

PP14767/09/2012(030761)

Monday, January 23, 2017

At a Glance

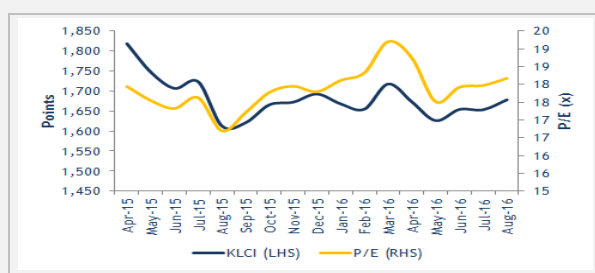
The FBM KLCI ended down 1.62 points to 1,664.89 as investors exercised caution ahead of US President-elect Donald Trump's inauguration.....(See full report next page)

Corporate Highlights

- **Nakamichi (CP: RM0.12):** Plans O&G venture to exit PN17 status
- **Guocoland (CP: RM1.17):** Earnings jump 46% from share of associates' profits
- **Hock Seng Lee (CP: RM1.63):** Bids for RM2.5bil worth of contracts

Economic Update

- **China:** Yuan outflows plummet, showing capital controls pay off
- **China:** 4Q GDP grows 6.8%, slightly better than expected, but debt risks loom
- **U.K.:** May Industrial Strategy Sees 'Sector Deals' With U.K. Business



Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,664.89	-1.62	-0.10
FBMEMAS	11,668.55	-18.57	-0.16
FBMEMAS SHA	12,157.94	-14.94	-0.12
FBM100	11,372.54	-18.70	-0.16
Volume (mn)	1,580.37	-289.78	-15.49
Value (RMmn)	1,592.33	-138.04	-7.98
FBMKLCI YTD Chg			1.41

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	65.3	50.1
Retail	15.3	15.1
Foreign	19.4	-65.2

Top Gainers

	Close	Change+/-	(+/- %)
UMW HLDG BHD	5.08	0.46	9.96
WARISAN TC HLD	2.05	0.25	13.89
NESTLE (MALAY)	75.02	0.22	0.29

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	44.10	-0.68	-1.52
HONG LEONG FIN	14.70	-0.20	-1.34
HONG LEONG	13.16	-0.16	-1.20

World Indices

	Close	Change+/-	(+/- %)
DJIA	19,827.25	94.85	0.48
NASDAQ	5,555.33	15.25	0.28
S&P 500	2,271.31	7.62	0.34
FTSE 100	7,198.44	-10.00	-0.14
DAX	11,630.13	33.24	0.29
Nikkei 225	19,137.91	-212.39	-1.11
HSI	22,885.91	-164.05	-0.71
KOSPI	2,065.61	1.74	0.08
STI	3,011.08	2.86	0.10
KLCI Futures	1,663.50	1.00	0.00
USDMYR 3M	10.39	0.16	0.02
USDMYR 6M	10.70	0.08	0.01
USDMYR 12M	11.20	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	53	0.1	0.2%
Brent (USD/bbl)	55.6	0.1	0.1%
Gold(USD/ounce)	1,216	5.6	0.5%
Coal (USD/mt)	83.8	0.3	0.4%
CPO (RM/mt)	3,101	-30.0	-1.0%
Rubber	252	-7.2	-2.8%
RM/USD	4.45	-0.002	0.05%
EUR/USD	0.93	-0.0023	-0.25%
YEN/USD	113.82	-0.8	0.70%

What To Expect

U.S. Market

- The Dow Jones Industrials Average lifted 94.85 points to 19,827.25 while S&P 500 and Nasdaq both rose 7.62 points and 15.25 points to 2,271.31 and 5,555.33, respectively. North American stock markets closed on a high note Friday, though investors who have been seeking clarity for weeks from Donald Trump got little of it during his inaugural address as president.
- The FBM KLCI ended down 1.62 points to 1,664.89 as investors exercised caution ahead of US President-elect Donald Trump's inauguration. There were 411 gainers and 366 decliners in total value traded of RM1.59 billion.

CORPORATE HIGHLIGHTS

Nakamichi (CP: RM0.12): Plans O&G venture to exit PN17 status

Timber company Nakamichi Corp Bhd has proposed to venture into the upstream oil and gas (O&G) industry as part of its regularisation plan to exit its Practice Note 17 (PN17) status. In a filing with Bursa Malaysia today, Nakamichi said its wholly-owned subsidiary Nakamichi Oil and Gas Sdn Bhd (NOGSB) has entered into a joint investment agency agreement with Aktau Transit LLP and Caspian Oil Project LLP for the appointment of NOGSB as the agent of Aktau Transit to monitor and oversee the exploration, development and production activities of the Aktau Transit Oilfields in Kazakhstan. An agreement was also signed among the three parties to invest up to US\$146 million (RM657 billion) for the proposed joint operations and monitoring. *(Source: The Edge)*

Guocoland (CP: RM1.17): Earnings jump 46% from share of associates' profits

Guocoland reported earnings of S\$57.1 million for 2QFY17, a 46% improvement from the earnings of S\$39 million in 2QFY16. During the quarter to December, revenue fell 3% to S\$232 million. Gross profit fell 22% to S\$47.4 million on the back of a change in sales mix. For the half year period, revenue fell 36% to S\$434.7 million because of the sale of an office block in Shanghai Guoson Centre in 1HFY16 that was not repeated in the current period. Earnings fell 85% to S\$82.8 million. Other income rose 19% to S\$24.8 million, owing to a fair value gain on foreign exchange hedges in the current quarter. Administrative expenses rose 5% to S\$13.8 million and other expenses fell 92% to S\$0.6 million. *(Source: The Edge)*

Hock Seng Lee (CP: RM1.63): Bids for RM2.5bil worth of contracts

Construction firm Hock Seng Lee Bhd, which secured RM1.94bil worth of contracts last year, has bid for new projects worth around RM2.5bil. Corporate affairs director Sonja Gan said although the current order book would keep HSL busy for several years, the company was still bidding for jobs which draw on its key expertise of marine and civil engineering. "Tenders are continuing to be

generated from the Sarawak Corridor of Renewable Energy (Score) region, notably small to medium sized infrastructure contracts, for example roads and civil works in the Score growth town of Samalaju,” she told StarBiz. Samalaju in Bintulu Division has seen rapid development in the past one decade, and is now home to billion ringgit investments in energy-intensive industries, such as aluminium and ferrosilicon and manganese smelters. (Source: The Star)

Yinson (CP: RM 2.99): In talks with Talisman to supply FPSO

Yinson Holdings Bhd’s unit is in talks with Talisman Vietnam 07/03 B.V. (TLV) to supply a vessel for the Ca Rong Do field development in Block 07/03 in the Eastern Sea Offshore Vietnam. Yinson said on Monday that TLV had issued a letter of intent to enter into exclusive talks with Yinson Production Pte Ltd to provide the floating production, storage and offloading (FPSO) facility. “The letter of intent is a confirmation of TLV’s intention to award the contract to Yinson Production,” it said. However, this would hinge on the successful negotiation and finalisation of the terms and condition of the contract, the commercial arrangement and approvals of the relevant authorities, which is expected to be completed by April 2017. (Source: The Star)

Yen Global (CP: RM1.07): Sees 30%-40% revenue from ICT

Yen Global Bhd expects its information and communications technology (ICT) segment to generate between 30% and 40% of its revenue for the financial year ending July 31, 2017, compared to about 20% in 2016. Group executive director Lim Boon Hong told StarBiz after an AGM that the group had allocated about RM10mil to further expand the ICT business division for 2017. “This is an initial amount that would cover setting up long range low power wireless platform (LoRa) infrastructure in some 30 locations in the Klang Valley in 2017 to support LoRa customers. “We expect to roll out the infrastructure in March,” Lim said. (Source: The Star)

Dolphin (CP: RM0.40): Ventures into biogas

Palm oil mill manufacturer Dolphin International Bhd is entering the biogas business and changing its business model to earn more recurring income, following the acquisition of a biogas company which already has a 16-year concession to sell its renewable energy (RE) to Tenaga Nasional Bhd (TNB). Dolphin managing director Eric Low Teck Yin said it was looking to offer customers new long-term solutions that could see new revenue streams from electrifying biogas and higher palm oil extraction rates in their mills. “Because the whole landscape is changing, we need a new business model or new products because we can no longer rely on our bread-and-butter business. We have to move away from our traditional business,” said Low. (Source: The Star)

ECONOMIC UPDATES

China: Yuan outflows plummet, showing capital controls pay off

The flood of domestic currency out of China became more of a trickle last month, signalling that policy makers’ efforts to keep cash at home are taking effect. An equivalent of a net US\$900 million worth of yuan left China via payments in December, State Administration of Foreign Exchange data showed

Thursday. That's less than 2% of the record amount in September, and compares with an average of US\$25.8 billion a month last year. While much of the focus on China's money outflows relates to residents' attempts to get US dollars and other foreign currency, attention on an exodus of funds in yuan rose in 2016 as it became clear that those numbers were accelerating. Officials introduced a number of measures to curtail the departure of multiple types of capital late last year. (Source: *The Edge*)

China: 4Q GDP grows 6.8%, slightly better than expected, but debt risks loom

Boosted by higher government spending and record bank lending, China's economy grew by a faster-than-expected 6.8% in the fourth quarter, giving it a solid tailwind heading into what is expected to be a turbulent 2017. But Beijing's decision to double down on spending to meet its official growth target may have come at a high price, as policymakers will have their hands full this year trying to defuse financial risks created by an explosive growth in debt. The world's second-largest economy also faces increased uncertainties from a cooling housing market and the government's bid to push through painful structural reforms, which could help deal with the root-cause of rising debt and housing problems but weigh on near-term growth. (Source: *The Edge*)

U.K.: May Industrial Strategy Sees 'Sector Deals' With U.K. Business

Theresa May will offer to deal with U.K. business sector-by-sector as she tries to prepare the economy for Britain's departure from the European Union. Announcing her industrial strategy on Monday, which she hopes will improve U.K. productivity, the prime minister said she wanted to see "sector deals" where government backs areas where it thinks the U.K. could excel, including artificial intelligence, and mobile networking. Ministers will hold a cabinet meeting in northwest England to emphasize their desire to help parts of the country that have sometimes be left behind by industrial shifts. The strategy "will be underpinned by a new approach to government, not just stepping back but stepping up to a new, active role that backs business and ensures more people in all corners of the country share in the benefits of its success," May said in an e-mailed statement.

OPEC: Shrugs Off Threat of U.S. Cutting Oil Imports

OPEC's two biggest suppliers to the U.S. shrugged off a vow by President Donald Trump to end dependence on the group's oil, saying the world's biggest economy would continue to need crude from abroad. The U.S. is "closely integrated in the global energy market," Saudi Arabia's Energy and Industry Minister Khalid Al-Falih said, while his Venezuelan counterpart Nelson Martinez said he expects his country's crude exports to the world's top consumer to remain stable. "The positions that the U.S. and Saudi Arabia take in global energy are very important for global economic stability," Al-Falih said at a meeting of producing countries in Vienna. He added that Saudi Arabia was looking forward to working with the Trump administration.

India: \$400 Billion Fund Manager Is Bullish on Trump-Proof India

India trailing Spain on the sovereign ratings tables makes no sense to Aberdeen Asset Management Plc, which calls the delay in acknowledging the Asian economy's improving outlook staggering. With India "isolated" and less

threatened by possible protectionist measures by U.S. President Donald Trump, Aberdeen is overweight on the country and its local companies, said Hugh Young, the firm's Singapore-based Asia managing director, who helps oversee assets of \$400 billion. "We are not in wait-and-see mode anymore," Young said in an e-mailed response to questions. "Even though it is still relatively early days, the economy has transitioned, we are already seeing significant improvement and the groundwork has been laid for even stronger performance ahead. To not acknowledge that the outlook has improved is staggering."

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