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Tuesday, September 27, 2016

Report of the Day

Result Review: Scientex 4Q16 – “Unstoppable Growth Amid Challenging Times”

Visit Note: FGV – “Expecting Sequential Turnaround”

At a Glance

FBMKLCI ended weaker by losing 1.49 points to 1,669.50, dragged by blue chips amid a weaker broader market.(See full report next page)

Strategy

“Negativities Weigh the Market”

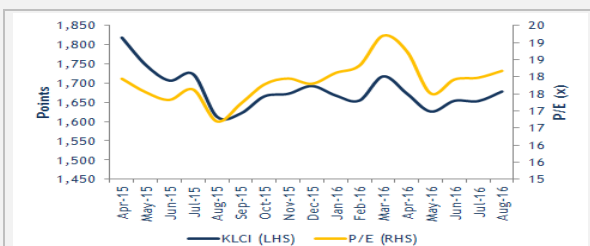
OPEC meeting that started in Algeria which could make or break the equity market(See full report next page)

Corporate Highlights

- **Scientex, BUY (TP: RM8.33):** Net profit jumps to RM54.13m in Q4
- **Eco World (CP: RM1.28):** Launches RM1bil property projects
- **SunCon (CP: RM1.61):** Nets three contracts worth RM209mil

Economic Update

- **China:** Economy Shows Fresh Signs of Strength
- **Ireland:** Central Banker Says Banks Explore Dublin Post-Brexit
- **Japan:** Companies and Households Continue to Pile Up Cash



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	26-Sep 10:00 PM	New Home Sales	597k	654k	
US	26-Sep 10:00 PM	New Home Sales MoM	-0.088	12.40%	
JN	26-Sep 1:00 PM	Leading Index CI	--	10000.00%	
JN	26-Sep 1:00 PM	Coincident Index	--	112.8	
US	27-Sep 9:45 PM	Markit US Services PMI	51	51	
US	27-Sep 9:45 PM	Markit US Composite PMI	--	5150.00%	
US	27-Sep 10:00 PM	Consumer Confidence Index	98.5	101.1	
US	27-Sep 10:00 PM	Richmond Fed Manufact. Index	-200.00%	-1100.00%	
US	28-Sep 7:00 PM	MBA Mortgage Applications	--	-7.30%	
US	28-Sep 8:30 PM	Durable Goods Orders	-0.011	0.044	
US	28-Sep 8:30 PM	Durables Ex Transportation	-0.005	0.013	
US	29-Sep 8:30 PM	GDP Annualized QoQ	0.013	0.011	
US	29-Sep 8:30 PM	Personal Consumption	0.03	0.044	
US	29-Sep 8:30 PM	Initial Jobless Claims	--	252k	
US	29-Sep 8:30 PM	Continuing Claims	--	2113k	
US	29-Sep 10:00 PM	Pending Home Sales MoM	-0.10%	1.30%	
US	29-Sep 10:00 PM	Pending Home Sales NSA YoY	--	-2.20%	
JN	29-Sep 7:50 AM	Retail Trade YoY	-0.02	-0.002	
JN	29-Sep 7:50 AM	Retail Sales MoM	-0.011	0.014	
US	30-Sep 8:30 PM	Personal Income	0.002	0.004	
US	30-Sep 8:30 PM	Personal Spending	0.20%	0.30%	
US	30-Sep 8:30 PM	PCE Core MoM	0.002	0.001	
US	30-Sep 8:30 PM	PCE Core YoY	0.017	0.016	
US	30-Sep 10:00 PM	U. of Mich. Sentiment	90.1	89.8	
EC	30-Sep 5:00 PM	Unemployment Rate	0.1	0.101	
EC	30-Sep 5:00 PM	CPI Estimate YoY	0.003	--	
EC	30-Sep 5:00 PM	CPI Core YoY	0.008	0.008	
MA	30-Sep 8:30 AM	Nikkei Malaysia PMI	--	47.4	
MA	30-Sep	Money Supply M3 YoY	--	2.30%	
JN	30-Sep 7:50 AM	Industrial Production MoM	0.80%	-0.40%	
JN	30-Sep 7:50 AM	Industrial Production YoY	3.40%	-4.20%	
JN	30-Sep 12:00 PM	Vehicle Production YoY	--	-4.10%	
JN	30-Sep 1:00 PM	Housing Starts YoY	7.30%	8.90%	
JN	30-Sep 1:00 PM	Annualized Housing Starts	1.000m	1.005m	
JN	30-Sep 1:00 PM	Construction Orders YoY	--	-10.90%	

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,669.50	-1.49	-0.09
FBMEMAS	11,791.31	-18.91	-0.16
FBMEMAS SHA	12,428.83	-54.89	-0.44
FBM100	11,492.72	-19.07	-0.17
Volume (mn)	1,637.26	-251.76	-13.33
Value (RMmn)	1,563.95	-395.17	-20.17
FBMKLCI YTD Chg			-1.36

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Institution	63.0	-34.7
Local Retail	20.0	-15.3
Foreign Investors	17.0	50.0

Top Gainers

	Close	Change+/-	(+/- %)
HLEONG BANK	12.98	0.28	1.70
FCW HLDG BHD	1.25	0.26	26.26
GLOBETRONICS	3.73	0.25	7.18

Top Losers

	Close	Change+/-	(+/- %)
DKSH HOLDINGS	5.36	-0.24	-4.29
MALAYSIA AIRP	6.63	-0.17	-2.50
PANASONIC	35.64	-0.10	-0.45

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,094.83	-166.62	-0.91
NASDAQ	5,257.49	-48.26	-0.91
S&P 500	2,146.10	-18.59	-0.86
FTSE 100	6,818.04	-91.39	-1.32
DAX	10,393.71	-233.26	-2.19
Nikkei 225	16,544.56	-209.46	-1.25
HSI	23,317.92	-368.56	-1.56
KOSPI	2,047.11	-6.96	-0.34
STI	2,856.95	-9.29	-0.33
KLCI Futures	1,654.50	(7.50)	(0.00)
USDMYR 3M	10.65	0.03	0.00
USDMYR 6M	10.74	-	-
USDMYR 12M	10.98	(0.03)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	-0.2	-0.5%
Brent (USD/bbl)	47.4	1.5	3.2%
Gold(USD/ounce)	1,338	-0.4	0.0%
Coal (USD/mt)	71.8	-0.2	-0.2%
CPO (RM/mt)	2,715	39.0	1.5%
Rubber	163	-3.5	-2.1%
RM/USD	4.13	0.0193	-0.47%
EUR/USD	0.89	0.0003	0.03%
YEN/USD	100.37	0.04	-0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average plunged 166.62 points to 18,094.83 and S&P 500 took a hit by 18.59 points to 2,146.10. Nasdaq also fell 48.26 points to 5,257.49. U.S. stocks extended losses Monday as worries about Germany's Deutsche Bank weighed on the financial sector while the upcoming U.S. presidential debate also contributed to jittery sentiment.
- Bond prices rose. The yield on the 10-year U.S. Treasury note fell to 1.58 percent from 1.62 percent. That also affects banks, as lower bond yields mean lower interest rates and smaller profits on lending.

The Local Market

- FBMKLCI ended weaker by losing 1.49 points to 1,669.50, dragged by blue chips amid a weaker broader market. There were 324 gainers and 484 decliners in total value traded of RM1.56 billion.
- Among the losers on Bursa Malaysia were DKSH Holdings plunged 24 cent to RM5.36, Malaysia Airport fell 17 cent to RM6.63, Manulife declined 16 cent to RM2.84 and Panasonic lost 10 cent to RM35.64.

Strategy

- **"Negativities Weigh the Market"**
Wall Street started its week's trading on the left footing, weighed by a set of negativities. **S&P 500** and **DJIA** lost **18.59 (-0.86%)** and **166.62 (-0.91%)** points to end at **2,146.10** and **18,094.93** respectively. Two major developments have pounded sentiment. One is OPEC meeting that started in Algeria which could make or break the equity market. Market participants are looking for supply control decision for OPEC and non-OPEC members. The decision, if any, may come soon. Secondly, the US presidential debate which will determine the political and economic outlook of the US. Therefore, investors preferred to take shelter at the sideline. Given the breath of selling pressure in Wall Street, we think regional and local equity market may follow in tow.
- 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

Scientex, BUY (TP: RM8.33): Net profit jumps to RM54.13m in Q4

Scientex Bhd's net profit rose 10.6% to RM54.13mil in the fourth quarter ended July 31, compared with RM48.91mil in the same period last year. The industrial packaging and property company recorded revenue of RM561.1mil against RM452.5mil recorded in the preceding year corresponding quarter. Scientex's manufacturing revenue recorded was RM372.7mil, an increase of 16.5% compared to RM319.9mil in the preceding year corresponding quarter. The increase was mainly attributed to the higher contribution from the consumer packaging products as well as contribution from the newly acquired SGW Ipoh. (Source: The Star)

Eco World (CP: RM1.28): Launches RM1bil property projects

Eco World Development Group Bhd, one of Malaysia's leading property developers, has launched four new projects estimated at RM1bil across three sections of the country. The EcoWorld's Firsts campaign saw offerings of new properties, namely Eco Bloom in Penang, Eco Grandeur and Eco Ardence in the Klang Valley and Eco Business Park II in Iskandar Malaysia, Johor. To date, the Eco Grandeur project in Ijok has received the biggest response from prospective buyers, given its sheer size of mass development and affordable prices of the units. (Source: The Star)

SunCon (CP: RM1.61): Nets three contracts worth RM209mil

Sunway Construction Group Bhd (SunCon) has clinched three contracts worth RM209.02mil from MMC Gamuda KVMRT (PDP SSP) Sdn Bhd and sister company Sunway Iskandar Sdn Bhd. In a filing with Bursa Malaysia, the company said MMC Gamuda, the project delivery partner for MRT Sungai Buloh-Serdang-Putrajaya (SSP) line, gave it a RM52.52mil contract for advance works construction of the viaduct guideway between Kampung Muhibbah and Serdang Raya. These works would be completed by September next year, SunCon said. (Source: The Star)

UEM Edgenta (CP: RM3.25): To buy top healthcare facilities manager for RM565mil

UEM Edgenta Bhd is set to become the country's biggest facilities management provider servicing the private healthcare and hospital segments through its proposed acquisition of Asia Integrated Facility Solutions Pte Ltd for S\$185.9mil (RM565.2mil) in cash. In a filing with Bursa Malaysia, the asset solutions firm said Asia Integrated Facility Solutions owned indirectly UEMS Pte Ltd, the number one facilities management firm catering to those segments in the country. Its clients in Malaysia include Prince Court Medical Centre, Pantai Hospital Kuala Lumpur, Gleneagles Penang and Assunta Hospital. (Source: The Star)

Pestech (CP: RM1.60): Fuji JV bags RM89.5mil contract from Sarawak Energy

Pestech International Bhd and Fuji Electric Asia Pacific Pte Ltd have jointly clinched an RM89.53mil contract from Sarawak Energy Bhd (SEB) to supply and install a 275kV substation. In a filing with Bursa Malaysia, the integrated electric power technology firm said Pestech-Fuji JV, a non-incorporated consortium

formed by its unit Pestech Sdn Bhd and Fuji Electric Asia Pacific, accepted the letter of award in relation to SEB's New Bintulu B substation project on Friday last week. The project, to begin on Oct 4, is expected to be completed within 21 months. (Source: *The Star*)

KNM (CP: RM0.405): To issue RM330mil Thai bonds

KNM Group Bhd has proposed to issue bonds in Thailand to raise up to US\$80mil (RM330.2mil) equivalent in baht to finance its bio-ethanol business in that country. The process equipment manufacturer and energy group said the proposed Thai bonds had been assigned a credit rating of AAA/Stable by TRIS Rating Co Ltd by virtue of the debt papers being guaranteed by Asian Development Bank's trust fund Credit Guarantee and Investment Facility. (Source: *The Star*)

Bina Puri (CP: RM0.405): Secures RM18mil contract

Bina Puri Holdings Bhd has secured a contract worth RM18mil from Punj Lloyd Sdn Bhd for the execution of package- building plant and non-plant (Part-A) for Package 22 at the Refinery and Petrochemical Integrated Development (RAPID) Project. In a statement, Bina Puri said its wholly owned subsidiary, Bina Puri Sdn Bhd had accepted another Letter of Award from Punj Lloyd. It said the work shall be completed within 11 months with the scope of work includes of civil, structural and architectural works for buildings (i.e. sub-station, field auxiliary room and operator shelter building), pump stations and foundation of vessel and packages. (Source: *The Star*)

Ajinomoto (CP: RM13.50): To dispose of 5% stake in Maypak for RM1.37m

Ajinomoto (Malaysia) Bhd has accepted the unconditional mandatory take-over offer from Taisei Lamick Co Ltd to dispose of its 5% stake in Malaysia Packaging Industry Bhd (Maypak). In its filing to Bursa Malaysia today, Ajinomoto said the stake, made up of 2.1 million shares, would be sold at the offer price of 65 sen each for a total of RM1.37 million. The disposal price fetches a 1% premium over Maypak's noon closing price of 64.5 sen. On Sept 15, Maypak announced that it has received the takeover offer from Japan's Taisei after the latter's planned acquisition of a controlling 54.95% stake in Maypak became unconditional. Taisei had entered into the deal to purchase the Maypak stake comprising 23.1 million shares in July. (Source: *The Edge*)

GDEX (CP: RM1.73): Says unaware of Yamato's plans to take a majority stake

GD Express Carrier Bhd (GDEX) has clarified that the group is unaware of plans by Yamato Holdings Co Ltd, the holding company of GDEX's second largest shareholder Yamato Asia Pte Ltd, to take a majority stake in GDEX. In its filing to Bursa Malaysia today, GDEX made reference to an article in the *Nikkei Asian Review* published on Sept 24 which stated that Japan's Yamato is considering taking a majority stake in the parcel delivery company. The publication, quoting Yamato president Masaki Yamauchi, reported that the company, which had gained a 23% stake in GDEX in January, was aiming to make it a subsidiary. The company would position Malaysia as a strategic base, it added. (Source: *The Edge*)

Poh Huat (CP: RM1.53): 3Q net profit falls 6%; proposes 2 sen dividend

Poh Huat Resources Holdings Bhd's net profit fell 6.02% to RM9.99 million for the third quarter ended July 31, 2016 (3QFY16) from RM10.63 million a year earlier, due to higher selling and distribution expenses as well as administrative expenses. The export-oriented furniture manufacturer has proposed a third interim dividend of 2 sen per share for FY16, payable on Dec 15. The ex-date is Nov 22 and the entitlement date is Nov 24. Revenue rose 11.69% to RM125.65 million from RM112.5 million, the group said in a bourse filing today. Poh Huat said the lower-than-expected increase in profit was attributable to lower manufacturing margins for the group's export sales as US dollar selling prices for the group's products normalised against the sustained weakening of the ringgit. (Source: The Edge)

ECONOMIC UPDATES**China: Economy Shows Fresh Signs of Strength**

China's economy is showing fresh signs of strength, from increased business confidence to an expansionary factory gauge reading, according to the earliest private indicators for September. Most private gauges showed improvement and a proxy for factory activity jumped to the strongest level in almost two years, suggesting better readings in August data have been followed up this month. A steady flow of credit has boosted property sales, helping offset sluggish exports and continued weakness in private investment. (Source: Bloomberg)

Ireland: Central Banker Says Banks Explore Dublin Post-Brexit

Ireland's central bank governor said banks have already begun exploring the possibility of moving activities to Dublin following Britain's vote to leave the European Union, which may jeopardize London's right to sell financial services across Europe. "There has to be some level of relocation depending on how the Brexit negotiations go," Philip Lane said Monday in an interview with Bloomberg Television in New York. "The most important point for now is that it's way too early to tell. Institutions aren't in decision-making mode yet, they are essentially doing research." (Source: Bloomberg)

Japan: Companies and Households Continue to Pile Up Cash

Japanese households and companies continue to hold onto cash rather than spending or investing, highlighting the ongoing challenge to revitalize the economy. Households held 920 trillion yen (\$9.1 trillion) of their assets in cash or deposits at the end of the quarter through June, the second-highest level on record, a report by the Bank of Japan showed Monday. Corporate cash and deposits stood at 242 trillion yen, an all-time high after a revision of data for previous periods, according to the report. (Source: Bloomberg)

India: Growing 8% a Year Seen by Citi Helping Oil, Gold Demand

India has become the center of the world's oil demand growth and the country's economic growth will affect global commodities, Citigroup Inc. said in a research note. The world's second-largest country by population after China will see its

economy expand at about 8 percent a year through 2021, Citi researchers including Ed Morse said. The country's working-age population will increase by 220 million over the next 20 years, and about 240 million people will move to cities. (Source: Bloomberg)

Thailand: Aug exports unexpectedly rise on boost from auto shipments

Thailand's customs-cleared exports in August unexpectedly rose for the first time in five months, led by auto shipments, but it is too early to tell if the trade-dependent economy's recovery is starting to solidify given the still-soft global demand. Exports increased 6.5% from a year earlier, commerce ministry data showed on Monday, compared with the median forecast for a fall of 1.4% in a *Reuters* poll. In July, shipments fell 6.4%. In August, imports dropped 1.5% from a year earlier, producing a trade surplus of US\$2.13 billion for the month. Many imported materials are assembled into completed goods and shipped out again. In July, annual imports slumped 7.2%. (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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