



The Observer

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MESSAGE FROM THE CEO



After the Chinese New Year break, there were many positive news flow in the country. One was certainly the increase in the dividend rates to 6.15% by EPF to its members compared to 6% the previous year, the highest during the past decade. The second was surely the increase in GDP numbers to 6.4% the last quarter of 2012 and 5.6% overall for the year 2012. This increase was supported by the Economic Transformation Programme being implemented and saw the construction sector leading this growth. The news was welcomed by investors who were waiting on the sidelines pending the announcement of GE13 which muted the KLSE index performance.

The third news that warrants mentioning was the announcement on the rail project which will tie up KL and Singapore. Estimated around 90 minutes, the rail service will provide faster and seamless connectivity between the two major destinations. The rail service is expected to be a boon to Malaysia not just in terms of better transportation but also the potential capital appreciation of land values in future property developments along the rail service line and other ancillary growth. The estimated funding is anything between RM15 to RM 20 billion.

These events will put testament to the view that Malaysia's construction and property continues to grow and remains a vital economic sector to support the nation's economy. This was reinforced by Construction Industry Development Board Malaysia (CIDB) robust outlook for the sector in 2013, with construction having a worth of approximately RM110 billion. (A brief statistic on the prospects of construction and property development for 2012 is attached).

Another exercise which filled the news was MRCB's share swap exercise with Gapurna. It would be worthwhile to know how this deal would pan out, especially the benefits to the general public, considering EPF's involvement in the deal as well as to the shareholders of MRCB. We will look into the merits of the deal, pending the circular to shareholders.

Regards...

Rita

Capital Market Updates

OVERVIEW OF BNM REPORT (FOURTH QUARTER OF 2012)

Malaysian economy registered higher growth in the fourth quarter. Despite the challenging global economic environment, the Malaysian economy recorded a higher growth of 6.4% (3Q 12: 5.3%), supported by the continued strength in domestic demand. Total investment remained robust and was the main driver of growth during the quarter. The growth of private consumption continued to remain strong although the pace of increase moderated. The growth during the quarter also benefited from a significantly lower negative contribution from net exports. On the supply side, most economic sectors recorded improvements in growth during the quarter. For the year as a whole, the Malaysian economy expanded by 5.6%.

Private sector investment advanced by 20.2% (3Q 12: 22.9%), supported by capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, namely, telecommunications, real estate and aviation and the on-going implementation of projects in the oil and gas sector. Investment was also supported by capacity expansion in the primary-related manufacturing cluster and capital spending in new growth areas such as medical and communications equipment. Meanwhile, growth in the construction sector continued to be robust, driven by the civil engineering and residential sub-sectors.

Source: Bank Negara Malaysia

Construction Sector

Quarter	Total		Residential		Non-Residential		Civil Engineering		Special Trade	
	Value of construction work done (RM m)	(%)	Value of construction work done (RM m)	(%)	Value of construction work done (RM m)	(%)	Value of construction work done (RM m)	(%)	Value of construction work done (RM m)	(%)
Q4/12	22,457	100	5,760	25.6	6,431	28.6	9,102	40.5	1,164	5.2
Q3/12	20,401	100	5,061	24.8	7,158	35.1	7,201	35.3	982	4.8
Q2/12	20,349	100	5,162	25.4	7,086	34.8	7,050	34.6	1,052	5.2
Q1/12	17,726	100	4,885	27.6	6,807	38.4	5,119	28.9	915	5.2
Q4/11	17,661	100	4,610	26.1	5,958	33.7	6,057	34.3	1,036	5.9

Source: Statistics Dept

Construction showed its buoyancy with a 27.2% increase in the last quarter of 2012, led mostly by the private sector. As such the total value for construction in 2012 was a cumulative RM80.93 billion. The vibrant sector displayed strong performance with a 22.45 billion worth of work done between October and December. According to data from the Statistics Dept, the private sector continued to lead the construction's sector sterling results typically as project owners with an increase in market share from 64.5% in 3Q to 68.8% in 4Q.

OUR TAKE ON ONGOING CORPORATE TRANSACTIONS

MBF

CEO Tan Sri Mogan Lourdenadin has offered to privatise the company by offering RM1.50 a share. Lourdenadin, who owned 87 per cent of the company as at Feb 9 2013, also offered 50 sen per warrant and RM4.64 per Class A United States dollar-denominated redeemable convertible secured loan stock.

MSWG Comment:

Pending the Independent Adviser's recommendation, some shareholders have raised questions whether the earlier announcement by the Board on dividend arising from the sale of MBF Cards & Services would be paid to them. The privatisation is Mogan's third attempt to take control of MBF Holdings. In 2010, Mogan had tried to take MBF Holdings private through a proposed selective capital reduction and repayment exercise by offering 65 cents per share for MBF Holdings, but was unsuccessful after minorities had rejected the offer due to low price.

MSWG's Watchlist

MRCB

The Company announced that it was acquiring PJ Sentral Garden City project from Gapurna Sdn Bhd ("Vendors") and several other assets for RM729 million. In return Gapurna will receive RM111 million in cash and as well the 398.71 million new MRCB shares attached together with 113.97 million free warrants on the basis of 2 new MRCB warrants for every 7 new shares issued to the Vendors. The new shares to Gapurna have been priced at RM1.55 per share which is a 25% premium over the last transacted price prior to the announcement dated 8th February, 2013. The deal will also see the emergence of Datuk Salim Fateh Din as a substantial shareholder in MRCB holding approximately 16.96% indirectly via his 70% shareholdings in Gapurna pursuant to its completion.

Petra Energy

Petra Energy announced that it was calling for a rights issue offer from the general public. The Company would be offering up to 107.25 million rights shares, based on a 1 for 1, raising between RM102.09 million and RM160.875 million in terms of proceeds. The proceeds would fund Petra's investment in a project with Coastal Energy KBSM Sdn Bhd and enter the upstream segment of the oil and gas sector.

Bumi Armada

Bumi Armada has won a contract amounting to US\$740 million or RM2.29 billion to supply a floating production, storage and offloading vessel to India's state-owned Oil and Natural Gas Corp Ltd (ONGC). The charter was for nine (9) years and ONGC has an option to extend the contract for an additional seven years on yearly basis at an aggregate value of US\$340 million.

Local News and Developments

RM800 million island deal

<http://biz.thestar.com.my/news/story.asp?file=/2013/2/19/business/12727602&sec=business>

IGene making waves

<http://biz.thestar.com.my/news/story.asp?file=/2013/2/18/business/12724999&sec=businessb>

Inflationary pressures seen rising this year

<http://www.btimes.com.my/articles/sipie/Article/>

Construction Statistics from Construction Industry Development Board, Malaysia

<http://www.cidb.gov.my/cidbweb/images/pdf/buletin/2012/bahagian%20keduas42012.pdf>

Global News and Developments

Rio Tinto in a 20 year iron ore shipping with MOL

http://www.btimes.com.my/Current_News/BTIMES/articles/mol/Article/

Aviation industry dons 'shark skins' to save fuel

http://www.btimes.com.my/Current_News/BTIMES/articles/mol/Article/

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Feedback

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