Change+/-	(+/- %)
DUTCH LADY	54.80	-1.20	-2.14
PIE INDUSTRIAL	12.00	-1.14	-8.68
PPB GROUP	16.28	-0.46	-2.75

World Indices

	Close	Change+/-	(+/- %)
DJIA	-	-	-
NASDAQ	-	-	-
S&P 500	-	-	-
FTSE 100	6,270.79	5.14	0.08
DAX	10,333.23	46.92	0.46
Nikkei 225	17,068.02	233.18	1.39
HSI	20,629.39	52.62	0.26
KOSPI	1,967.13	-2.04	-0.10
STI	2,798.10	-4.41	-0.16
KLCI Futures	1,614.00	(11.50)	(0.01)
USDMYR 3M	12.90	(0.00)	(0.00)
USDMYR 6M	12.78	(0.04)	(0.00)
USDMYR 12M	12.68	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.2	0.3%
Brent (USD/bbl)	49.8	0.4	0.9%
Gold(USD/ounce)	1,210	4.7	0.4%
Coal (USD/mt)	53.2	0.0	0.0%
CPO (RM/mt)	2,600	41.0	1.6%
Rubber	152	3.0	2.0%
RM/USD	4.12	0.0385	-0.94%
EUR/USD	0.90	-0.0007	-0.08%
YEN/USD	110.91	-0.21	0.19%

What To Expect

U.S. Market

- U.S. stock exchange closed on Monday in conjunction with Memorial Day celebration.

The Local Market

- FBMKLCI down 7.32 points to close at 1,629.87 driven by the loss in selected heavyweight counters. There were 300 gainers and 546 decliners in total value traded of RM1.65 billion.
- Among the losers on Bursa Malaysia were Dutch Lady declined RM1.20 to RM54.80, PIE Industrial RM1.14 to RM12.00, PPB Group slipped 46 cent to RM16.28 and Scientex decreased 34 cent to RM12.70.

Strategy

- **“Sentiment to Remain Nervous”**

Of note, stock market in the US and the UK were closed due to a public holiday and hence, we opine that regional sentiment will turn to the European market for trading clue. On that score, stock markets in Europe closed generally higher on the anticipation of weaker Euro, thanks to the statement by Janet Yellen that interest rate adjustment in US is ‘imminent’, paving the way for summer rate hike that could stoke higher Dollar as a result. The pan-European **Stoxx 600** index closed **0.2% higher** which Germany’s **DAX** index jumped **0.5%** following the statement by Janet Yellen. As mentioned yesterday in our strategy piece, the last key hurdle before deciding on rate hike would be the US labour market conditions and this Friday the US May unemployment rate data will be issued. Basing on the steady news flow of late, we think that the interest rate adjustment in the US could be cast in stone and this will weigh sentiment on Ringgit and global commodity prices. In sum, we expect sentiment to remain nervous until the 15th of June, which is the US FOMC policy decision.

- Our 2016 year-end FBMKLCI target is 1,790 based on PER of 17.1x. FBMKLCI is **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.3% in 2016.

CORPORATE HIGHLIGHTS

Wah Seong, HOLD (TP: RM0.70): 1Q net profit down 91%

Wah Seong Corp Bhd's net profit dropped 91% to RM2.36 million or 0.31 sen a share in the first quarter ended March 31, 2016 (1QFY16) from RM26.42 million or 3.41 sen a share a year ago, on lower revenue recognised by its oil and gas (O&G) segment in the current quarter resulting in a loss. The group also saw lower profit contribution from its renewable energy and industrial trading and services segments. Revenue fell 35% to RM340.88 million in 1QFY16 from RM522.84 million in 1QFY15. Wah Seong said its O&G segment posted a pre-tax loss of RM6.2 million in 1QFY16 compared with a pre-tax profit of RM25 million in 1QFY15. (Source: *The Edge*)

Bintulu Port (CP: RM7.00): Awards RM57.9m contract to build two tugs

Bintulu Port Holdings Bhd has awarded a RM57.91 million contract to Bunga Tenaga Sdn Bhd to build two units of 45-tonne bollard pull shiphhandling tugs complete with crew. Bintulu Port said its wholly-owned subsidiary Bintulu Port Sdn Bhd has issued a letter of acceptance to Bunga Tenaga for the proposed project. Construction work on the first hull is for 16 months, while that of the second hull is for 18 months. "A sum of RM4,000 per tug per day shall be imposed as the liquidated and ascertained damages for (any) delay in delivery of the said tugs," said Bintulu Port. (Source: *The Edge*)

QL (CP: RM4.43): El Nino wreaks havoc on farms; 4Q earnings slump by 20%

QL Resources Bhd's net profit for the fourth financial quarter ended March 31, 2016 (4QFY16) fell 20% to RM38.07 million or 3.05 sen a share from RM47.55 million or 3.81 sen a share a year ago, due to weaker performance at its integrated livestock farming (ILF) division. QL Resources attributed the decrease in profitability in its ILF division to the El Nino hot weather that affected farm productivity and the impact of weak ringgit on egg farming costs, among others. Nevertheless, its 4QFY16 revenue came in at RM768.93 million, 16% higher than its 4QFY15 revenue of RM664.85 million, as a result of higher feed raw material traded volume, as well as higher contribution from its Indonesian feedmill unit. (Source: *The Edge*)

AirAsia (CP: RM2.41): Receives US\$1b takeover offer for leasing unit

Asia's largest budget airline AirAsia Bhd has received a US\$1 billion offer for its aircraft leasing unit, Bloomberg News quoted chief executive Tan Sri Tony Fernandes as saying. AirAsia intends to divest the business, Asia Aviation Capital Ltd, at some point, Fernandes told Bloomberg on Monday but added that the offer needs to be discussed further with the board. Reuters reported in October that AirAsia has been in talks with lessors, including cash-rich Chinese companies, to sell a stake in its leasing subsidiary. Chinese companies are seeking to grow aggressively in the leasing industry that provides about 40% of the planes used by airlines globally. (Source: *The Star*)

Ekovest (CP: RM1.56): Doubles 1Q profit on higher construction revenue, toll collection

Ekovest Bhd's net profit for the third quarter ended March 31, 2016 (3QFY16) more than doubled to RM11.08 million, while its turnover rose by 47.5% to

RM184.77 million, as it saw higher revenue in its construction segment and toll operation. Ekovest, which owns the concession for Duta-Ulu Klang Expressway (DUKE), said in its Bursa Malaysia filing yesterday that net profit for the cumulative period in this financial year (9MFY16) grew by 105.9% year-on-year to RM20.27 million from RM9.84 million in 9MFY15. Cumulative revenue came to RM502.51 million, 57.5% higher than the previous corresponding period's RM319.001 million. The cumulative period's improved financials were largely due to the same reason as the quarterly improvements. *(Source: The Edge)*

Kumpulan Perangsang Selangor (CP: RM1.00): 1Q net profit surges more than five times

Kumpulan Perangsang Selangor Bhd's (KPS) net profit rose more than five times to RM116.43 million or 23.3 sen a share for the first quarter ended March 31, 2016 (1QFY16) from RM20.27 million or 4.1 sen a share a year ago, mainly due to a one-off gain realised on assets held for disposal of RM91.13 million. The gain arose from the execution of a supplemental agreement to the development agreement between its subsidiary Cash Band (M) Bhd and Setia Eco Templer Sdn Bhd for a mixed development project comprising residential and commercial properties, KPS said. This was despite revenue falling 14.9% to RM19.19 million in 1QFY16 from RM22.55 million in 1QFY15, on lower revenue recorded by its trading and hospitality sectors by RM1.02 million and RM1.57 million respectively. *(Source: The Edge)*

Iris (CP: RM 0.155): Bags RM346.19m ID card contract from Senegal

Iris Corp Bhd has been awarded a contract worth RM346.19 million for the supply of a new system for the production of the national biometric identity and voters card from the government of Senegal. Iris said it has entered into a contract with the Ministry of Interior and Public Security (MOI) of the Republic of Senegal, a West African country, on May 2 for the production and supply of 10 million new multi-application identity biometric cards, based on contactless chip technology, and 10 fingerprint biometry for a total contract price of €76.2 million (equivalent to RM346.19 million). The contract period is for five years. "MOI's consent or approval was duly received by ICB (Iris) on the evening of May 27," it added. Iris said the implementation of the contract will be funded by internally generated funds and further financing if required. *(Source: The Edge)*

Media Chinese (CP: RM0.735): 4Q net profit up 10.6%, pays 2.43 sen dividend

Media Chinese International Ltd's net profit for the fourth quarter ended March 31, 2016 (4QFY16) rose 10.6% to RM10.75 million from RM9.72 million a year ago, primarily because of lower income tax expense, and lower other losses. Its income tax expense amounted to RM4.48 million this quarter, compared to RM16.68 million in the previous corresponding period last year, its bourse filing today showed. Other losses came in at RM6.03 million compared to RM21.34 million previously. Profit before income tax for the quarter declined 42.8% to RM12.92 million from RM22.6 million a year ago, mainly due to a decline in revenue, which fell 18.3% to RM276.65 million from RM338.73 million. *(Source: The Edge)*

AWC (CP: RM0.70): Bags RM18.15m plumbing job for TRX project

AWC Bhd has bagged a RM18.15 million contract from Mulia Property Development Sdn Bhd to undertake cold water and plumbing works for a 92-storey office tower with a five-storey office annex known as Signature Tower at the Tun Razak Exchange (TRX) project in Jalan Tun Razak/Jalan Davis here. When completed, Signature Tower will be TRX's tallest building and is poised to be a Prime Grade A office space, said AWC. AWC said the tender submitted by its wholly-owned subsidiary Qudotech Sdn Bhd was accepted by Mulia Property Development. The contract will be nominated under the main contract works with China State Construction Engineering (M) Sdn Bhd. (Source: *The Edge*)

Eversendai (CP: RM0.61): Posts Q1 net loss of RM50.4m

Eversendai Corp Bhd posted a net loss of RM 50.42mil compared with a net profit of RM19.4mil posted a year ago, as it registered financial asset fair value losses. "The group's loss for the first quarter was mainly due to higher loss resulting from fair value of financial assets and unrealised foreign exchange loss, without which would have been a profit of RM24.2mil," the company said in a statement. Its revenue for the quarter, however, rose to RM440.72mil from RM402.77mil. Loss per share in the first quarter stood at 6.52 sen compared with 2.51 earnings per share previously. The engineering and construction firm said its current strong order book of RM2.2bil provided the group with solid earnings visibility and it would continue to focus its efforts and initiatives to propel the future growth. (Source: *The Star*)

KPS Consortium (CP: RM0.55): Posts Q revenue of RM124 mil

The Group recorded revenue of RM123.7 million for the 1st quarter period to 31 March 2016 as compared with RM148.0 million recorded in the preceding year corresponding quarter period. Paper milling division turnover was RM2.1 million higher than previous year corresponding quarter period, paper converting division turnover was lower by RM10.7 million compared with the previous year quarter, building materials division recorded a lower turnover of RM13.6 million compared with the preceding year quarter period and general trading divisions reported lower turnover compared with preceding year quarter RM2.0 million. The 1st quarter revenue except for paper milling was lower than previous corresponding year was generally due to lower demand from customers. (Source: *Bursa Malaysia*)

JHM Consolidated (CP: RM0.72): Records higher Q1 PBT of RM3.97 mil

The Group revenue has increased by RM20.60 million to RM45.61 million for the current quarter (Q1 2016) and year to date, representing an increase of 82.25% over the corresponding quarter last year (Q1 201). As a result, the Group also achieved a higher profit before tax (PBT) of RM3.97 million in Q1 2016 as compared to PBT of RM1.85 million in Q1 2015. The main reason contributing to the improvement in PBT for Q1 2016 vs Q1 2015 was due to higher volume loadings from customers coupled with the productivity improvement carried out in the Group. (Source: *Bursa Malaysia*)

ECONOMIC UPDATES

Malaysia: 1MDB undertakes coupon payment on 5.75% Islamic MTN

1Malaysia Development Bhd (1MDB) has undertaken a scheduled coupon payment amounting to RM143.75mil on its RM5bil 5.75% Islamic Medium Term Notes (IMTNs) due 2039. The payment has been made in line with the IMTN coupon payment schedule. "1MDB has ample liquidity to make interest payments and service its current debt obligations. The strong progress achieved on the rationalisation plan further supports 1MDB's stable financial position," president and group executive director Aruk Kanda said in a statement. The payment comes after 1MDB stated that it was in dispute with International Petroleum Investment Company (IPIC) over interest payments due on the US\$1.75bil fixed rate 5.75% notes due 2022 that were issued by 1MDB (Langat) Limited (Langat Notes), and the US\$1.75bil fixed rate 5.99% notes due 2022 that were issued by 1MDB Energy Limited. (Source: *The Star*)

Japan: April factory output up 0.3 pct mth/mth

May 31 Japanese industrial output unexpectedly rose 0.3 percent in April, government data showed on Tuesday, suggesting production was holding up despite weak exports and the hit from a series of earthquakes in southern Japan during the month. The increase compared with a median market forecast for a 1.5 percent drop. Manufacturers surveyed by the Ministry of Economy, Trade and Industry expect output to rise 2.2 percent in May and increase 0.3 percent in June. (Source: *Reuters*)

Japan: Shifts Investment From China to Southeast Asia

Japanese investment in Southeast Asia continues to grow, owing to the region's potential and low labor costs, amid simmering tensions that reduce the appeal of China for some Japanese businesses. For a third straight year, in 2015 the amount of foreign direct investment from Japan to the 10-member Association of Southeast Asian Nations exceeded such investment in China and Hong Kong, according to figures compiled by the Japan External Trade Organization. The pace has been accelerating the outstanding amount of Japanese investment to Asean nations almost tripled from five years ago to 20.1 trillion yen (\$180.9 billion) at the end of last year, according to Bank of Japan data. (Source: *Bloomberg*)

Europe: Bond yields up on Yellen rate-hike hint, upbeat data

Euro zone government bond yields rose on Monday after comments from Federal Reserve Chair Janet Yellen boosted the case for a U.S. interest rate rise in June or July and data pointed to a brighter outlook for Europe's economy. The Fed should raise interest rates "in the coming months" if the economy picks up as expected and jobs continue to be generated, the Fed chief said on Friday. St. Louis Fed President James Bullard added on Monday that global markets appear to be "well-prepared" for a summer rate hike. Germany's 10-year Bund yield, the benchmark in Europe, rose 2.1 basis points to 0.17 percent, off an 11-day low hit on Friday at about 0.12 percent. (Source: *Reuters*)

Saudi Arabia: Net foreign assets fall

Saudi Arabia's net foreign assets fell for the 15th month in a row in April, as the kingdom announced its "vision" for a post-oil future. The Saudi Arabian Monetary Agency said net foreign assets declined 1.1% to US\$572bil, the lowest level in four years. The slump in crude prices has forced the government to sell bonds and draw on its currency reserves, still among the world's largest. Net foreign assets fell by US\$115bil last year, when the kingdom ran a budget deficit of nearly US\$100bil. The fiscal crunch has pushed Saudi Arabia's rulers to look beyond oil, consider new taxes, and plan an initial public offering of state giant Saudi Arabian Oil Co. (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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(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