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Monday, December 28, 2015

Report of the Day

Company Update: MMHE - "Multiple Awards Worth RM527 million"

At a Glance

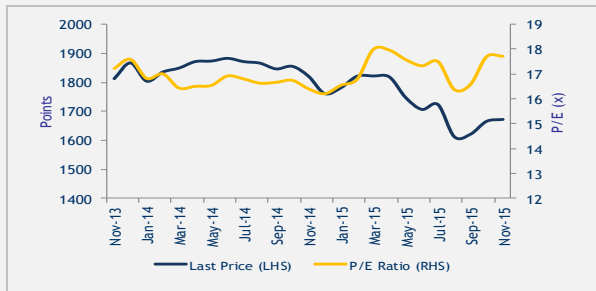
FBMKLCI soared 20.25 points to finish at 1,663.51 in tandem with higher overnight close on Wall Street(See full report next page)

Corporate Highlights

- **WCT, HOLD (TP: RM1.62):** Sells Klang hotel for RM16.1m in related party transaction
- **Multi-Code (CP: RM0.84):** Secures five-year contracts with Proton worth RM240m
- **DRB-Hicom (CP: RM1.28):** Sale of Corwin is on willing-buyer willing-seller basis

Economic Update

- **Malaysia:** Unemployment rate up year-on-year in October 2015
- **China:** Earliest economic indicators show signs of stabilization
- **Japan:** Approves US\$800bil budget



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	28-31 Dec	-	Leading Index	-	98.36
JP	28-Dec	7:50 AM	Industrial Production MoM	-	1.4%
JP	28-Dec	7:50 AM	Industrial Production YoY	-	-1.4%
JP	28-Dec	7:50 AM	Retail Trade YoY	-	1.8%
JP	28-Dec	7:50 AM	Retail Sales MoM	-	1.1%
US	29-Dec	10:00 PM	S&P/CS Composite-20 YoY	5.50%	5.45%
US	29-Dec	10:00 PM	S&P/CaseShiller 20-City Index	183.28	182.91
US	29-Dec	11:00 PM	Consumer Confidence Index	94.0	90.4
EU	30-Dec	5:00 PM	M3 Money Supply YoY	5.1%	5.3%
US	30-Dec	11:00 PM	Pending Home Sales MoM	0.6%	0.2%
US	31-Dec	9:30 PM	Initial Jobless Claims	-	-
US	31-Dec	9:30 PM	Continuing Claims	-	-
NY	31-Dec	6:00 PM	Money Supply M3 YoY	-	4.0%
CN	1-Jan	9:00 AM	Manufacturing PMI	49.8	49.6
CN	1-Jan	9:00 AM	Non-manufacturing PMI	-	53.6

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,663.51	20.25	1.23
FBMEMAS	11,627.71	123.15	1.07
FBMEMAS SHA	12,605.78	163.96	1.32
FBM100	11,302.45	124.77	1.12
Volume (mn)	1,630.76	6.92	0.43
Value (RMmn)	1,634.98	58.60	3.72
FBMKLCI YTD Chg			-5.55

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.3	6.1
Local Institution	55.1	-18.2
Foreign Investors	23.6	12.1

Top Gainers

	Close	Change+/-	(+/- %)
SAM ENG	7.55	0.62	8.95
NESTLE	73.02	0.52	0.72
MAGNI-TECH	4.49	0.31	7.42

Top Losers

	Close	Change+/-	(+/- %)
AJINOMOTO	8.60	-0.40	-4.44
HONG LEONG BA	13.24	-0.28	-2.07
KOSSAN RUBBER	9.26	-0.24	-2.53

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,552.17	-50.44	-0.29
NASDAQ	5,048.49	2.56	0.05
S&P 500	2,060.99	-3.30	-0.16
FTSE 100	6,254.64	13.66	0.22
DAX	10,727.64	238.89	2.28
Nikkei 225	18,886.70	-29.32	-0.16
HSI	22,040.59	210.57	0.96
KOSPI	1,999.22	6.66	0.33
STI	2,863.65	10.68	0.37
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	38	-0.2	-0.4%
Brent (USD/bbl)	37.8	-0.1	-0.2%
Gold(USD/ounce)	1,077	0.7	0.1%
Coal (USD/mt)	51.4	0.0	0.0%
CPO (RM/mt)	2,487	19.0	0.8%
Rubber	123	0.0	0.0%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 50.44 points to 17,552.17 points, S&P 500 fell slightly by 3.30 points to 2,060.99. Nasdaq added 2.56 points to 5,048.49. Wall Street finished a little lower on Thursday as a drop in energy stocks kept a lid on holiday cheer during a shortened Christmas Eve trading session.
- With 2015 largely a lost year for stock investors and the U.S. Federal Reserve raising rates earlier this month for the first time in almost a decade, some looked ahead to 2016.

The Local Market

- FBMKLCI soared 20.25 points to finish at 1,663.51 in tandem with higher overnight close on Wall Street. There were 551 gainers and 331 decliners in total value traded of RM1.63 billion.
- Among the gainers on Bursa Malaysia were SAM Engineering surged 62 cent to RM7.55, Nestle gained 52 cent to RM73.02, Magni-Tech Industries added 31 cent to RM4.49 and KLK grew 30 cent to RM23.00.

Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

WCT, HOLD (TP: RM1.62): Sells Klang hotel for RM16.1m in related party transaction

Construction and property development group WCT Holdings Bhd is selling a boutique hotel located in Bandar Bukit Tinggi 2, Klang, Selangor, to its managing director Taing Kim Hwa via his private vehicle, Beyond Century Sdn Bhd, for RM16.1 million. In a filing with Bursa Malaysia today, WCT said Gemilang Waras Sdn Bhd, a wholly-owned subsidiary of WCT Land Sdn Bhd, which in turn is a wholly-owned unit of WCT, yesterday signed a sale and purchase agreement with Beyond Century for the proposed sale. Gemilang Waras is the developer of "The Lead" at Bandar Bukit Tinggi 2, a freehold integrated commercial development that comprises two towers of serviced apartments, a boutique hotel and commercial retail shops. Taing is a major shareholder of WCT, as well as a director of Gemilang Waras. (Source: The Edge)

Multi-Code (CP: RM0.84): Secures five-year contracts with Proton worth RM240m

Multi-Code Electronics Industries (M) Bhd has signed contracts worth RM240 million with Perusahaan Otomobil Nasional Sdn Bhd (Proton) to supply electronics parts for the national carmaker for five years. Multi-Code said in a

Bursa Malaysia filing today that it will supply Proton cars with anti-theft systems, parking sensors, power regulator systems, functional switches, and ignition key set systems. The supply of these parts, said Multi-Code, is expected to begin in the second and third quarters of its financial year ending July 31, 2016. The estimated initial investment outlay was RM1.55 million, it added. Multi-Code is principally involved in the manufacturing and supply of car alarm systems, central locking and power window regulators. In FY15, it reported an audited net loss of RM1.07 million or 2.42 sen a share, while revenue came in at RM90.03 million. *(Source: The Edge)*

DRB-Hicom (CP: RM1.28): Sale of Corwin is on willing-buyer willing-seller basis
DRB-Hicom Bhd has clarified that the price tag of S\$317 million for its 90% interest in Corwin Holding Pte Ltd, the owner of The Verge shopping mall in Singapore, was on a willing-buyer willing-seller basis that took into account the shopping mall's market value of S\$140 million. The market value was recorded as at March 31, 2015, based on its current usage, said DRB-Hicom in a Bursa Malaysia filing today. The Securities Commission Malaysia (SC) had asked the conglomerate to furnish the details on how the value of S\$317 million came about, taking into account Corwin's audited and unaudited net assets as at March 31, 2015 and Nov 30, 2015, as well as the agreed value of The Verge. This follows DRB-Hicom's announcement on Monday that the group, together with Corwin's minority shareholders Mohamed Mustafa & Samsuddin Co Pte Ltd (MMS) and BI Distributors Pte Ltd, had agreed to sell Corwin to Evolutyon Real Estate Investment Holding Pte Ltd. *(Source: The Edge)*

Boustead Heavy Industries (CP: RM2.00): To sell 3 tankers to Silk Holdings for US\$17.1m

Boustead Heavy Industries Corp Bhd (BHIC) is disposing of three chemical tankers to Jasa Merin (Labuan) Plc for a combined US\$17.1 million (RM73.47 million) or US\$5.7 million (RM24.49 million) each. BHIC said it plans to use the sale proceeds to further reduce its existing loan and borrowings. In a filing with Bursa Malaysia today, BHIC said its wholly-owned subsidiaries — BHIC Marine Carriers Sdn Bhd, BHIC Marine Ventures Sdn Bhd, and BHIC Marine Transport Sdn Bhd — have signed separate memoranda of agreement with Jasa Merin (Labuan) for the proposed sale. Jasa Merin (Labuan) is a wholly-owned subsidiary of Jasa Merin (M) Sdn Bhd, which in turn is 70% owned by Silk Holdings Bhd. The three 7,000-tonne tankers comprised Chulan 1, Chulan 2, and Chulan 3. The vessels were built in 2011 and are currently in active operation. *(Source: The Edge)*

PDZ (CP: RM0.07): Kazakhstan LPG plant construction to be 'slightly delayed'

Container shipping services outfit PDZ Holdings Bhd expects the construction of its liquefied petroleum gas (LPG) plant on Rakushechnoye oil and gas field in Kazakhstan to be delayed from its initial commencement target, which was slated to be by the second quarter of 2016 (2Q16). Recall that PDZ entered into a framework agreement last year with Ken Makmur Sdn Bhd for the production of LPG with natural gas from the Rakushechnoye O&G field in Kazakhstan, a deal that would launch it into the gas sector. At the moment, our target of beginning construction by 2Q16 might be slightly delayed but the project is still on," said PDZ managing director Aminuddin Yusof Lana, after the company's annual

general meeting (AGM) today. He explained that the delay was caused by the volatility of the Malaysian ringgit, which is trading at around 4.30 against the US dollar now, versus the company's initial projection of 3.40. This has pressured the planned costs for the project, said Aminuddin, as costs are denominated in US dollar. *(Source: The Edge)*

EG Industries (CP: RM1.01): To invest RM30m in new Kedah plant

Electronic manufacturing services (EMS) player EG Industries Bhd intends to invest about RM30 million in a new manufacturing facility in Sungai Petani, Kedah. The plant, located next to the group's existing factory, would boost the group's production floor space in Malaysia by 50% to 229,557 sq ft, the company said in a statement on Wednesday. The new facility will be dedicated to plastic injection moulding operations, which would expand the group's scope of EMS to include box-build, complementing its current expertise in printed circuit board assembly. *(Source: The Star)*

Protasco (CP: RM1.63): Wins RM25mil per annum Government contract

Protasco has been awarded a Government contract to provide forensic engineering services on Malaysian slopes and slope related structures. In its filing with Bursa Malaysia on Wednesday, Protasco said its unit, Kumpulan Ikram Sdn Bhd received a letter of appointment from the Ministry of Works Malaysia to provide forensic engineering services on slopes and slope related structures. The contract is for a period of three years with the option to renew for a further two years. Protasco said the contract price is estimated at RM25mil per annum, subject to actual consumption by the Government. *(Source: The Star)*

Iris Corp (CP: RM0.20): Patent infringement dispute in Germany resolved

Iris Corporation Bhd said its patent infringement litigation in Germany has been amicably resolved. In a statement dated Dec 22, Iris said it had resolved the matter with Cross Match Technologies Inc over the latter's use of document scanner devices including the relevant software development kits in Germany. Iris Corp said the settlement included the grant of a non-exclusive licence to Cross Match under Iris' European patent to manufacture, offer, sell and distribute document scanner devices in Germany, France, the United Kingdom and the Netherlands. Iris group chief executive officer Datuk Tan Say Jim said the company respects the intellectual property of other companies and individuals and expects others to similarly respect its intellectual property rights. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: Unemployment rate up year-on-year in October 2015

The unemployment rate in October 2015 was 3.1%, an increase of 0.4 percentage points from the same month a year ago, according to data released by The Department of Statistics Malaysia. Month-on-month, the unemployment rate fell 0.1 percentage points. The department also said labour force participation rate in October stood at 67.9%, similar to the previous month. Year-on-year comparison showed that the labour force participation

rate was higher by 0.5 percentage points compared with 67.4% in October 2014. (Source: The Star)

Malaysia: November CPI up 2.6% year-on-year

The Consumer Price Index (CPI) for November 2015 increased 2.6% to 114.8 compared with 111.9 a year ago. The rise in the CPI was led by increases in the index for Alcoholic Beverages & Tobacco group by 20.7%; Miscellaneous Goods & Services (+5.9%); Restaurants & Hotels (+4.6%); Health (+4.4%); Food & Non-Alcoholic Beverages (+4.1%) and Furnishing, Household Equipment & Routine Household Maintenance (+3.8%). In a statement, the Department of Statistics Malaysia said the six groups of goods and services which weighted 47.4 contributed 97.8% to the increase in the CPI in November. The overall index is also influenced by the increase in Communication (+3.4%) and Recreation Services & Culture by 2.6%. (Source: The Star)

China: Earliest economic indicators show signs of stabilization

China's policy makers, armed with their 2016 economic plan, can take heart they'll start the year on firmer footing as the earliest indicators for December show more signs of stabilization. Improvements are visible in gauges from search engine data to executive surveys, additional ways to take the economy's pulse that can help fill the void after private providers recently suspended two of the earliest reads on data. Leaders of the world's second-largest economy have signaled they'll do more to prevent a sharp slowdown, including widening the fiscal deficit and cutting an oversupply of housing, according to a statement Monday from a key planning conference. Authorities say growth can meet their target of about 7% this year. (Source: The Star)

Japan: Approves US\$800bil budget

Japanese Prime Minister Shinzo Abe's cabinet has approved a record fiscal 2016 budget that counts on higher growth and tax revenue to achieve his aim of reviving the economy and reining in huge public debt. Total spending for the fiscal year starting April 1 will be 96.72 trillion yen (US\$799.93bil), up a tad from this year's initial plan to spend 96.3 trillion yen. The draft budget – the fourth since Abe returned to power in late 2012 – features record welfare spending to cope with a fast-ageing population and a military outlay that topped 5 trillion yen for the first time ever. (Source: The Star)

Singapore: Weak November factory output may weigh on Q4 GDP

Singapore's industrial production in November fell more than expected from a year earlier, an outcome that may weigh on the city-state's fourth-quarter economic growth and points to a soft outlook for 2016. Manufacturing output shrank 5.5% in November from a year earlier, data from the Economic Development Board (EDB) showed, weaker than the median market forecast for a 2.7% drop. On a monthly basis output contracted 3.6%. The median forecast was for an expansion of 0.8%. November was the 10th straight month of annual contraction in manufacturing output, which in January-November fell 4.6% from a year earlier. (Source: The Star)

U.K.: BoK says policy will be easy in 2016, governor warns of imbalances

South Korea's central bank will maintain an accommodative policy stance for now to support a fragile economic recovery, the bank said even as its governor warned that keeping monetary conditions loose for long has increased financial imbalances. The Bank of Korea (BoK) has a double mandate in that it must seek economic and financial stability," said BoK governor Lee Ju-yeol (*pic*) in embargoed comments late on Wednesday at a year-end event. However, financial imbalance has increased by keeping our accommodative policy stance long-term amid an unprecedented age of low growth and low interest rates. A separate statement from the BoK yesterday on policy direction for 2016 showed the bank will maintain its accommodative stance amid low growth and inflation. (Source: *The Star*)

U.S.: Jobless claims near 42-year low as labour market tightens

The number of Americans filing for unemployment benefits fell more than expected last week, nearing a 42-year low as labor market conditions continued to tighten in a boost to the economy. Initial claims for state unemployment benefits dropped 5,000 to a seasonally adjusted 267,000 for the week ended Dec.19, not far from levels last seen in late 1973, the Labor Department said on Thursday. Economists polled by Reuters had forecast claims dipping to 270,000 in the latest week. Claims have been below 300,000, a threshold associated with a buoyant labor market, for 42 consecutive weeks. That is the longest stretch since the early 1970s. However, some of the decline last week could be attributed to difficulties adjusting the figures during the holidays. (Source: *The Star*)

Vietnam: Economy grows at highest rate in five years

Vietnam's economy in 2015 grew at its fastest pace in five years, official figures showed Saturday, shaking off regional economic worries with strong exports, record foreign investment and buoyant domestic consumption. The communist nation recorded a GDP growth rate of 6.68 percent, easily surpassing the government's 6.2 percent target with a figure that looks set to be one of Southeast Asia's strongest showings for the year. This growth rate is very important for the Vietnamese economy in the coming years in the context of falling world oil prices and instabilities in the international financial markets. (Source: *The Star*)

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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