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Friday, April 15, 2016

Report of the Day

Sector Report: Telecommunication - "Competition Heating Up"

Company Update: MMC Corporation - "Secures PDP Roles in Borneo Highway"

Non-Rated Report: Eduspec Holdings - "Growing Education Hub across the Region"

At a Glance

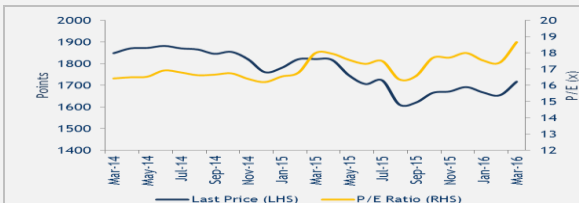
FBMKLCI rose 0.67 points to close at 1,723.78 as blue chips managed to eke out slim gains amid a cautious broader market on rising profit taking over the uncertainties in the crude oil prices.....(See full report next page)

Corporate Highlights

- **Axiata, HOLD (TP: RM6.45):** Celcom's Wondroam removes worries of high roaming fees
- **IHH (CP: RM6.68):** Unit Parkway sells stake in Shenton Insurance for RM81mil
- **Hibiscus (CP: RM0.20):** Winding-up application of Lime driven by 'improper and self-serving motivations'

Economic Update

- **U.S.:** Jobless Claims in U.S. Decline to Match Lowest Since 1973
- **India:** Growth to hold strong
- **Japan:** Likely averted recession in Q1



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	10-15 Apr	-	Money Supply M2 YoY	13.5%	13.3%
CN	11-Apr	9:30 AM	CPI YoY	2.5%	2.3%
CN	11-Apr	9:30 AM	PPI YoY	-4.6%	-4.9%
MY	11-Apr	12:00 PM	Industrial Production YoY	-	3.2%
US	13-Apr	7:00 PM	MBA Mortgage Applications	-	2.7%
US	13-Apr	8:30 PM	Retail Sales Advance MoM	0.2%	-0.1%
US	13-Apr	8:30 PM	Retail Sales Ex Auto MoM	0.4%	-0.1%
US	13-Apr	8:30 PM	Retail Sales Ex Auto and Gas	0.4%	0.3%
US	13-Apr	8:30 PM	PPI Final Demand MoM	0.2%	-0.2%
US	13-Apr	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.0%
EU	13-Apr	5:00 PM	Industrial Production SA MoM	-	2.1%
CN	13-Apr	-	Trade Balance	\$33.20b	\$32.59b
CN	13-Apr	-	Export YoY	9.7%	-25.4%
CN	13-Apr	-	Import YoY	-10.0%	-13.8%
JP	13-Apr	7:50 AM	PPI MoM	-	-0.2%
JP	13-Apr	7:50 AM	PPI YoY	-	-3.4%
US	14-Apr	8:30 PM	Initial Jobless Claims	-	-
US	14-Apr	8:30 PM	CPI MoM	0.2%	-0.2%
US	14-Apr	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.3%
US	14-Apr	8:30 PM	CPI YoY	1.1%	1.0%
EU	14-Apr	5:00 PM	CPI MoM	-	0.2%
EU	14-Apr	5:00 PM	CPI YoY	-	-0.1%
US	15-Apr	9:15 PM	Industrial Production MoM	-0.1%	-0.5%
US	15-Apr	9:15 PM	Capacity Utilization	75.3%	76.7%
US	15-Apr	10:00 PM	U. of Mich. Sentiment	92.0	91.0
CN	15-Apr	10:00 AM	Industrial Production YoY	6.0%	-
CN	15-Apr	10:00 AM	Retail Sales YoY	10.4%	-
CN	15-Apr	10:00 AM	Retail Sales YTD YoY	10.2%	10.2%
CN	15-Apr	10:00 AM	GDP YoY	6.7%	6.8%
JP	15-Apr	12:30 PM	Industrial Production MoM	-	-6.2%
JP	15-Apr	12:30 PM	Industrial Production YoY	-	-1.5%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,723.78	0.67	0.04
FBMEMAS	11,970.32	4.64	0.04
FBMEMAS SHA	12,527.45	-2.24	-0.02
FBM100	11,664.54	5.40	0.05
Volume (mn)	1,629.38	-218.45	-11.82
Value (RMmn)	1,946.11	-117.02	-5.67
FBMKLCI YTD Chg			1.85

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.0	15.1
Local Institution	57.2	-179.6
Foreign Investors	27.8	164.5

Top Gainers

	Close	Change+/-	(+/- %)
PANASONIC	29.08	0.40	1.40
LAY HONG	9.29	0.18	1.98
GAB	14.38	0.18	1.27

Top Losers

	Close	Change+/-	(+/- %)
BAT	55.06	-0.46	-0.83
SAM ENGINEER	6.00	-0.31	-4.91
CMS	4.28	-0.22	-4.89

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,926.43	18.15	0.10
NASDAQ	4,945.89	-1.53	-0.03
S&P 500	2,082.78	0.36	0.02
FTSE 100	6,365.10	2.21	0.03
DAX	10,093.65	67.55	0.67
Nikkei 225	16,911.05	529.83	3.23
HSI	21,337.81	179.10	0.85
KOSPI	2,015.93	34.61	1.75
STI	2,913.96	23.55	0.81
KLCI Futures	1,710.50	(2.50)	(0.00)
USDMYR 3M	12.75	(0.03)	(0.00)
USDMYR 6M	12.72	(0.07)	(0.01)
USDMYR 12M	12.55	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	41	-0.1	-0.2%
Brent (USD/bbl)	43.8	-0.3	-0.8%
Gold(USD/ounce)	1,228	0.4	0.0%
Coal (USD/mt)	50.9	0.6	1.2%
CPO (RM/mt)	2,657	-2.0	-0.1%
Rubber	172	-0.5	-0.3%
RM/USD	3.89	0.0175	-0.45%
EUR/USD	0.89	0	0.00%
YEN/USD	109.36	-0.04	0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average continued yesterday's momentum to move northbound by adding another 18.15 points and closed at 17,926.43 points, S&P 500 inched up 0.36 points to 2,082.78 points. Nasdaq slid 1.53 points to 4,945.89. U.S. stocks were little changed near a four-month high amid mixed corporate earnings, while global equities capped a fifth straight advance on gains in Europe and Asia. Commodities retreated after oil slipped and the dollar's strength sent metals lower.
- The U.S. economy grew in the fourth quarter at a faster pace than previously estimated, supported by stronger household spending that's helping cushion the expansion from weakness overseas. The U.S. economy continued to expand from late-February to early April, boosting employment and delivering some long-awaited upward pressure on wages and prices, a Federal Reserve report showed.

The Local Market

- FBMKLCI rose 0.67 points to close at 1,723.78 as blue chips managed to eke out slim gains amid a cautious broader market on rising profit taking over the uncertainties in the crude oil prices. There were 364 gainers and 437 decliners in total value traded of RM1.95 billion.
- Among the gainers on Bursa Malaysia were Panasonic Manufacturing surged 40 cent to RM29.08, Lay Hong jumped by 18 cent to RM9.29, GAB increased 18 cent to RM14.38 and Allianz Malaysia up 18 cent to RM10.48.

Strategy

- 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

Axiata, HOLD (TP: RM6.45): Celcom's Wonderoam removes worries of high roaming fees

Celcom Axiata Bhd has launched its international roaming service called 'Wonderoam' to broaden its revenue base. The subscription-based service is applicable to its prepaid and postpaid users, where users would pay between RM10 to RM138 depending on the amount of internet data and time. Sales and marketing chief Zalman Aefendy Zainal Abidin said that customers would not need to worry about paying additional roaming charges. *(Source: The Star)*

IHH (CP: RM6.68): Unit Parkway sells stake in Shenton Insurance for RM81mil

IHH Healthcare Bhd's indirect wholly-owned unit, Parkway Holdings Ltd, has disposed of 90% stake in Shenton Insurance Pte Ltd to FWD Group Financial

Services Pte Ltd for about S\$8.4mil (RM81.35mil). In a filing with Bursa Malaysia on Thursday, IHH said the disposal was undertaken as Shenton Insurance, a private limited company incorporated in Singapore, was identified as a non-core asset. "Prior to the disposal, Shenton Insurance was a wholly-owned unit of Parkway Holdings Ltd and following the disposal, the Shenton Insurance ceased to be a subsidiary of Parkway," IHH said. (Source: *The Star*)

Hibiscus (CP: RM0.20): Winding-up application of Lime driven by 'improper and self-serving motivations'

Hibiscus Petroleum Bhd said an application to wind up Lime Petroleum Plc has been filed by Singapore-listed Rex International Holding Ltd, Schroder & Co Banque SA and/or Lime (acting under the direction of the subject directors) at the High Court of Justice of the Isle of Man. The subject directors it is referring to, are Karl Helge Tore Lidgren, Simon Comina and Laurence Keenan. In a filing with Bursa Malaysia today, Hibiscus said the winding up application is on the grounds of Lime's purported insolvency and on just and equitable grounds due to a supposed deadlock and breakdown of relations between the shareholders of Lime. It added that the possibility of such a move was previously announced on Feb 4. (Source: *The Edge*)

SP Setia (CP: RM3.20): Buys fourth piece of land in Melbourne for A\$38m project

SP Setia Bhd, the country's biggest-listed developer by sales, has acquired its fourth piece of land in Melbourne, Australia, which it intends to develop into a high-end residential project with a gross development value (GDV) of A\$38 million. In a statement today, SP Setia said the land is located in a highly sought-after site in Prahran, which was purchased for A\$10 million. The group has a permit approved for an eight-storey building with 47 apartments and an office, and retail outlets on the ground floor. "(It) is expected to be a popular high-end boutique project, which will have wide appeal to a broad range of purchasers," said SP Setia. (Source: *The Edge*)

MNRB (CP: RM2.95): Clinches general and family retakaful licence

Reinsurer MNRB Holdings Bhd has been given the licence to undertake general retakaful business and family retakaful business. The group said the Finance Ministry issued the licence to its unit Malaysian Reinsurance Bhd (Malaysian Re) on Thursday. In an announcement to Bursa Malaysia, it said: "As announced earlier, the MNRB Group had undertaken an internal restructuring exercise for its retakaful business. "Under this exercise, the general retakaful business and the family retakaful business are to be undertaken by Malaysian Re through its newly established retakaful division. (Source: *The Star*)

Only World Group (CP: RM2.29): In JV to operate Chinese restaurant at Komtar

Leisure and hospitality services provider Only World Group Holdings Bhd (OWG) has signed a memorandum of understanding (MoU) with Grand Imperial Restaurant to operate the luxury Chinese cuisine restaurant and banquet hall services at Komtar Tower, Penang, starting June 21. An outlay of RM5mil will be invested into this venture by way of a special purpose vehicle that will be 70% owned by OWG, with the balance held by Grand Imperial Trademar's owner

Glamour Mission Sdn Bhd. In a filing with Bursa Malaysia, both companies said they would do their best to finalise the working arrangements within a month of the MoU. (Source: The Star)

Cypark (CP: RM2.04): Expects to maintain 15% growth in FY16

Despite the prevailing soft market conditions, integrated environmental engineering and technology provider Cypark Resources Bhd expects to maintain its 10% to 15% organic growth in the financial year ending Oct 31, 2016 (FY16). Cypark chief executive officer Datuk Daud Ahmad said that while the group hopes to see the same level of growth as in FY15, it is working to go big in its renewable energy segment. Daud said the group currently pays out about 25% of its profits as dividends, and is looking to increase it to 30%–40%. He said Cypark expects the income from its renewable energy unit and construction and operation unit to jointly contribute 60% of its total revenue in 2017. (Source: The Edge)

Karyon Industries (CP: RM0.18): Penalised over product tariff code

Karyon Industries Bhd's unit Allbright Industries (M) Sdn Bhd has been penalised over the Customs Department over the different classification of product tariff code. It said on Thursday Allbright has received a letter to pay RM1.06mil in sales tax together with a penalty of RM532,732. Karyon said Allbright will appeal to the relevant authority over the sales tax and penalty. "The payment and penalty are not expected to have any material operational impact on Karyon and its subsidiaries. In the event that the outcome from the appeal is unfavourable, the expected loss to the group would be up to RM1.595mil," it said. (Source: The Star)

DBE Gurney (CP: RM0.05): Expects turnaround in FY16 with new fried chicken venture

Loss making DBE Gurney Resources Bhd expects a turnaround in the financial year ending Dec 31, 2016 (FY16) following the launch of its Harumi fried chicken brand, arising from a strategic cooperation agreement with Pexden Holdings Sdn Bhd. DBE Gurney group managing director Datuk Alex Ding Seng Huat said the group expected the fried chicken under the Harumi brand to account for 30% of its total sales in FY16, and the positive contribution from this unit would be seen in its third quarter results. Pexden is a company nominated by seven Taiwanese companies, namely Shing Shang Co Ltd, JienPeng International Co Ltd, FuHsin International Co Ltd, Solatek Co Ltd, HTS Technology Co Ltd, UltraBrave Technology and Formosa Food King, to formalise the memorandum of understanding signed on Feb 22, 2016. (Source: The Edge)

ECONOMIC UPDATES

U.S.: Jobless Claims in U.S. Decline to Match Lowest Since 1973

The number of Americans filing applications for unemployment benefits unexpectedly declined last week to match a more than 42-year low, indicating employers are upbeat about an economy that bogged down in the first quarter. Jobless claims dropped by 13,000 to 253,000 in the week ended April 9, equaling the level in March that was the lowest since November 1973, a report

from the Labor Department showed Thursday. The median forecast in a Bloomberg survey called for 270,000. Continuing claims also declined, to the lowest since mid-October. *(Source: Bloomberg)*

India: Growth to hold strong

India's growth rate is set to remain one of the fastest in the world this year with inflation running just slightly above 5%, leaving the Reserve Bank of India (RBI) on the sidelines for at least another six months, a Reuters poll showed on Thursday. The RBI is forecast to cut the repo rate to 6.25% in the last three months of the year, according to a poll of more than 40 economists taken on April 6-13, but much will depend on the inflation outlook. The same poll forecasts inflation, which has risen to 4.83% from a recent low of 3.69% last July and a series low of 3.27% in late 2014, to average 5.3% this fiscal year. That is the same level seen in a January survey. Since then, the RBI has cut the repo rate once to 6.50%, the lowest since 2011, and 1-1/2 percentage points below a peak of 8% in January 2015. *(Source: Reuters)*

Japan: Likely averted recession in Q1

Japan's economy is expected to have narrowly avoided another recession at the start of 2016 but economists in a Reuters poll also predicted that growth and inflation will remain tepid this year, held back in part by the recent sharp rise in the yen. The Bank of Japan (BoJ) surprised in a split January decision to implement a tiny negative interest rate, minus 0.10%. But the yen has rallied by more than 10% against the dollar since then, spurring debate over whether it was a good move. Half of the 16 analysts surveyed on April 6-12 said the BoJ, which has been struggling for nearly two decades to beat back deflation, will further ease already-aggressively loose monetary policy at its April 27-28 meeting. *(Source: Reuters)*

Sweden: Seen Leaving Difficult Choices for Later as Economy Booms

Sweden's Finance Minister Magdalena Andersson is expected to paint a rosy picture of the economy when she presents her spring budget -- and kick the difficult decisions down the road. The government on Wednesday may forecast that the \$570 billion economy, powered by record low interest rates and spending on refugees, will grow by about 4 percent this year, according to Nordea Bank. While Sweden's generosity in accepting migrants has led to rising costs, fast growth in revenue is partly helping the nation to cope with record influx. *(Source: Bloomberg)*

Singapore: Adopts 2008 Crisis Policy as Growth Grinds to Halt

Singapore's central bank unexpectedly eased its monetary stance, adopting a policy last used during the 2008 global financial crisis, as economic growth in the trade-dependent city-state ground to a halt. As Asia's financial hub, Singapore is feeling the effects of the global downturn and China's weakening economy. Monetary easing follows an expansionary budget announced by Finance Minister Heng Swee Keat last month, indicating how severe authorities view the slowdown as businesses shut and growth in bank loans contract. *(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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