

PP14767/09/2012(030761)

Tuesday, December 27, 2016

At a Glance

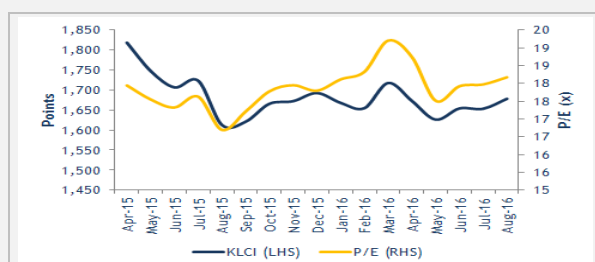
The FBM KLCI lowered by 6.05 points to 1,617.15 on last Friday with plantation, property and banking stocks mostly registering losses.....(See full report next page)

Corporate Highlights

- **EG Industries (CP: RM0.875):** Plans corporate exercise
- **FGV (CP: RM1.49):** Defends buying Eagle High stake
- **Iris Corp (CP: RM0.11):** Co-founder cuts stake amid restructuring plan

Economic Update

- **UK:** Economy grows faster than expected in 3Q, no sign of Brexit hit
- **Russia:** Putin Sees Hope for Economy in Wage Growth, Easing Recession
- **Canada:** Economy Shrinks on Worst Factory Output Since 2013



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JN	26-Dec	7:50 AM	PPI Services YoY	0.50%	0.50%
JN	26-Dec	1:00 PM	Leading Index CI	--	101
JN	26-Dec	1:00 PM	Coincident Index	--	113.9
US	27-Dec	11:00 PM	Conf. Board Consumer Confidence	108.5	107.1
CH	27-Dec	9:30 AM	Industrial Profits YoY	--	9.80%
JN	27-Dec	7:30 AM	Jobless Rate	3.00%	3.00%
JN	27-Dec	1:00 PM	Housing Starts YoY	9.70%	13.70%
JN	27-Dec	1:00 PM	Annualized Housing Starts	0.973m	0.983m
JN	27-Dec	1:00 PM	Construction Orders YoY	--	15.20%
US	28-Dec	11:00 PM	Pending Home Sales MoM	0.50%	0.10%
US	28-Dec	11:00 PM	Pending Home Sales NSA YoY	--	0.20%
US	28-Dec	11:30 PM	Dallas Fed Manf. Activity	10.1	10.2
JN	28-Dec	7:50 AM	Industrial Production MoM	1.70%	0.00%
JN	28-Dec	7:50 AM	Industrial Production YoY	4.70%	-1.40%
JN	28-Dec	7:50 AM	Retail Trade YoY	0.90%	-0.10%
JN	28-Dec	7:50 AM	Retail Sales MoM	-0.50%	2.50%
US	29-Dec	9:30 PM	Retail Inventories MoM	--	-0.40%
US	29-Dec	9:30 PM	Initial Jobless Claims	--	275k
US	29-Dec	9:30 PM	Continuing Claims	--	2036k
MA	30-Dec	3:00 PM	Money Supply M3 YoY	--	3.20%

Research Team

research@mna.com.my

03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,617.15	-6.05	-0.37
FBMEMAS	11,316.30	-48.72	-0.43
FBMEMAS SHA	11,891.57	-59.25	-0.50
FBM100	11,037.21	-50.04	-0.45
Volume (mn)	972.62	-81.84	-7.76
Value (RMmn)	1,104.51	-91.71	-7.67
FBMKLCI YTD Chg			-4.45

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	62.6	130.6
Retail	15.3	32.8
Foreign	22.1	-163.4

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	55.50	0.36	0.65
WARISAN TC HLD	1.87	0.17	10.00
PANASONIC MAN	31.68	0.13	0.41

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	42.50	-0.50	-1.16
HEINEKEN MALAY	16.60	-0.38	-2.24
MALAYSIAN PAC I	7.48	-0.29	-3.73

World Indices

	Close	Change+/-	(+/- %)
DJIA	19,933.81	14.93	0.07
NASDAQ	5,462.69	15.27	0.28
S&P 500	2,263.79	2.83	0.13
FTSE 100	7,068.17	4.49	0.06
DAX	11,449.93	-6.17	-0.05
Nikkei 225	19,396.64	-6.37	-0.03
HSI	21,574.76	-61.44	-0.28
KOSPI	2,037.75	3.15	0.15
STI	2,871.05	-10.99	-0.38
KLCI Futures	1,624.00	(9.50)	(0.01)
USDMYR 3M	13.50	(0.13)	(0.01)
USDMYR 6M	13.53	(0.07)	(0.01)
USDMYR 12M	13.00	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	53	0.2	0.3%
Brent (USD/bbl)	55.2	0.1	0.2%
Gold(USD/ounce)	1,133	-0.6	-0.1%
Coal (USD/mt)	86.6	-0.2	-0.2%
CPO (RM/mt)	3,060	-16.0	-0.5%
Rubber	227	0.0	0.0%
RM/USD	4.48	0.0013	-0.03%
EUR/USD	0.96	0.0003	0.03%
YEN/USD	117.27	0.17	-0.15%

What To Expect

U.S. Market

- The Dow Jones Industrials Average added 14.93 points to 19,933.81 along with both S&P 500 and Nasdaq closed up 2.83 points and 15.27 points at 2,263.79 and 5,462.69 points, respectively. US stocks were little changed on Friday amid extremely thin trading volumes, with many traders already away from their desks for the Christmas break.
- U.S. oil prices extended gains on Tuesday in post-Christmas trading, as OPEC and non-OPEC members are set to start curbing output in less than a week to support oil prices. Oil has been supported in the past several weeks as the Organization of Petroleum Exporting Countries and non-OPEC members have agreed to lower output by almost 1.8 million barrels per day (bpd) from Jan. 1. London Brent crude for February delivery was yet to trade after settling up 11 cents at \$55.16 a barrel on Friday. Oil markets were closed on Monday after Christmas holiday.

- The FBM KLCI lowered by 6.05 points to 1,617.15 on last Friday with plantation, property and banking stocks mostly registering losses. There were 249 gainers and 443 decliners in total value traded of RM1.10 billion.
- Among the decliners on Bursa Malaysia were BAT which fell 50 cent to RM42.50, Dutch Lady lost 38 cent to RM16.60 and Malaysia Pacific was down 29 cent to RM7.48.

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

EG Industries (CP: RM0.875): Plans corporate exercise

A rights issue or private share placement is on the cards at EG Industries Bhd as the consumer electronics product maker is seeking to beef up its financials to be on a par with its peers. "We need to conduct a corporate exercise soon to strengthen our financials because we are [relatively] small in terms of market capitalisation or paid-up capital," said its executive chairman Terence Teo Yeok Kian. EG Industries' peers, as observed by UOB Kay Hian (M) Holdings Sdn Bhd in a recent note, include SKP Resources Bhd and VS Industries Bhd. "Volume-wise, we are equally big and the margin is there because of the sector of the business we are in," said Teo, adding that EG Industries is moving in the right direction "which is vertical integration or vertical integration plus (VI-plus)". (Source: *The Edge*)

FGV (CP: RM1.49): Defends buying Eagle High stake

The Federal Land Development Authority (Felda) has defended its acquisition of a 37% stake in Indonesia's PT Eagle High Plantations Tbk for US\$505.4 million (RM2.26 billion) amid concerns that it is overpaying for a non-controlling stake. In a statement on Sunday, Felda addressed the issue relating to the Eagle High share purchase transaction in the form of answers to frequently asked questions. Stating that they are only "basic information", it added that detailed information on the transaction will be announced after approvals from relevant authorities have been obtained. (Source: *The Edge*)

Iris Corp (CP: RM0.11): Co-founder cuts stake amid restructuring plan

Iris Corp Bhd co-founder, group managing director and chief executive officer Datuk Tan Say Jim has sold a substantial stake in the group, triggering talks of changes at the top. Last Friday, Iris announced that Tan has ceased to be a substantial shareholder of the group amid plans for a major overhaul of its operations. It is understood that Tan, 58, who was appointed to the board of directors on June 30, 1996, has been on leave since Nov 1. In his absence, Iris deputy managing director Datuk Hamdan Mohd Hassan has assumed the leading role, taking charge of the group's operations. (Source: *The Edge*)

Tien Wah (CP: RM1.79): To dispose of remaining 30% Benkert stake for RM25.8m

Printing firm Tien Wah Press Holdings Bhd has agreed to dispose of its remaining 30% stake in Benkert Malaysia Sdn Bhd to Benkert UK Ltd for RM25.81 million. In a filing with Bursa Malaysia, Tien Wah said it has accepted Benkert UK's offer today to buy the 30% stake. Benkert UK owns the other 70% stake in Benkert Malaysia. Benkert Malaysia is principally involved in the manufacture and sales of standard and perforated tipping papers. Tien Wah said that it is exiting Benkert Malaysia to avoid any conflict of interest, considering that Benkert Malaysia may be in direct competition with PT Bintang Pesona Jagat. (Source: *The Edge*)

Icon Offshore (CP: RM0.365): Bags RM5.6m job to supply vessel

Icon Offshore Bhd has bagged a RM5.6 million contract to provide one straight supply vessel to EQ Petroleum Production Malaysia Ltd for the Seligi/PM 8 (Extension) oil field offshore Peninsular Malaysia. In a filing with Bursa Malaysia today, Icon said the contract, clinched through its wholly-owned subsidiary Icon Offshore Group Sdn Bhd, will commence this month and will continue for a period of one year. "The contract is expected to contribute positively to the earnings and net assets of Icon Group for the financial year ending Dec 31, 2016 and beyond," it added. (Source: *The Edge*)

REV Asia (CP: RM0.51): To buy three Malay content websites for RM2.65 mil

REV Asia Bhd is buying three Malay content websites — Siraplimau, Myresipi and Kongsiresepi — and their respective domains www.siraplimau.com, www.myresipi.com and www.kongsiresepi.com for RM2.65 million. In a statement today, REV Asia said its 70%-owned subsidiary Rev Lifestyle Sdn Bhd has entered into a conditional sale and purchase agreement with Dua Marhalah Sdn Bhd for the proposed acquisition, which is expected to be completed by this month. "The proposed acquisition will further strengthen REV Asia Group's

dominant position in the emerging Malay speaking online community, with the ability to further expand its reach to users in the family lifestyle, parenting and food verticals," it added. *(Source: The Edge)*

Astino (CP: RM0.715): 1Q net profit rises 9.8%, looks to produce new products

Astino Bhd's net profit for the first quarter ended Oct 31, 2016 (1QFY17) rose 9.8% to RM5.58 million or 2.04 sen a share, from RM5.08 million or 1.85 sen a share, mainly due to lower finance costs and higher product margins. The metal building related products manufacturer said revenue was down by a marginal 1.72% to RM113.43 million from RM115.41 million. The decline was attributed to a decrease in local market demand. The group said it is determined to focus its efforts on improving its operational efficiencies and exploring the possibilities of producing new metal building material products to penetrate into new market segments both locally and overseas. *(Source: The Edge)*

VS Industry (CP: RM1.37): 1Q net profit down 44%; pays 1.2 sen dividend

VS Industry Bhd saw its net profit drop 44.3% to RM33.51 million or 2.86 sen per share in the first financial quarter ended Oct 31, 2016 (1QFY17) from RM60.18 million or 5.22 sen per share a year earlier, due to weakened contribution from Malaysia and a loss from the operations in China that offset the increase in the smaller-scale Indonesia segment. This was despite an 11% increase in revenue to RM680.02 million in 1QFY17 from RM612.47 million in 1QFY16. The group also declared a first interim single tier dividend of 1.2 sen for the financial year ending July 31, 2017, payable on March 15, 2017. *(Source: The Edge)*

FoundPac (Pending Listing): Reports RM2.24m 1Q net profit ahead of listing

FoundPac Bhd recorded a net profit of RM2.24 million or 0.68 sen per share on the back of a revenue of RM8.16 million for its first quarter ended Sept 30, 2016 (1QFY17). The group reported its first set of results in a stock exchange filing today en route to listing on the Main Market of Bursa Malaysia on Dec 29. The engineering parts manufacturer and supplier said RM7.78 million or 95.34% of its revenue was derived from sales to overseas customers. The group's public offer of 40 million new shares at an issue price of 54 sen per share and a sales offer for 92 million shares was oversubscribed by 14.21 times. *(Source: The Edge)*

ECONOMIC UPDATES

UK: Economy grows faster than expected in 3Q, no sign of Brexit hit

Britain's economy grew more strongly than expected in the third quarter, showing no sign of any slowdown from June's Brexit vote, but the country's current account deficit rose back towards record levels. The economy expanded 0.6% in the three months to September, the Office for National Statistics said on Friday, revised up from an earlier reading of 0.5% that economists had expected to remain unchanged. But growth was revised down by 0.1 percentage points in the first and second quarters of the year to 0.3% and 0.6% respectively. *(Source: The Edge)*

Russia: Putin Sees Hope for Economy in Wage Growth, Easing Recession

President Vladimir Putin said Russia's economy is returning to growth and there are signs that real wages are improving as the country emerges from its longest recession this century. While "of course" economic difficulties remain, a "positive trend has emerged, and in recent months we observe very modest, but still growth in real wages in the real sector of the economy," Putin said Friday at his annual televised press conference. "That inspires a certain confidence that the movement will be positive in the near term." Gross domestic product will likely shrink by 0.5 percent to 0.6 percent in 2016, rather than a previously forecast 1 percent, while the budget deficit will be 3.7 percent this year and is "absolutely acceptable," Putin said. (Source: Bloomberg)

Canada: Economy Shrinks on Worst Factory Output Since 2013

Canada's gross domestic product shrank unexpectedly in October as factories suffered their worst month in almost three years, adding to signs the country's outlook is worsening. Output fell 0.3 percent, Statistics Canada said Friday in Ottawa. Economists surveyed by Bloomberg expected a flat reading, but widespread declines in goods-producing industries contributed to the largest monthly drop since May. Manufacturing output was particularly disappointing, falling 2 percent in the biggest monthly decline since December 2013 and the second worst since the recession. The numbers are "pretty bad," Benjamin Reitzes, senior economist at BMO Capital Markets, said by phone from Toronto. "Underlying growth is still sluggish." (Source: Bloomberg)

Saudi: Historic Budget Shows Effort to Win Support for Change

Saudi officials presented the most detailed budget in the country's history in an effort to convince citizens and investors that they're serious about a plan to repair the deficit and wean the economy off oil. Dozens of pages and slides presented in an hours-long press conference laid out different scenarios for how public finances, battered after two years of low oil prices, could evolve through 2020. The government said it reduced spending by 16 percent this year and narrowed its budget deficit by more than expected. It forecasts the shortfall will drop again next year as revenue improves, and may even turn to a surplus as early as 2019 in its most optimistic scenario. (Source: Bloomberg)

China: President Xi Open to Growth in China Falling Below 6.5%

President Xi Jinping isn't wedded to China's 6.5 percent economic growth objective due to concerns about rising debt and an uncertain global environment after Donald Trump's election win in the U.S., according to a person familiar with the situation. Xi told a meeting of the Communist Party's financial and economic leading group this week that China doesn't need to meet the objective if doing so creates too much risk, said the person, who asked not to be named because the discussions were private. Leaders at the gathering agreed that the \$11 trillion economy would remain stable with slower growth as long as employment stays firm, the person said. (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:

Head Of Research



Rosnani Rasul
M&A Securities