CIMB

STRATEGY

25 May 2010

MALAYSIA

Midyear Strategy

Walking a tightrope?

OVERWEIGHT | Maintained
1,304 @20/5/10
Target Index: 1,450

Terence Wong CFA +60(3) 20849689 –terence.wong@cimb.com

PP14048/11/2010 (025968)

Contents

Investment summary

- **KLCI an outperformer YTD.** The KLCI has held up well amid the European debt crisis and shaky global markets. We were originally inclined towards a strong 1H and a less certain 2H. But given the huge gains made in the past year, we now expect the market to consolidate before picking up pace in 2H with the help of sustained newsflow on government policy and the transformation programme. The newsflow includes the release of the 10th Malaysia Plan (10MP) in June, the second stage of the New Economic Model (NEM) detailing new policies in 4Q and the 2011 Budget in October. We maintain our OVERWEIGHT on Malaysia and year-end KLCI target of 1,450 points. Our preferred sectors are unchanged but we have replaced four of our 10 top picks with Daibochi, MAS, Mudajaya and Tan Chong.
- **A choppy 1H so far.** The stockmarket has been choppy so far this year. Though an upward bias was evident for most of the year to date, there were bouts of heavy profit-taking due to external uncertainties such as the debt crisis in Greece and several tightening measures by China. The performance of our top 10 stock picks was mixed and strong outperformances were noted for the banking, rubber glove and construction sectors. The main letdowns were SapuraCrest and Sime Darby, the former due to unwarranted concerns and the latter due to confirmed large provisions. From our observation of the results season, share prices showed strong correlation with financial performances.
- **How long can the uptrend last?** We have enjoyed 3-4 quarters of positive corporate results where there were more upgrades than downgrades. During the 2006-7 bull run, the good corporate results lasted five quarters before ending prematurely due to the global financial crisis. This time, we think Malaysian companies should deliver at least 1-2 more quarters of good results, courtesy of the general economic recovery which only began in 1Q10. This uptrend is now in its 15th month, matching the shortest bull markets in Malaysia's history. Past bull markets lasted 26 months on average, which would stretch the current bull market to mid-2011, if matched.
- **Government policy catalysts.** We continue to view Prime Minister Datuk Seri Najib Razak's liberalisation and reform policies as one of the key drivers for the market. The Government Transformation Programme (GTP) roadmap was released in January while the outline of the NEM was announced in March. The 10MP will be announced on 10 June while details and finalisation of the NEM will be disclosed in 4Q. The GTP, NEM and 10MP are the key anchors of Najib's three-pronged approach towards achieving his 1Malaysia goals. Also, the 2011 Budget will be presented on 15 October. These events should help buoy the market or at least give it a boost closer to 4Q if the current consolidation persists. Our technical view ties in with our positive 2H outlook but only after a major pullback in the next few months.
- **Stockpicking is most crucial.** We continue to favour the banking, construction, oil & gas and rubber glove sectors. However, we have dropped Tanjong and YTL Power from our top 10 picks due to their low betas which have led to underperformance relative to sectors that exhibit robust growth. Axiata has also been removed due to its strong share price upswing while Sime Darby has been downgraded in view of the unexpected massive provisions. They are replaced by Daibochi, MAS, Mudajaya and Tan Chong which are our strong conviction picks in terms of upside to share prices, earnings prospects and unique growth stories.

Top picks

	Bloomberg ticker	Recom.	Price (Local)	Target price (Local)	Mkt cap (US$ m)	Core P/E (x) CY2010	Core P/E (x) CY2011	3-yr EPS CAGR (%)	P/BV (x) CY2010	ROE (%) CY2010	Div yield (%) CY2010
Daibochi	DPP MK	O	2.85	4.60	66	8.3	7.4	13.6	1.5	19.4	8.3
Gamuda	GAM MK	O	2.82	4.30	1,739	17.3	14.0	36.0	2.9	16.7	4.3
Kencana	KEPB MK	O	1.39	1.90	704	13.3	10.9	3.8	7.8	61.8	1.4
MAS	MAS MK	O	1.98	3.00	2,022	nm	27.6	178.4	1.8	15.5	0.0
Public Bank	PBK MK	O	11.72	14.10	12,647	13.8	11.7	19.3	3.2	25.2	5.3
SapuraCrest	SCRES MK	O	2.01	3.02	784	12.3	10.1	18.8	2.8	23.4	3.9
Mudajaya	MDJ MK	O	5.12	7.94	667	9.1	7.3	33.4	3.3	43.9	1.0
Tan Chong	TCM MK	O	4.05	7.00	832	10.4	8.0	47.1	1.6	16.2	3.0
Top Glove	TOPG MK	O	12.38	17.90	1,166	12.8	11.4	26.6	3.4	29.4	3.2
WCT	WCT MK	O	2.60	3.60	621	12.6	11.2	10.2	1.8	14.9	3.8
Simple average						**12.2**	**12.0**	**38.7**	**3.0**	**26.6**	**3.4**

O = Outperform, N = Neutral, U = Underperform, TB = Trading Buy and TS = Trading Sell
Source: Company, CIMB Research

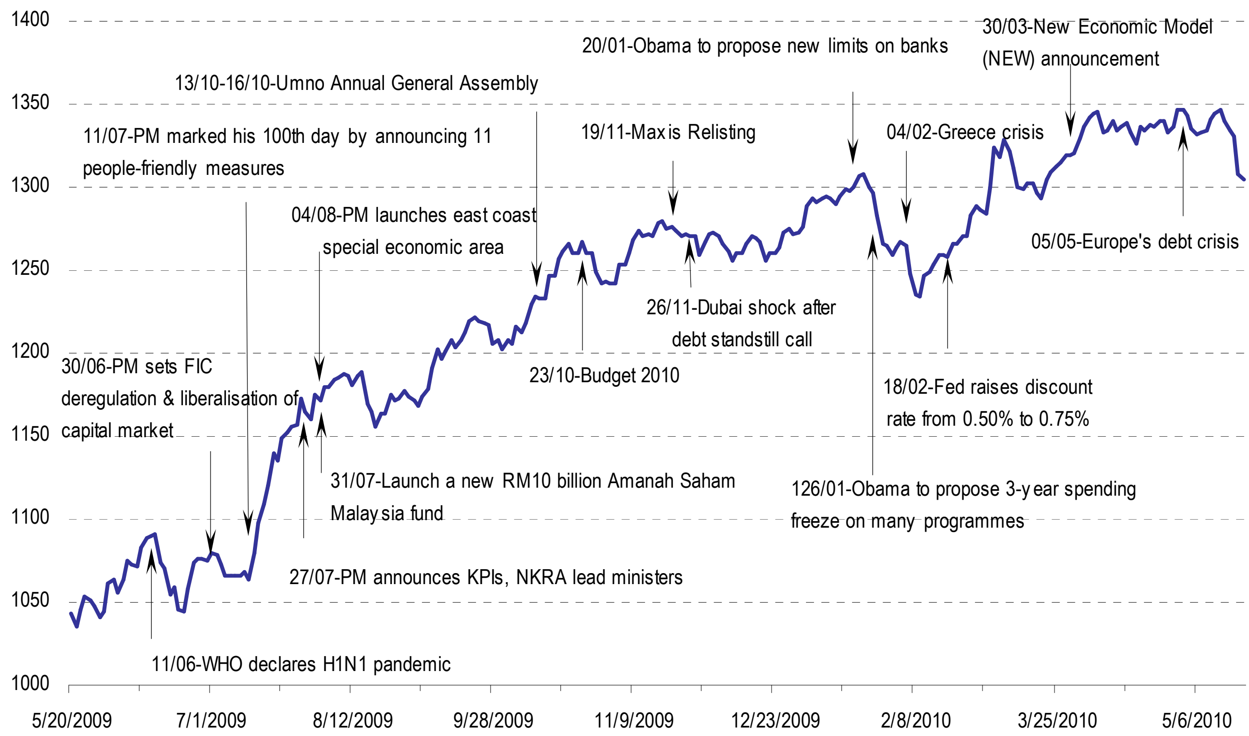
Review of 1H10

Malaysia performed well

Choppy markets

The stockmarket has been choppy so far this year. Though an upward bias was evident for most of the year to date, there were bouts of heavy profit-taking due to external uncertainties such as the debt crisis in Greece and several tightening measures by China. YTD, Malaysia has been one of the better-performing markets, gaining 2% vs declines of 5-11% by regional peers such as Singapore and Hong Kong. The decent performance was partly due to positive newflow on policy measures such as the Government Transformation Programme (GTP) launched in January and the New Economic Model (NEM) released in March. The respectable corporate results seasons in February (4Q09) and May (1Q10) thus far, particularly for the big-cap banking sector, also helped to buoy the market.

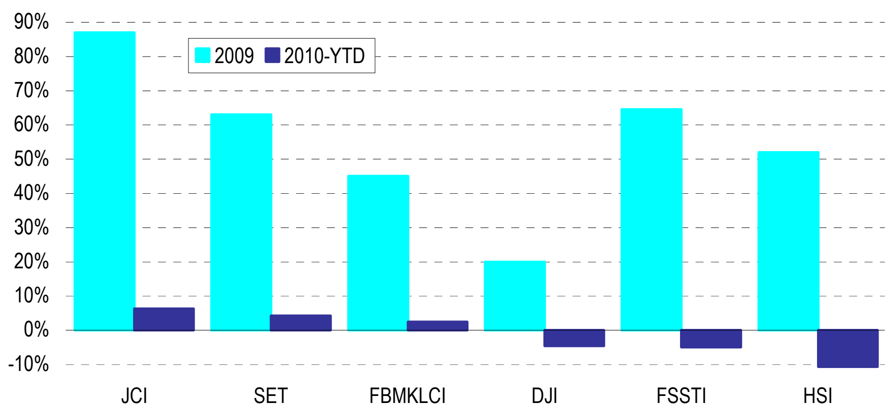
Figure 1: KLCI and various events in 2010



Source: Bloomberg, CIMB Research

KLCI played catch-up in 1H 2010

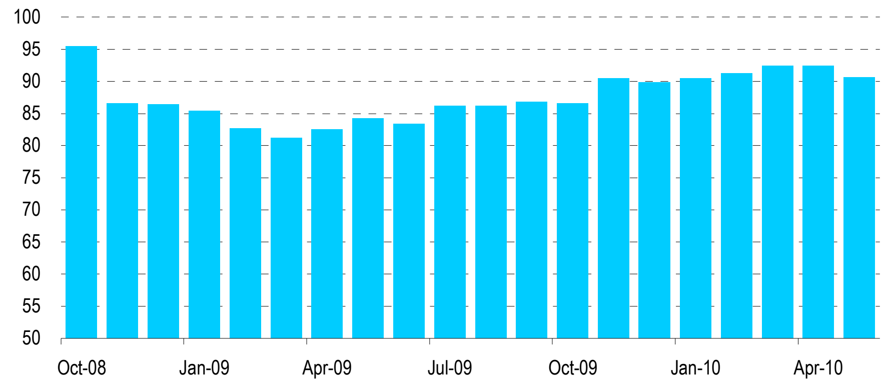
Figure 2: 2009 and YTD 2010 performance of various indices



Source: Bloomberg, CIMB Research

Earnings revisions on uptrend

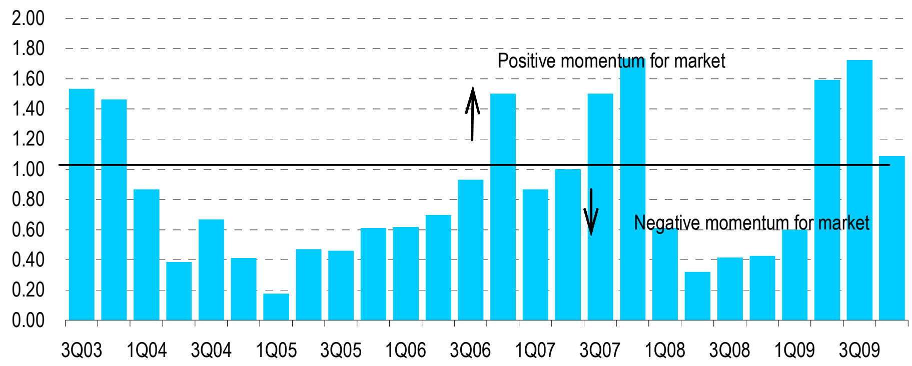
Figure 3: CIMB's CY10 EPS estimates (indexed)



Source: CIMB estimates, Reuters estimates

Figure 4: Revisions up/revisions down (x)

Revision ratio stays above 1x



Source: Company, CIMB estimates

Stock picks mixed

Mixed performance from our original picks

The performance of our top 10 stock picks was mixed and outperformances came from the banking, rubber glove and construction sectors. The main letdowns were SapuraCrest and Sime Darby, the former due to unwarranted concerns and the latter due to confirmed large provisions. Besides banks, sectors that performed well include technology, consumer and construction. We are overweight on the semicon and construction sectors as well as consumer durables such as the auto sector. More disappointing were the property and plantation sectors which underperformed the KLCI. We downgraded the plantation sector in May when we downgraded Sime Darby.

Figure 5: Performance of CIMB's original top picks for 2010

Axiata and Top Glove were the top performers

	31 Dec 08	31 Dec 09	% change	YTD 2010	% change
Axiata	2.47	3.05	23.7%	3.72	22.0%
Gamuda	1.89	2.60	37.6%	2.82	8.5%
Kencana	0.78	1.44	84.6%	1.39	-3.2%
Public Bank	8.48	11.14	31.3%	11.72	5.2%
SapCrest	0.76	2.48	226.3%	2.01	-19.0%
Sime Darby	5.20	8.97	72.5%	8.20	-8.6%
Tanjong	13.30	16.84	26.6%	17.98	6.8%
Top Glove	3.50	10.06	187.4%	12.38	23.1%
WCT	1.52	2.60	71.1%	2.60	0.0%
YTL Power	1.90	2.24	17.9%	2.20	-1.8%
Average			**77.9%**		**3.3%**
FBMKLCI Index	**876.75**	**1,272.78**	**45.2%**	**1,304.16**	**2.5%**

Source: Bloomberg, CIMB estimates

Tech and construction sectors were outperformers

Figure 6: Performance of indices in 2010

	31 Dec 08	31 Dec 09	% change	20 May 10	% change
KLTEC Index	13.69	18.14	32.5%	22.07	21.7%
KLTIN Index	231.01	291.81	26.3%	322.20	10.4%
KLFIN Index	6,791.71	11,053.40	62.7%	11,816.42	6.9%
FBMSC Index	6,552.82	10,165.81	55.1%	10,732.88	5.6%
KLCSU Index	282.03	372.39	32.0%	391.09	5.0%
FBMFL Index	5,420.98	7,421.81	36.9%	7,724.42	4.1%
KLCON Index	164.18	224.29	36.6%	233.24	4.0%
FBM70 Index	5,442.06	8,269.22	52.0%	8,561.31	3.5%
FBMEMAS Index	5,726.46	8,507.61	48.6%	8,757.66	2.9%
FBM100 Index	5,613.94	8,308.89	48.0%	8,531.28	2.7%
FBMKLCI Index	**876.75**	**1,272.78**	**43.1%**	**1,304.16**	**2.5%**
FBMS Index	5,949.63	8,509.52	43.0%	8,633.83	1.5%
KLSER Index	117.91	160.94	43.1%	163.11	1.3%
KLIND Index	2,063.85	2,654.51	28.6%	2,641.12	-0.5%
KLPRP Index	515.61	781.71	51.6%	772.83	-1.1%
FBMHS Index	6,640.04	9,312.02	40.2%	9,182.37	-1.4%
KLPLN Index	4,142.80	6,362.91	53.6%	6,156.82	-3.2%
FBMMES Index	3,333.59	4,299.58	29.0%	3,926.11	-8.7%
Average			**42.4%**		**3.2%**

Source: CIMB estimates, Bloomberg

Malaysia still unloved

Foreigners resumed selling Malaysia in 2010

Despite Malaysia's respectable YTD performance, foreign funds remain unconvinced. After enjoying a net inflow of foreign funds in 2009, Malaysia was again sold down by foreign investors this year. According to statistics from Emerging Portfolio Fund Research (EPFR), foreign funds sold down US$167m of their positions in the first three months of 2010, more than the total inflow for 2009. Foreign shareholding in Malaysia remains depressed at lows not seen for years.

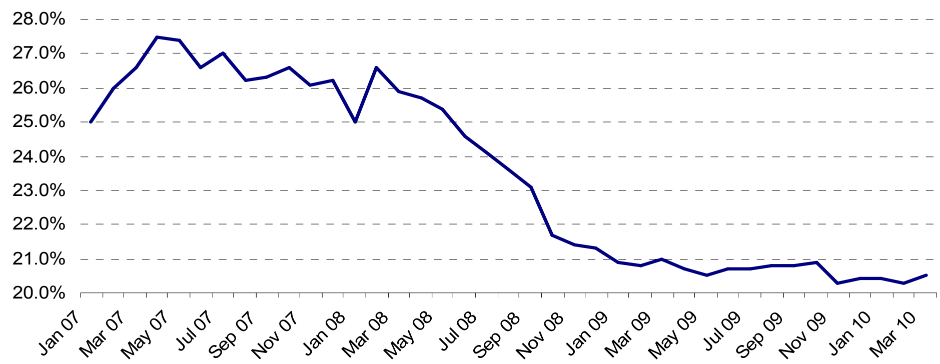
Figure 7: Monthly cross-border net buying/(selling) (US$ m)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Jan	(98.0)	(6.6)	21.1	170.7	(2.8)	(45.6)	846.5	221.5	(182.8)	(53.8)
Feb	26.3	176.6	(34.3)	384.7	86.5	67.9	896.5	81.2	(56.5)	(49.4)
Mar	(68.7)	249.3	(132.5)	180.7	(133.5)	106.2	118.4	(1,108.1)	(144.8)	(63.6)
Apr	(27.3)	227.0	(106.5)	118.7	(109.1)	47.8	522.8	(166.8)	36.0	
May	(17.7)	(6.2)	(37.6)	(79.9)	(49.3)	20.3	(140.0)	(333.3)	154.0	
Jun	(35.3)	13.1	89.5	24.3	3.0	(197.4)	(782.4)	(544.3)	25.6	
Jul	108.7	52.5	305.8	46.6	25.5	(2.3)	(185.1)	(248.1)	(120.8)	
Aug	88.7	(55.0)	57.1	(90.1)	23.1	33.2	(491.6)	(425.6)	86.9	
Sep	86.3	(33.3)	(7.9)	92.6	(174.3)	22.9	359.1	(183.4)	45.4	
Oct	(25.3)	(47.6)	388.6	(55.3)	(41.4)	(28.8)	(76.4)	(482.7)	244.1	
Nov	(60.0)	(42.1)	(67.7)	128.4	(102.4)	205.1	(182.6)	(198.7)	148.1	
Dec	(30.8)	(76.6)	35.1	57.3	(324.1)	288.6	(136.5)	(22.1)	(77.3)	
Total	**(53.1)**	**451.2**	**510.8**	**978.6**	**(798.9)**	**517.8**	**748.8**	**(3,410.5)**	**157.8**	**(166.8)**

Source: EPFR, CIMB Research

Foreign shareholding is near its lows

Figure 8: Foreign ownership in Malaysia



Source: Bursa, CIMB Research

Stockmarket outlook

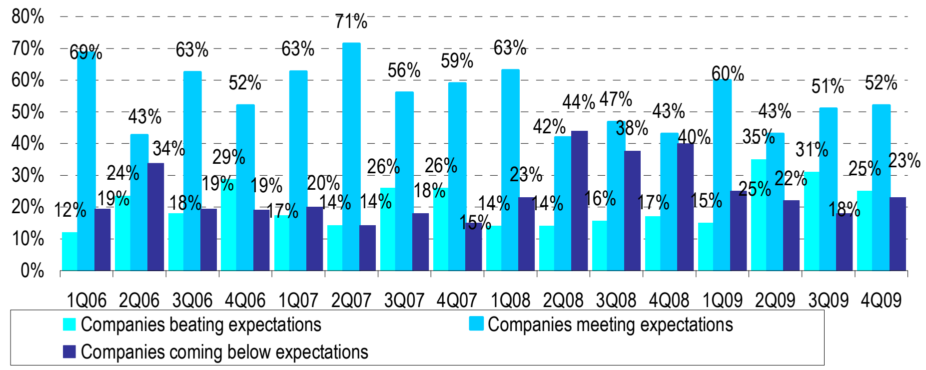
Earnings and GDP growth promising

Earnings remain favourable

We have enjoyed 3-4 quarters of positive corporate results where there were more upgrades than downgrades. During the 2006-7 bull run, the good corporate results lasted five quarters before ending prematurely due to the global financial crisis. This time, we think Malaysian companies should deliver at least another 1-2 more quarters of good results, courtesy of the general economic recovery which only began in 1Q10. This bull market is now in its 15th month, matching the shortest bull market in history. Past bull markets lasted 26 months on average, which would stretch the current bull market to mid-2011, if matched.

Figure 9: Performance relative to expectations in the reporting seasons

3-4 quarters of positive earnings performance so far



Source: Company, CIMB estimates

Figure 10: Historical bull markets in Malaysia

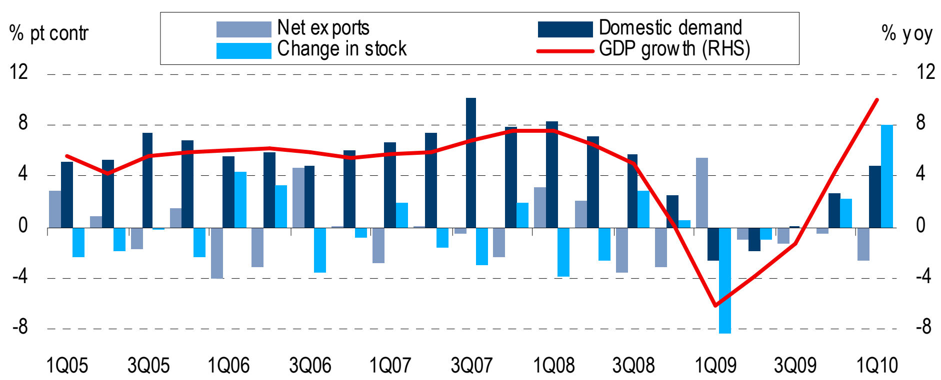
Shortest bull markets lasted 15 months

Bull markets	Months	Trough	Peak	Index chg
Feb 77 to Jun 81	52	90.77	225.51	148.4%
May 86 to Mar 90	27	169.83	606.94	257.4%
Sep 92 to Dec 93	15	567.66	1,275.32	124.7%
Nov 95 to Feb 97	15	888.91	1,270.69	42.9%
Aug 98 to Feb 00	18	302.91	1,013.27	234.5%
May 03 to May 06	36	627.26	966.05	54.0%
Jun 06 to Jan 08	19	913.63	1,516.22	66.0%
Average	**26**			**132.6%**

Source: Bloomberg, CIMB Research

Figure 11: Malaysia's GDP growth

GDP growth spiked to 10.1% in 1Q10



Source: MOF, CIMB estimates

Strong policy newsflow

2010 is the year of transformation programmes

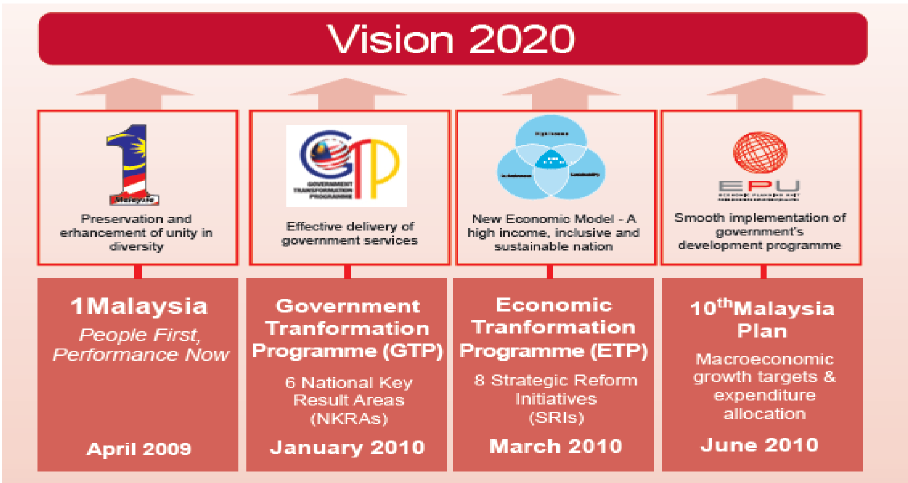
We continue to view Prime Minister Datuk Seri Najib Razak's liberalisation and reform policies as one of the key drivers for the market. The Government Transformation Programme (GTP) roadmap was released in January while the outline of the NEM was announced in March. The 10MP will be announced on 10 June while details and finalisation of the NEM will be disclosed in 4Q. The GTP, NEM and 10MP are the key anchors of Najib's three-pronged approach towards achieving his 1Malaysia goals. Also, the 2011 Budget will be presented on 15 October. These events should buoy the market.

GTP has ambitious targets

The GTP was the first of the three prongs of the government's plan that will chart the direction of the country for the foreseeable future (see Figure 12). The GTP has some short-term targets that are quite ambitious and if successful, would go some way to alleviate the public's myriad concerns relating to crime, corruption, education, low-income households, rural basic infrastructure and urban public transport. Although the GTP is a long-term effort, the focus for 2010 is on shorter-term targets such as the elimination of hard core poverty and a 20% reduction in street crime by end-2010.

Figure 12: Four pillars of national transformation

Three anchors for 1Malaysia



Source: NEM For Malaysia Part 1

Figure 13: Government Transformation Programme outcomes over three horizons

GTP stretches to 2020

	Establish new engine for change and build momentum and confidence: Big, early results for the rakyat 2010 to 2012	Broad and deep transformation: Change is pervasive, a new way of life 2012 to 2015	Fundamental change in Malaysian society: Higher aspirations of the rakyat 2015 to 2020 (Vision 2020)
1 Malaysia	▪ Quick implementation of big wins; explicit and transparent discussions and management of polarities	▪ Gradual shift of government policies towards being based on needs and merit	▪ Diversity fully leveraged as our nation's strength
People first	▪ Big, early results in NKRAs/MKRAs; Rakyat are assured that their priorities are starting to be resolved ▪ Continuous and deep engagement with the rakyat ▪ New Economic Model in place	▪ Better delivery is systemic; ambitious targets, monitoring and success become a way of life ▪ Accelerated economic growth; results show Malaysia well on way to developed nation status	▪ Excellent public services; increased customer focus and choice ▪ Achievement of high income nation status; Malaysia held up as role model for developing countries
Performance now	▪ Annual progress review intensely debated ▪ PEMANDU pioneers new and innovative ways of delivery ▪ Significant progress towards reining in budget deficit ▪ Government productivity continuously enhanced	▪ Significant improvements in government productivity to close gap with private sector by – Building capabilities – Basing rewards and consequences on results – Rolling out KPIs – Streamlining structures	▪ Government continually improves delivery – Frontline actively innovate – Wide-ranging, high quality and affordable delivery of public services ▪ Strong and sustainable government finances

Source: GTP

GTP has PM Najib's full support

Figure 14: Members of Delivery Task Force

	Crime	Corruption	Education	Low-income households	Rural basic infrastructure	Urban public transport
Prime Minister	Dato' Sri Mohd Najib Tun Razak					
Lead Minister	Dato' Seri Hishamuddin Tun Hussein, Minister of Home Affairs	Dato' Seri Mohamed Nazri Abdul Aziz, Minister in the PM's Department	Tan Sri Muhyiddin Yassin, Minister of Education	Dato' Sri Shah-rizat, Minister of Women, Family and Community Development	Dato' Seri Mohd Shafie Apdal, Minister of Rural and Regional Development	Dato' Sri Ong Tee Keat, Minister of Transport
Participating Ministers (non-exhaustive)	• Local Govt • Federal Territories	• Home Affairs • Local Govt • Works	• Rural and Regional Dev • Unity	• Agriculture • Rural and Regional Dev	• Works • Energy • Plantation	• Finance • Law • Home Affairs
PEMANDU	Tan Sri Dr Koh Tsu Koon, Chairman Dato' Sri Idris Jala, CEO					
Chief Sec. to the Govt (KSN)	Tan Sri Mohd Sidek Hassan					
Lead Perm. Sec. (KSU)/Deputy Perm. Sec. (TKSU)/DG (KP)	Dato' Sri Mahmood Adam, KSU, Ministry of Home Affairs	Dato' Abdullah Sani Ab. Hamid, KP Legal Affairs Division, PM's Department	Tan Sri Dr Zulkurnain Awang, KSU, Ministry of Education	Datuk Nor Hayati Sulaiman, KSU, Ministry of Women, Family & Community Dev't	Dato' Abdul Jabar Che Nai, KSU, Ministry of Rural and Regional Development	Dato' Long See Wool, TKSU, Ministry of Transport

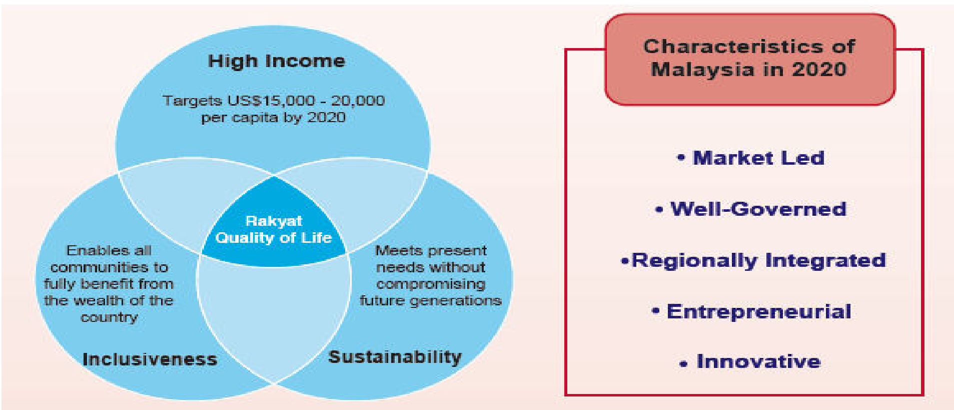
Source: GTP

NEM Part 1 looks promising but Part 2 will provide details

The NEM has three principles 1) high income, 2) sustainability and 3) inclusiveness. The target is to raise per capita annual income from US$7,000 to US$15,000 in 10 years' time. The strong and sustained economic growth, however, must be accompanied by environmental stewardship where raising the quality of life is integral. Also, as PM Najib Razak said at the launch of NEM in March, it must "harness the potential of all Malaysians" and "…all share in the proceeds of increased national prosperity." This means that the first priority is the eradication of poverty, irrespective of race. The focus will be on the bottom 40% of Malaysia's income strata, individually and regionally. As for the affirmative action policy, it will be built on four principles, i.e. it must be 1) market friendly, 2) merit based, 3) transparent and 4) needs based. The PM added that "We can no longer tolerate practices that support the behaviour of rent-seeking and patronage."

PM used strong language in launch of NEM to indicate commitment

Figure 15: The NEM: Goals and characteristics



Source: NEM For Malaysia Part 1

Figure 16: The NEM: Enablers and strategic reform initiatives

Source: NEM For Malaysia Part 1

Upcoming 10MP has six strategic thrusts

The Upcoming 10MP has six key thrusts, the first and possibly the most important of which is to refocus Malaysia's growth on the private sector. We believe this is exactly what Malaysia needs to do to drive economic growth in the coming years. Malaysia has been running budget deficits for many years and the economy cannot rely on public spending indefinitely.

Figure 17: Six strategic directions in 10MP

SD#1: Competitive Private Sector as Engine of Growth	1. Adopt "private sector first" principle
	2. Commit towards healthy market-based environment
	3. Undertake regulatory reform
	4. Mandate impact assessment for new policieis
	5. Ensure ease of doing business
	6. Task the private sector to drive development of new sources of growth
	7. Ensure country's readiness to actively participate in the global economy
SD#2: Productivity & Innovation through K-Economy	1. Intensify knowledge-based activities
	2. Adopt new business approaches
	3. Fulfil the needs of K-society
	4. Develop efficient "knowledge highway"
	5. Enhance national IP management capacity
	6. Acquire global IP and talent
SD#3: Creative & Innovative Human Capital with 21st Century Skills	1. Review the education system towards unleashing potential
	2. Equip human capital with 21st century skills
	3. Mainstream vocational and technical education and training
	4. Introduce competitive scheme for leaders and educators
	5. Instill competition for excellence in higher education
	6. Outsource to focus on core business of education
	7. Promote endowment to enhance capacity
	8. Review labour laws to enhance job market efficiency
SD#4: Inclusiveness in Bridging Development Gap	1. Uplift households in the low-middle income and below categories
	2. Enhance capabilities of low-income group
	3. Enlarge participation of Bumiputera professionals
	4. Nurture competitive Bumiputera entrepreneurs
	5. Upgrade rural infrastructure
	6. Bridge regional and digital gaps with 3D (reduce distance and division)
SD#5: Quality of Life of An Advanced Nation	1. Enhance public safety and security
	2. Commit to the delivery of efficient public transport
	3. Ensure access to quality healthcare and promote healthy lifestyle
	4. Mainstream sustainable development
	5. Nurture civil society
	6. Intensify preservation and acculturate appreciation of culture and herita(
SD#6: Government as an Effective Facilitator	1. Affirm the role of government as facilitator
	2. Deliver service with integrity
	3. Efficient access to and sharing of information
	4. Adopt an integrated outcome-based approach
	5. Review institutional roles and functions for relevancy
	6. Introduce competitive scheme for excellence in civil service

Source: Economic Planning Unit

Private sector thrust has six policy purposes

In the 193-page NEM Part 1 document on possible policy measures to boost the private sector, there are six policy purposes 1) targeting high value-added products and services, 2) removing barriers and costs to doing business, 3) facilitating entrepreneurship and innovation, 4) boosting efficiency via healthy competition, 5) promoting SME growth and 6) creating regional champions (see Figure 11). Of the possible policy measures, those that strike us the most are 1) removing distortions in regulation and licensing such as the replacement of Approved Permits with a negative list of imports, and 2) divestment of GLCs where the private sector is operating effectively. We view such measures positively.

Figure 18: Firing up the private sector

Policy Purpose	Possible Policy Measures
Target high value added product and services	■ Align incentives to foster investment in high value added activities which generate spill-over effects ■ Tailor incentives to meet the needs of each firm ■ Facilitate FDI and DDI in emerging industries/sectors
Remove barriers and cost to doing business	■ Remove distortions in regulation and licensing, including replacement of Approved Permit system with a negative list of imports ■ Introduce a 'Single-Window' licensing process through e-Government portals to include local and state governments
Create eco-system for entrepreneurship and innovation	■ Reduce direct state participation in the economy ■ Divest GLCs in industries where the private sector is operating effectively ■ Economy-wide broadband roll-out ■ Ensure GLCs operate on a strict commercial basis free of government interference
Encourage efficiency through healthy competition	■ Implement efficient and transparent process for government procurement at all levels ■ Level the playing field for the private sector through transparent standard settings ■ Support a stronger competitive environment with competition law
Promote SME growth	■ Provide support for SMEs in innovative and technologically advanced areas ■ Facilitate timely access to funding for business activities
Creating regional champions	■ Encourage GLC partnerships with private-sector companies ■ Pursue aggressive regional networking – ASEAN, China, India, Middle East ■ Improve leverage of FTAs

Source: NEM For Malaysia Part 1

Market's uptrend supported by fundamentals and newsflow

To conclude, we believe that after the current pullback, the market should enjoy renewed strength in 2H10 due to fundamentals and newsflow. The economic recovery is gathering steam, as evidenced by the outstanding 1Q10 GDP growth of 10.1%. This bodes well for corporate earnings in the coming quarters. Supporting the underlying improvement in corporate earnings are PM Najib's reform moves aimed at transforming both the government as well as the economy, as represented in the GTP and NEM. We understand that the GTP is starting to bear fruit and the government is rushing to finalise the details of the NEM by 4Q. In between GTP and NEM will be the release of the 10th Malaysia Plan in June and the announcement of the 2011 Budget on 15 October.

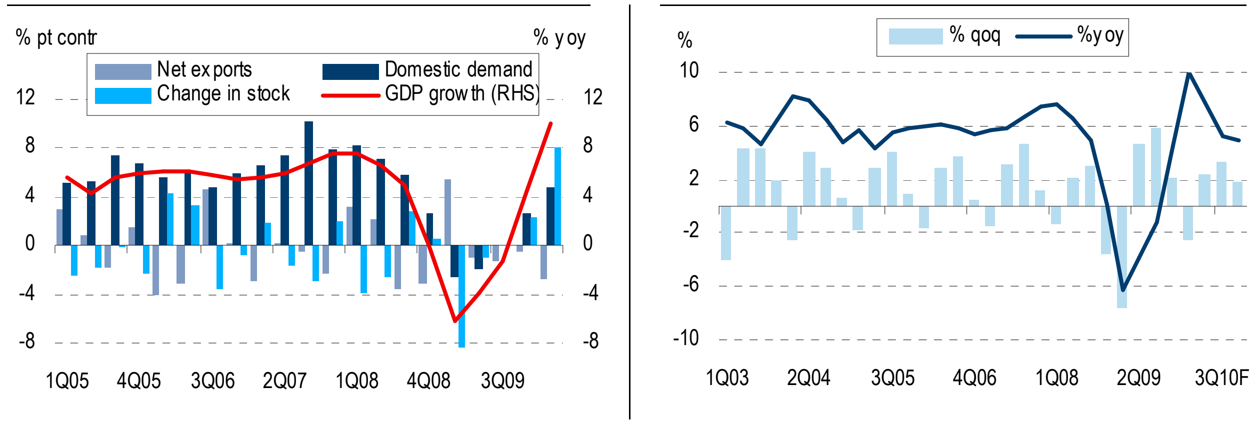
Economic outlook

Review of 1Q10

The Malaysian economy surprised on the upside in 1Q10 when it powered ahead 10.1% yoy (4.4% in 4Q09), which was the strongest quarterly growth since 2Q00. The growth was fairly broad-based, with gains seen in exports, consumer spending and investments.

Figure 19: 1Q10 real GDP growth was stronger than expected at 10.1%

Broad-based growth | **Economy on course for strong rebound**



Source: Bank Negara (BNM), Department of Statistics (DOS), CIMB/CIM-GK Research

Private consumption indicators point to continued strength of consumer demand. Consumers stepped up their spending (+5.1% in 1Q vs. +1.6% in 4Q09), as reflected in the brisk car sales, sustained household credit demand and higher demand for consumption goods. Total investment growth slowed to 5.4% in 1Q (8.2% in 4Q09) and remains a concern given that it was mostly driven by government stimulus spending, which is expected to run out soon.

Private investment indicators also reinforce our expectations of a gradual pick-up in private investment. Imports of investment goods rose 9.6% in 1Q and business loan growth was 4.7%. However, manufacturing approvals declined 35.0% yoy and 56.3% qoq to RM5.2bn in 1Q (RM8.0bn in 1Q09 and RM11.9bn in 4Q09). The robust export recovery of 19.3% yoy in 1Q (6.0% in 4Q09) provided a strong lift to overall GDP growth. Inventory restocking added 8.0% pts to 1Q GDP growth.

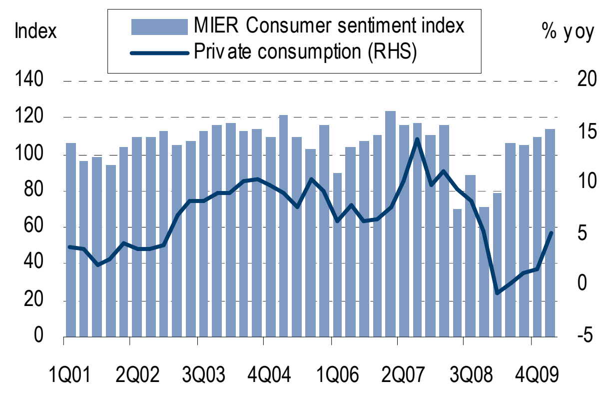
Figure 20: Domestic demand gained traction, adding 4.8% pts to 1Q GDP growth of 10.1%

Demand-side components

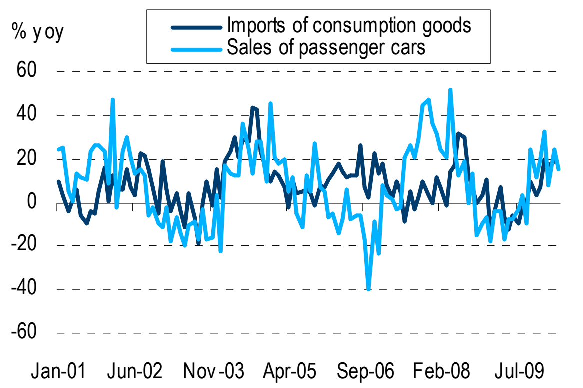
	% yoy						% pt contr.*	% Share of GDP (1Q10)
	1Q09	2Q09	3Q09	4Q09	2009	1Q10		
Real GDP	-6.2	-3.9	-1.2	4.4	-1.7	10.1	-	-
Private Consumption	-0.6	0.3	1.3	1.6	0.7	5.1	2.9	53.1
Public Consumption	1.6	1.5	9.4	0.7	3.1	6.3	0.8	11.6
Investment	-11.2	-9.6	-7.9	8.2	-5.6	5.4	1.1	20.2
Exports	-15.5	-17.9	-12.9	6.0	-10.4	19.3	20.1	112.9
Imports	-23.0	-19.4	-13.2	7.0	-12.3	27.5	22.8	96.1

*Note: * Change in stocks added 8.0% pts to 1Q GDP growth.*

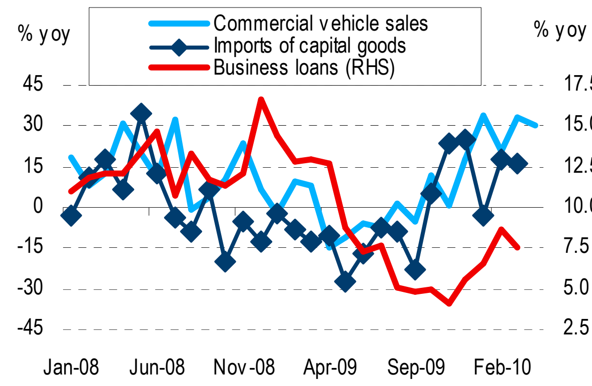
Stronger consumer spending as income & sentiment rise



Private consumption indicators turning up



Private investment still on the mend



Source: Bank Negara (BNM), Department of Statistics (DOS), CIMB/CIM-GK Research

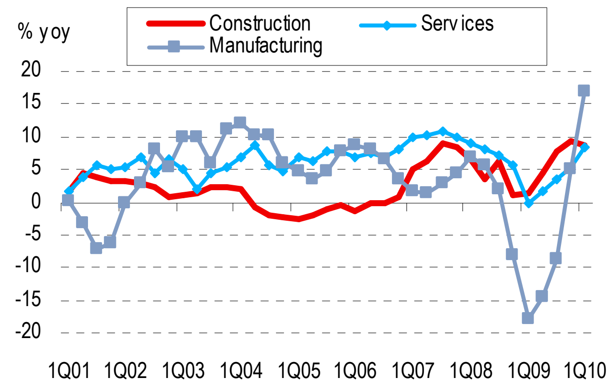
Higher growth for all sectors. The manufacturing sector led the way, growing strongly by 16.9% in 1Q10 (5.0% in 4Q09) on higher output by export-oriented industries (14.6%) as well as domestic-oriented industries (17.6%). The continued cyclical upturn in demand for electronics should continue to drive the sector's growth. The overall capacity utilisation rate in the manufacturing sector improved to 75.0% in 1Q (73% in 4Q09), with export-oriented industries operating at 77% utilisation (77% in 4Q09) and domestic-oriented industries at 66% in 1Q (59% in 4Q09). The services sector too saw higher growth of 8.5% in 1Q (5.2% in 4Q09), boosted by brisk trade-related services, utilities, real estate and business services, wholesale and retail trade, insurance and finance as well as government services. The ongoing implementation of stimulus projects continued to support the construction sector (8.7% in 1Q10 vs 9.3% in 4Q09). Growth of the agriculture sector edged up to 6.8%, mainly supported by higher production of industrial crops. The mining sector turned around to 2.1% growth (-2.8% in 4Q09) due to higher production of natural gas.

Figure 21: Both the manufacturing and services sectors remain the primary contributors of GDP growth

Supply-side sectors

	% yoy						% pt contr.	% Share of GDP (1Q10)
	1Q09	2Q09	3Q09	4Q09	2009	1Q10		
Real GDP	-6.2	-3.9	-1.2	4.4	-1.7	10.1	-	-
Agriculture	-4.4	0.4	-0.4	5.9	0.4	6.8	0.5	7.1
Mining	-5.2	-3.5	-3.6	-2.8	-3.8	2.1	0.2	7.9
Construction	1.2	4.5	7.9	9.3	5.8	8.7	0.3	3.1
Manufacturing	-17.9	-14.5	-8.6	5.0	-9.4	16.9	4.4	27.7
Services	-0.2	1.7	3.4	5.2	2.6	8.5	4.9	57.1

Manufacturing and services output edged higher

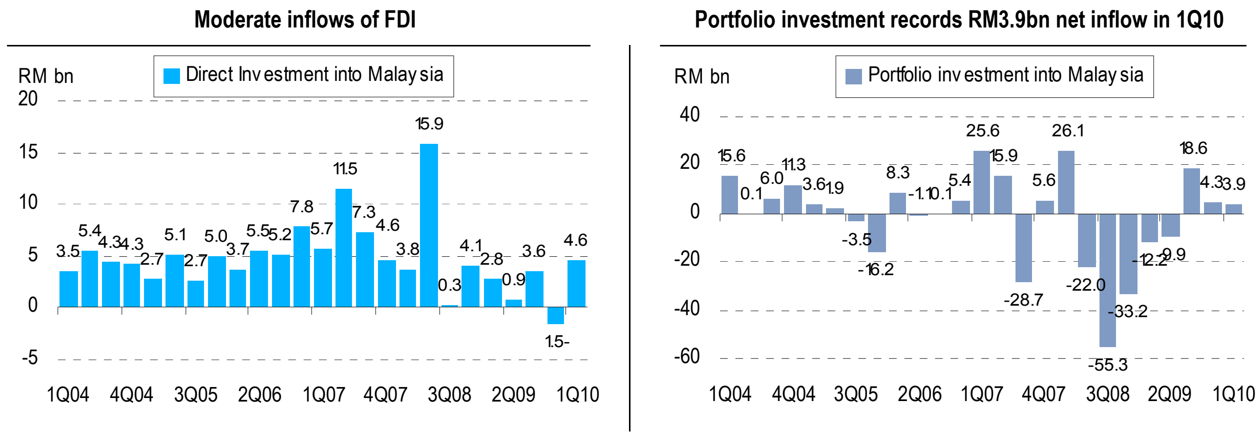


Source: DOS, BNM, Bloomberg, CIMB/CIMB-GK Research

Gross inflows of foreign direct investments (FDI) increased to RM4.6bn in 1Q10, with most of the inflows channelled to the manufacturing, services and oil and gas sectors. In light of the improving global economic outlook, recovery of global FDI flows and better domestic business conditions, we estimate total manufacturing investment approvals of RM25.0bn this year and FDI inflows of RM12.0-14.0bn in 2010. Over the medium term, we expect the rollout of the Tenth Malaysia Plan (2011-15) and the New Economic Model (NEM), if implemented effectively, to unlock investment opportunities for both domestic and foreign investors.

Portfolio investments continued to post a net inflow of RM3.9bn in 1Q (RM4.3bn in 4Q09) for the 2nd straight quarter, reflecting stronger foreign participation in the domestic debt market. Foreign investors' holding of Malaysian Government Securities (MGS) rose from RM41.0bn as at end-2009 to RM55.4bn as at end-Mar 10. Data compiled by the Emerging Portfolio Fund Research (EPFR) showed that foreign portfolio posted four successive months of net outflows since Dec 09, amounting to US$244.1m for Dec-Mar. Emerging Asia's good macro story, strengthened economic fundamentals as well as the widening interest rate differential should continue to attract private capital inflows. Nevertheless, heightened fears of the contagion of Greece's sovereign debt problems could undermine global investors' risk appetite for emerging markets, leading to more volatility for the financial markets.

Figure 22: Private capital flows in 1Q10



Source: DOS, BNM, Bloomberg, CIMB/CIMB-GK Research

Positive outlook for 2H10

Domestic growth catalysts remain intact. We have reason to believe that the recovery will continue, albeit at a slower pace given the backdrop of an uneven recovery of major developed economies. The growth rebalancing between exports and domestic demand should keep the economy on a positive growth trajectory. Monetary conditions will remain supportive of growth as we expect interest rates to be raised at a measured pace. Consumer spending will continue to hold up given income growth and a stabilised labour market.

The Tenth Malaysia Plan (2011-15), to be tabled in Parliament on 10 June this year, is expected to provide growth catalysts over the medium term, including selective fiscal spending on water, transportation and healthcare services. The 2011 Budget on 15 October will propose measures and strategies whose main thrust will be on spurring private sector initiatives. The second wave of government privatisation programmes is expected to lead to more mergers and acquisitions.

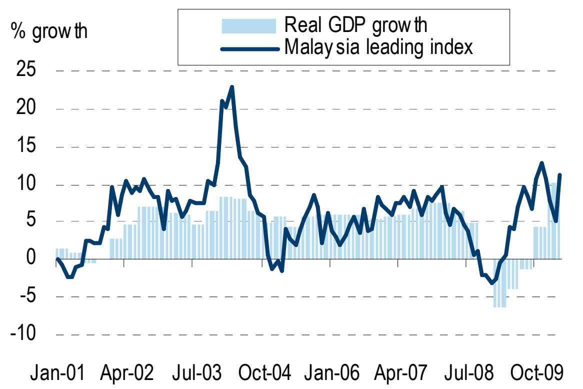
We believe that GDP growth peaked in 1Q and will moderate to 7.8% in 3Q and 5.0% in 2H as the effects of stimulus measures and inventory restocking fade. We estimate GDP growth of 7.0% for this year and 5.5% for 2011.

Interest rate normalisation continues. In May, Bank Negara Malaysia (BNM) raised the overnight policy rate (OPR) 25bp to 2.50%, citing the continued strength of the economic recovery amid moderate inflation pressure. The central bank appears neutral on the next rate move in light of uncertainty about Greece's sovereign debt crisis. We expect further rate moves to be data dependent. As such, we expect another 25bp hike in the OPR to 2.75% by end-2010, followed by another 50bp in total to 3.25% in 2011.

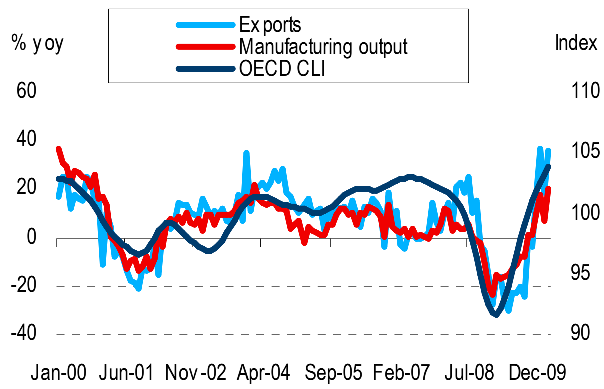
Risks to the growth outlook. The biggest risk is the still-uneven recovery of the major advanced economies. Consumer spending is subpar and the continued weakness of the US housing sector is worrisome. Concern over fiscal sustainability in the high-debt and high-deficit countries in the eurozone could destabilise global financial markets and weigh on the global recovery. On the domestic front, the slow recovery of private investment remains a concern.

Figure 23: Current and forward indicators

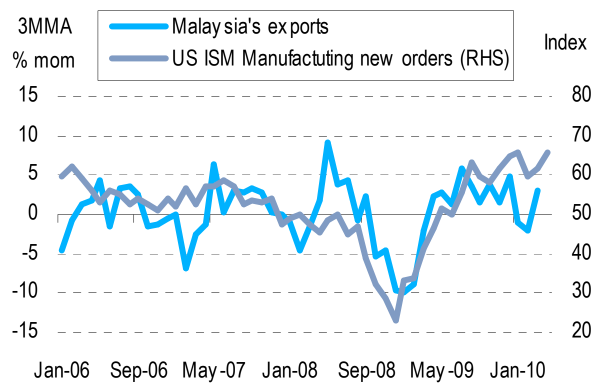
Malaysia's leading indicators vs. GDP



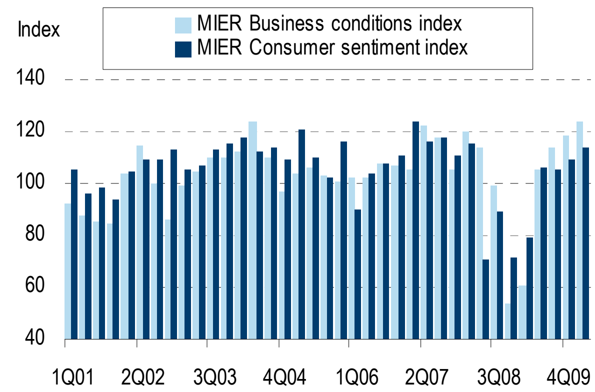
OECD CLI vs. Malaysia's exports and manufacturing output



US new orders index vs. Malaysia's exports



Consumer and business sentiments improve



Source: DOS, OECD, WTO,CEIC, CPB, Bloomberg

Figure 24: GDP forecast

Demand side	% yoy				% share			% pt cont.		
	2008	2009	2010F	2011F	2009	2010F	2011F	2009	2010F	2011F
Real GDP	4.7	-1.7	7.0	5.5	100.0	100.0	100.0	-	-	-
Private consumption	8.5	0.7	5.6	6.5	53.5	53.0	53.4	0.4	3.0	3.4
Public consumption	10.7	3.1	3.6	-3.4	14.3	14.0	12.8	0.4	0.5	-0.5
Private investment	0.8	-5.6	6.0	8.7	21.3	9.3	9.6	-1.3	0.6	0.8
Public investment	0.7		7.8	5.9		12.1	12.2		0.9	0.7
Exports	1.6	-10.4	12.6	9.1	107.4	113.9	117.8	-12.3	13.7	10.4
Imports	2.2	-12.3	18.8	9.5	93.8	104.1	108.1	-12.9	17.6	9.9
Supply side	**% yoy**				**% share**			**% pt cont.**		
	2008	**2009**	**2010F**	**2011F**	**2009**	**2010F**	**2011F**	**2009**	**2010F**	**2011F**
Real GDP	4.7	-1.7	7.0	5.5	100.0	100.0	100.0	-	-	-
Agriculture	4.3	0.4	3.8	3.0	7.7	7.5	7.2	0.0	0.3	0.2
Mining	-2.4	-3.8	3.5	2.5	7.7	7.6	7.4	-0.3	0.3	0.2
Construction	4.2	5.8	5.7	5.6	3.3	3.1	3.2	0.2	0.2	0.2
Manufacturing	1.3	-9.4	9.2	6.0	26.6	27.4	27.5	-2.7	2.5	1.6
Services	7.4	2.6	7.0	6.1	57.6	57.4	57.7	1.4	4.0	3.5

Source: DOS, CIMB/CIMB-GK Research

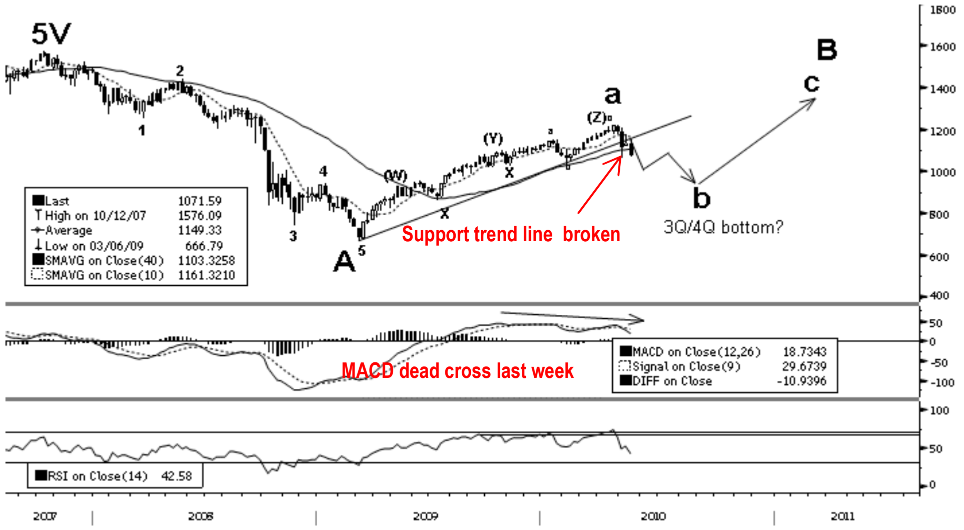
Lee Heng Guie +603 2084 9667 – hengguie.lee@cimb.com

Medium-term technical outlook

Global equity markets are likely to take their cue from the US market in the medium term. We recently turned negative on the S&P500 Index in the medium term following its weekly chart's confirmation of a bearish dead cross last week. Furthermore, the index's major support trend line gave way last week, indicating further consolidation in the medium term.

Based on our preferred wave count, the minor wave "a" uptrend from the Mar 09 bottom has already ended. It should be followed by the b downleg of a three wave (a-b-c) correction, targeted to end sometime in 3Q10. The potential S&P target is 940-1,000, which is the 38.2-50% Fibonacci retracement of the Mar 09-Apr 10 upswing. A rally should kick off from the likely 3Q10 bottom.

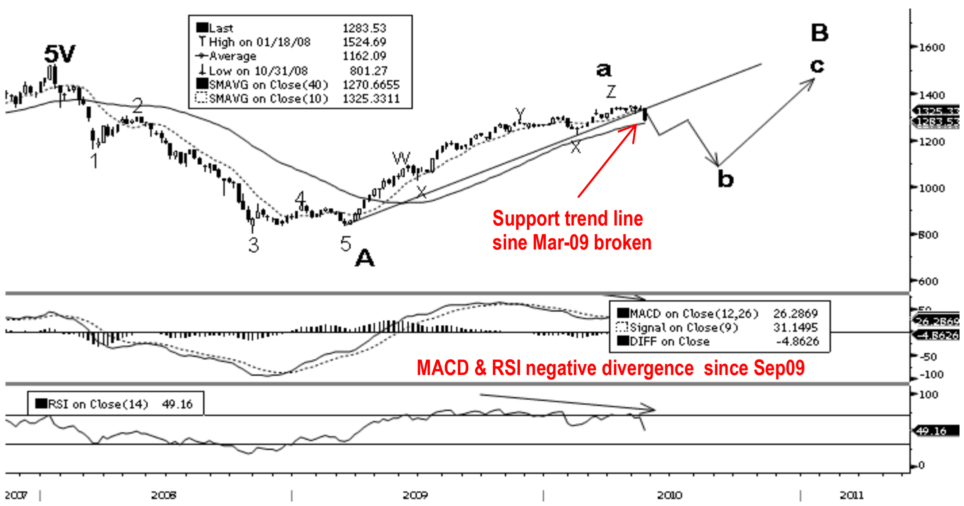
Figure 25: S&P 500's weekly chart (1,071)



Source: Bloomberg & CIMB/CIMB-GK

The medium-term outlook for regional markets and the KLCI mirrors that of the US market. The KLCI's Mar 09-May 10 rally probably ended with the breakdown of the major support trend line formed since Mar 09. We are looking at a correction of at least three months. The index could find support around the 1,200, 1,153, and 1,093 levels, the last two being the 38% and 50% Fibonacci retracement of its 2009-2010 uptrend, respectively. If the KLCI builds a foundation around any of these support levels, the next run will probably take place from that point. The long-term resistance is seen at around 1,350, 1,392 and 1,450.

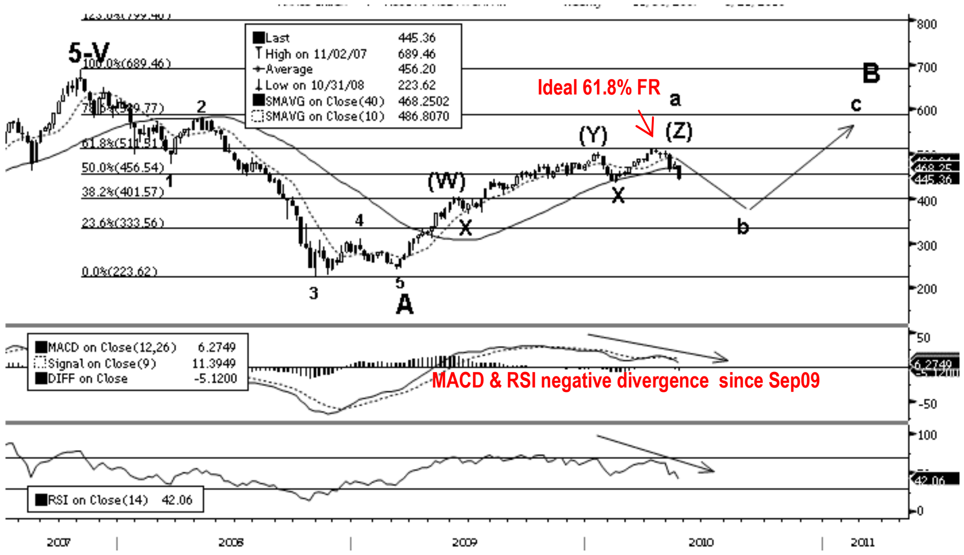
Figure 26: KLCI's weekly chart (1,283)



Source: Bloomberg & CIMB

The MSCI Asia ex-Japan Index's rally since Mar 09 reached the ideal 61.8% Fibonacci retracement of the 2007-2009 downtrend, which was at 511pts. This was achieved in Apr 10. Since then, Asian markets have been in correction mode. The index is currently below its 200-day SMA (468), which signals medium-term weakness for Asian markets. Our correction target for the index is 367-400, assuming 38.2-50% retracement of the Mar 09-Apr 10 rally.

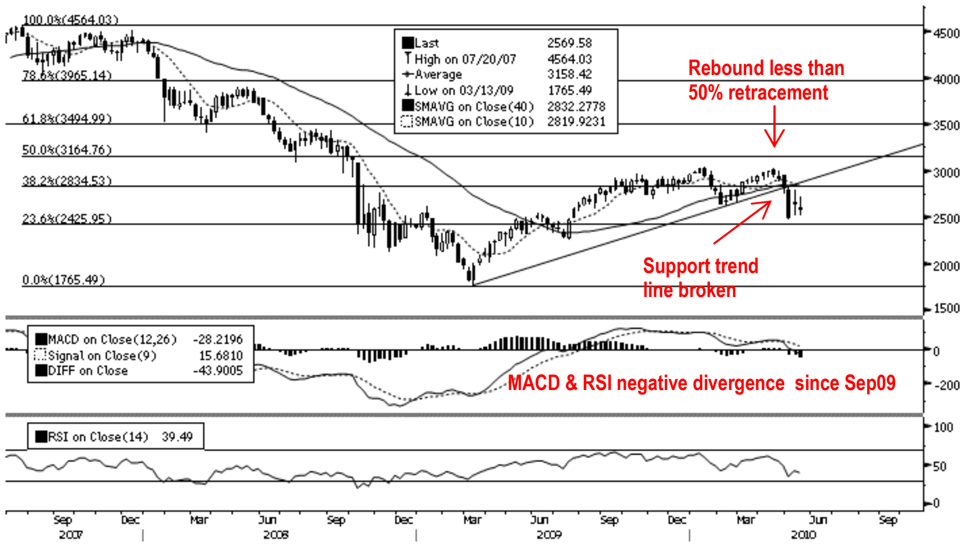
Figure 27: MSCI Asia ex-Japan Index's weekly chart (445)



Source: Bloomberg & CIMB

Europe to lag behind. Stockmarkets in Europe are expected to underperform other equity markets over the next few quarters. The Euro Stoxx rally from Mar 09-Apr 10 could not even reach the 50% Fibonacci retracement of the 2007-2009 downtrend, which was at 2,834pts. This shows how weak the rally from the Mar 09 bottom has been.

Figure 28: Euro Stoxx 50's weekly chart (2,569)



Source: Bloomberg & CIMB

Nigel Foo +60(3) 2084 9293 – nigel.foo@cimb.com

Key risks

Risk of a double dip

30% risk of a double dip

Our economics team believes that the risk of a double dip in the economy is still 30%. If policymakers are too quick to withdraw their fiscal stimulus and start raising interest rates too much too soon, the recovery may not be strong enough and may not be sustainable. The European debt crisis is another key concern. If the loss in confidence is not addressed, the fear of contagion in the continent and to other continents will weigh down on markets. The correlation between most Asian markets and the Dow Jones Industrial Index (DJIA) is above 90%.

Political risks

2008 general election has changed the political landscape

Domestic political risks will remain high until the next general elections. The elections must be held by the second quarter of 2013 at the latest. Before general elections are held, there are the Sarawak state elections that have to be held by 2Q 2011 at the latest. Elections in Malaysia are typically hotly contested and the stakes have never been higher as the Opposition coalition made significant inroads in the 2008 general elections. So far, the National Front has only won only three out of 11 by-elections, the most recent loss being the Sibu by-elections in May.

Policy risks

Policy flip-flops can annoy markets

Although the Najib administration has promised to avoid the policy flip-flops that marred the previous administration, the imposition or even postponement of unpopular policies will elicit similar reactions. The proposed re-imposition of the real property gains tax in the 2010 Budget was met with hue and cry, reinforcing the perception that Malaysia still changes policies too often. The subsequent postponement of the value added tax and higher petrol prices depending on cars' engine capacity is perceived to be flip flops by the government, even before the policies are implemented.

Execution risks

Execution in Malaysia is wanting

Malaysia is well known for coming out with strong proposals and positive policy measures. However, it is also well known for its poor execution and implementation. Well-thought-out policies which are properly carried out are needed to inject confidence among the populace and boost stockmarket confidence. So far, the implementation of the GTP appears to be promising as the government has made significant progress in areas such as reducing crime, one of the key sources of discontent for the public.

Corporate earnings risks

Have expectations run too far ahead?

Corporate earnings expectations and actual results are very important in determining the direction of the stockmarket. As corporate earnings have improved significantly in the past 3-4 quarters, the stockmarket could start to underperform if expectations run too far ahead and disappointment starts to set in. Also, in the 2006-7 bull market, earnings beat expectations for five quarters before being cut prematurely by the global financial crisis. We expect results to beat expectations for 1-2 more quarters, in line with the stronger-than-expected economic recovery enjoyed in 1Q10.

Foreign selling risks

Malaysia is a marginalised market

From its peak of 27.5% in May 2007, foreign shareholding fell to 20.5% in May 2008 after 13 months of unrelenting selling by foreign investors. Foreign shareholding continues to languish in the low 20 percentile range even though the market has rallied over the past year. Malaysia remains unloved even after jaunts by the Prime Minister to meet foreign investors. Although foreign investors remain wary of the political landscape in Malaysia, their low weightings mean that there are unlikely to be major selldowns in the event of the loss of appetite for equities. In fact, Malaysia's low beta and defensive characteristics should be an attraction in times of greater volatility.

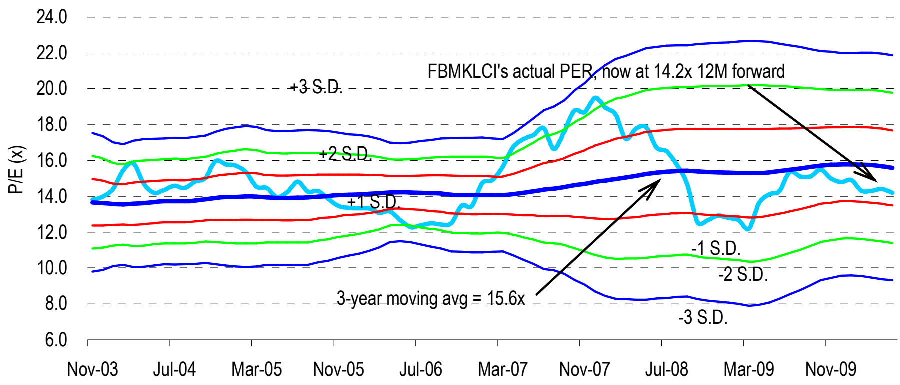
Valuation and recommendation

Maintain OVERWEIGHT on Malaysia

KLCI target unchanged at 1,450 points

We maintain our OVERWEIGHT stance on Malaysia and our end-2010 KLCI target of 1,450 points. Our target basis has become more conservative since the beginning of the year – instead of valuing the market at parity with its 3-year moving average P/E, we have applied a 5-10% discount for possible earnings hiccups and external concerns. We believe our KLCI target is reasonable as it is based on the mid-cycle P/E valuation of around 15x. Core EPS is forecast to rebound from two years of contraction in 2008-9 to growth of 24% in 2010 and 15% in 2011. ROE is also expected to recover from only 11% in 2009 to 15% by 2011. Malaysia's gross dividend yield of close to 5% remains one of the highest in the region. The recent sharp pullback could be the long-awaited healthy consolidation after the major rally that began in Mar-Apr 2009. Investors should bottom-fish for fundamentally sound companies.

Figure 29: FBM KLCI's 12M forward core P/E (x) and standard deviation



Source: CIMB estimates

Figure 30: KLCI Index data

	CY2003	CY2004	CY2005	CY2006	CY2007	CY2008	CY2009	CY2010	CY2011	CY2012
P/E (x, pre-EI)	14.8	15.3	14.4	15.4	17.4	12.6	19.1	14.7	13.1	11.2
P/E (x, after EI)	14.7	14.6	13.7	14.7	16.5	14.6	19.3	14.8	13.1	11.3
P/E (x, core)	14.5	15.2	14.7	16.3	18.0	11.9	18.1	15.0	13.1	11.2
Core EPS growth (%)	12.6%	8.8%	2.9%	9.6%	19.7%	-8.2%	-4.7%	23.6%	14.8%	16.4%
P/BV (x)	1.9	2.1	2.1	2.3	2.8	1.7	2.2	2.1	1.9	1.8
Dividend yield (%)	4.9%	6.5%	6.1%	5.7%	4.6%	5.7%	5.0%	4.4%	5.1%	5.9%
EV/EBITDA (x)	8.5	8.3	8.2	8.4	10.0	7.0	9.3	8.0	7.1	6.0
P/FCF (x, equity)	22.4	16.7	26.3	18.7	18.3	14.6	23.1	21.7	15.6	10.7
P/FCF (x, firm)	35.6	13.9	12.1	16.2	14.7	1,112.4	27.6	14.7	12.3	8.6
Net gearing (%)	67.2%	56.7%	41.1%	42.9%	27.8%	36.4%	30.0%	21.9%	14.1%	-6.8%
ROE (%, recurring)	14.4%	14.7%	14.8%	16.1%	17.3%	15.2%	12.9%	14.3%	15.1%	13.3%
KLCI Index	794	907	900	1,096	1,445	877	1,273	1,304	1,304	1,304
CIMB/consensus (x)								1.03	1.01	1.03

Source: CIMB estimates

Figure 31: Regional comparisons

	Core P/E (x)			Core EPS growth		
	2009	2010	2011	2009	2010	2011
HK (CIMB coverage)	13.4	10.8	9.0	-12.0%	24.4%	19.8%
JCI (ID)	16.9	13.6	11.3	31.7%	23.8%	20.2%
KLCI (MY)	**18.1**	**15.0**	**13.1**	**-4.7%**	**23.6%**	**14.8%**
FSSTI (SG)	17.0	14.3	12.5	-3.3%	19.5%	13.8%
SET (TH)	13.4	11.5	10.0	8.7%	16.5%	14.6%
Simple Region x KL avg	**15.2**	**12.6**	**10.7**	**6.3%**	**21.1%**	**17.1%**
KLCI P/E premium vs region	***19.3%***	***19.5%***	***22.4%***			

Source: CIMB

Risk-to-reward ratio not favourable

Downside risk is greater

Although we remain optimistic about the stockmarket outlook for 2H2010, we continue to caution that the risk-reward ratio is no longer as attractive as it was in early 2009. Since our upgrade of the market to Overweight in early April last year, the KLCI has rallied more than 400 points. This is why we prefer to adopt a less risky strategy. Even for sectors typically considered cyclical such as banks, our preferred picks are the lower-beta, higher-yield and more defensive proxies such as Public Bank. We particularly like businesses which are defensive such as rubber gloves. Regardless of economic conditions, demand for rubber gloves is resilient, supported by demand from the healthcare industry. Flexible packaging stocks such as Daibochi and infrastructure specialists such as Mudajaya also exhibit strong defensive operating qualities.

Sectors to overweight

We like banks, construction, O&G and rubber glove sectors

Our preferred sectors for 2H10 remain relatively unchanged, with the exception of our switch out of IPPs (YTL Power and Tanjong), Axiata and Sime Darby to a diverse bag representing airlines (MAS), autos (Tan Chong), infrastructure (Mudajaya) and flexible packaging (Daibochi). The four additions are some of our strong conviction stock picks. We continue to like the banking sector as it continues to beat expectations and reap the benefits of a rebounding economy. We also favour the construction sector for the potential strong newsflow on pump-priming. As for the oil & gas sector, it stands to gain from the award of large contracts and we believe that stocks have been unfairly sold down. Our strong conviction sector, albeit represented by smaller-cap stocks, remains rubber glove. All the rubber glove stocks in our coverage, i.e. Top Glove, Supermax (SUCB MK; Outperform), Kossan (KRI MK; Outperform), Hartalega (HART MK; Outperform), Latexx (LTX MK; Outperform) and Adventa (ADV MK; Outperform) are trading at undemanding valuations, continue to post strong earnings growth and enjoy resilient demand.

Figure 32: Sector weightings

Overweight	Neutral	Underweight
Airlines	Brewery	Food & beverage
Automotive	Cement	Shipping
Banking	Media	Tobacco
Construction	Plantations	
Gaming	Steel	
Insurance	Telecommunicatons	
IPP	Utilities	
Oil & gas		
Property		
Rubber Gloves		
Semiconductor		
Technology		

Source: CIMB estimates

Banking sector has led the market in earnings upgrades

Banking sector – The banking sector remains an OVERWEIGHT, underpinned by the improved earnings outlook amidst the economic recovery in 2010. We are projecting strong core net earnings growth of 23% for 2010, driven by (1) better loan growth of 8% (vs. 6-7% in 2010), (2) lower credit costs in anticipation of stable or even lower NPL ratios, and (3) expansion of non-interest income, primarily from the investment banking business due to increased fundraising activities in the capital markets. The potential re-rating catalysts for the sector include (1) strong earnings rebound in 2010, (2) recovery of the capital market which will revitalise investment banking income, (3) benefits of the transformation programmes for a few banks, (4) strong growth potential for the overseas operations of the larger banks, and (5) increase in dividend payout ratios. AMMB Holdings and Public Bank remain our top pick for the sector.

Construction to benefit from pump-priming newsflow

Construction sector – After a lacklustre 1H10, sentiment on the construction sector is likely to turn the corner in the coming months. This is backed by recent newsflow that suggests that the implementation of projects (public and PFI) is underway. This also addresses concerns over execution. Several tenders have closed since the beginning of the year, which support our view that project awards by both the public and private sectors will be a key theme for the sector in 2H10. We expect the government to press ahead with the award of rural infrastructure projects, IWTS, and PFI jobs, ahead of mega projects like the LRT extension/upgrade. There is still a window for a potential boost in visibility of project flows from the tabling of 10MP in Jun 10. We continue to OVERWEIGHT the construction sector with WCT and Gamuda as our top picks.

Dynamics of O&G sector remain favourable

Oil & gas – We remain OVERWEIGHT on the oil & gas sector, which benefits not directly from the rising oil price but from the improvement in supply-demand. High oil prices encourage producers to step up their exploration & production activities to meet market demand, thereby benefiting the service providers which make up the bulk of Malaysia's listed oil & gas companies. With the favourable pricing trend and the oil & gas sector being a major contributor to the country's revenue, we expect investments to continue in both the upstream and downstream segments. More companies are moving into high-margin, niche areas, demonstrating their commitment to a consistent, sustainable earnings growth. Our top picks are SapuraCrest and Kencana.

Rubber gloves enjoy strong growth and are yet defensive

Rubber glove – We remain positive on the rubber glove sector in view of the sustainability of demand and manufacturers' pricing power. Malaysian manufacturers have overtaken their rivals in other countries through continuous innovation in glove technology and manufacturing process. All the glove stocks under our coverage remain as Outperforms. Potential re-rating catalysts include the continuing uptick in demand from the healthcare industry, ongoing capacity expansion and strong earnings growth. Adventa and Supermax remain our top picks. We like Adventa for its unique position as a player in the high-end surgical segment as well as a strong OBM player. Potential share price triggers for Supermax include higher contribution from its OBM gloves and distribution as well as upcoming capacity expansion plans.

CIMB's top picks for 2H2010

Four new stock picks

For our top 10 picks, we have replaced a big outperformer (Axiata), an embattled company (Sime Darby) and low momentum stocks (Tanjong and YTL Power) with four high conviction stocks – Daibochi, MAS, Mudajaya and Tan Chong Motor. Daibochi enjoys defensive but strong earnings momentum, cheap valuations and high yields. It is our top small-cap pick. MAS and Tan Chong are economic recovery plays whose earnings are set to take off with the pick-up in demand and its leveraged effect on margins. Mudajaya is an emerging infrastructure specialist, with surging profits and a future stream of steady recurring IPP earnings. Although we still like Tanjong and YTL Power for their high dividend and defensive qualities, we would like to feature some of our more exciting and stronger conviction ideas.

Daibochi is one of our top small cap picks

Daibochi is Malaysia's largest flexible packaging producer, deriving more than 90% of its revenue from the F&B sector. Its efforts to diversify from the traditional F&B market a few years back are starting to pay off. We are particularly excited about its venture into electrical & electronics packaging for which it hopes to get the final certification soon. This market could be significant for Daibochi from 2011 onwards. Other non-F&B markets that the company is venturing into include the healthcare and cigarette markets. We continue to rate Daibochi an Outperform with an unchanged target price of RM4.60. Factors that could catalyse the stock include i) further margin expansion over the next few quarters, ii) contracts from major non-F&B companies and, iii) investors' increasing awareness of its attractive gross dividend yield above 7%.

Gamuda to benefit from mega projects

Gamuda's positive outlook ties in with the expected progress of mega projects in 2H10 and the government's drive to improve transport infrastructure. It remains one of the leading contenders for the RM7bn LRT extension/upgrade and the RM25bn new LRT line. The group recently prequalified for Phase 1 of the Langat 2 water treatment plant worth RM2bn. Success of the proposed takeover of all water concessionaires in Selangor by 40%-owned Splash would also be positive for the group as it would control the largest water operations in the country. The group's position in Indochina via Yenso Park in Hanoi and TTD in HCMC will be positive in the longer term as it could lead to opportunities on the infrastructure side. Gamuda remains an Outperform and one of our top picks for the construction sector. Potential share price triggers include (i) contract awards and, (ii) Splash's takeover in Selangor.

Kencana moving up the value chain

Kencana – We continue to like Kencana, which is moving up the value chain with the fabrication of higher-value structures such as drilling rig KM1. The move makes the company Malaysia's only fabricator, owner and operator of drilling rigs. Once deployed, KM1 will rake in recurring income, thereby reducing the company's need to scout for volatile, project-basis contracts regularly. KM1 already has a long-term drilling contract with Petronas. Kencana has the option to build and operate four rigs. Earnings prospects remain positive and we believe the company is building its war chest ahead of potential earnings-accretive acquisitions. Kencana remains an Outperform, with the potential re-rating catalysts being 1) active order book replenishment, and 2) M&A.

MAS is a contrarian call

MAS – We are bullish on MAS because the macroeconomic environment is improving, and both demand and yields are rising at the cargo and passenger businesses. Furthermore, the carrier has announced orders for up to 55 B737-800s, up to 25 A330-300 passenger jets and up to four new A330-200 freighters. It will also take delivery of six new A380s in 2012. All these aircraft replacements will significantly reduce MAS's operating costs from late 2010 onwards. We have an Outperform recommendation, with the potential re-rating catalysts being analysts' upgrades, improved results in 2010 from the global yield recovery and a structural reduction in the airline's unit cost from 2011 onwards.

Mudajaya is an emerging infrastructure specialist

Mudajaya's target of RM500m-1bn of new jobs by end-2010 remains intact, backed by the likely pick-up in the implementation of PFI jobs in the coming months. The potential rollout of the 1st package of the LRT upgrade/extension would provide more visibility on opportunities in mega jobs for Mudajaya. We are encouraged by the group's bid for an ultra mega power plant (UMPP) in India though we do not expect news on this venture to emerge anytime soon. Mudajaya remains an Outperform, with the potential share price catalysts being (i) contract awards, both local and overseas, and (ii) swifter-than-expected progress of the UMPP. The stock offers attractive CY10-11 P/Es of 7-9x which are among the lowest in the sector.

Public Bank has the strongest fundamentals

Public Bank is an Outperform and our top pick among the big-cap Malaysian banks with a target price of RM14.20. It has arguably the strongest fundamentals in the sector, as reflected by (1) its mid-20s ROE which is the best in the sector, (2) lowest net NPL ratio of below 1%, and (3) superior operating efficiency with a cost-to-income ratio of about 31-34%. We are projecting strong net earnings growth of 23% in FY10 and 17-18% in FY11-12, driven by topline expansion and declining credit costs. Potential share price triggers include (1) even stronger ROEs of 28-29% for FY10-11, (2) increased contributions from Greater China, (3) improved loan growth and (4) stronger-than-expected non-interest income growth, primarily from the wealth management businesses.

Newsflow for SapCrest to remain robust

SapuraCrest – We remain optimistic about SapuraCrest, which is at the forefront of Malaysia's drilling and installation of pipelines & facilities (IPF) scene. Ownership of strategic assets such as drilling rigs and pipelay barges has helped the company build an order book in excess of RM15bn, the highest in the sector. In the drilling business which is SapuraCrest's backbone, the company enjoys long-term contracts and favourable rates. In the IPF business, a fleet of barges reduces the competition. The rigs and barges are owned on JV basis, thereby putting less strain on the balance sheet. SapuraCrest remains an Outperform, with the potential upside catalysts being 1) more contract wins, 2) success in new markets, and 3) a growing fleet of assets.

Tan Chong is our prefered exposure to surging auto sales

Tan Chong Motor – Against the backdrop of an upturn in consumer sentiment, the continued strength of Tan Chong's existing models and the launch of new models will propel the group's topline. Meanwhile, the stronger ringgit, better sales mix and increasing economies of scale will provide another kicker to the company's earnings. Regional expansion also holds possibilities. Backed by its growth plans and stronger industry fundamentals, we project an EPS CAGR of 47%, which makes Tan Chong a high-growth story. The stock remains an Outperform and our top pick in the auto sector. Factors that could extend its re-rating include 1) stronger earnings growth trajectory, 2) new model pipeline, and 3) strategic positioning which will help it gain market share and tap into regional demand.

Top Glove is the key proxy for the glove sector

Top Glove – Although competition has been rising, Top Glove is holding tight to its position as the largest rubber glove manufacturer in the world with an annual capacity of 33.0bn pieces. The company is still expanding its capacity by 1.5bn-3.0bn pieces a year to meet the growing global demand. We like the company for its position as the market leader and its focus as a volume player. Top Glove also boasts strong finances with RM269.8m (RM0.88/share) net cash as at end-Feb 10. In light of the favourable prospects for the rubber glove industry and outlook for the company, we maintain our Outperform call. The stock could enjoy further re-rating on the back of a continuing uptick in demand and ongoing capacity expansion.

WCT is Malaysia's most efficient and lowest-cost contractor

WCT continues to stand out as one of the main beneficiaries of pump-priming as its position as an efficient and low-cost contractor gives it a high chance of winning open tender jobs on merit. For 2H10, the group is likely to repeat its success in 2009, where it saw the most positive newsflow, both local and overseas. WCT remains optimistic about its RM2bn target for new contracts by end-2010. It remains upbeat on its chances of securing more projects in the Middle East and could land an infrastructure job in Qatar soon. WCT remains one of our top picks for the sector, backed by positive industry prospects and improving fundamentals. We continue to rate it an Outperform, premised on the main potential catalyst of new contract wins. The recent selldown triggered by fears over Bakun's cost overruns was overdone and presents a good buying opportunity.

Terence Wong CFA +60(3) 20849689 –terence.wong@cimb.com

COMPANY BRIEFS…

Syariah-compliant stock

OUTPERFORM	Maintained
RM2.85	@20/05/10
	Target: RM4.60
	Packaging

Daibochi Plastic & Packaging

The right package

DPP MK / DPPM.KL

Nigel Foo +60(3) 2084 9293 – nigel.foo@cimb.com

- **Reiterate OUTPERFORM.** Daibochi, Malaysia's leading flexible packaging producer, remains an OUTPERFORM with an unchanged target price of RM4.60, based on 12x CY11 P/E or a 20% discount to our 15x target P/E for the market. Factors that could catalyse the stock include i) further margin expansion over the next few quarters, ii) contracts from major non-F&B companies and, iii) investors' increasing awareness of its attractive gross dividend yield of 8%.
- **Cost pass-through ability.** 70% of the group's revenue comes from MNCs, which implies low receivables risk. More importantly, Daibochi is able to pass on rising raw material costs to its MNC customers. Prices are reviewed every quarter for changes in raw material costs and forex volatility. Raw material costs make up as much as 70% of the group's operating costs. Even in an environment of rising raw material prices, Daibochi has consistently achieved a quarterly pretax margin of above 10% since 1QFY09.
- **Non-F&B market to drive long-term growth.** More than 90% of Daibochi's revenue comes from the defensive food & beverage sector. Management's efforts to diversify into non-F&B segments three years ago seem to be bearing fruit. We are particularly excited about its venture into electrical & electronics packaging for which it hopes to get the final certification by end-May. The "anti-static" packaging product has already received enquiries from some of the major E&E suppliers interested in testing the product. We have not factored any earnings from this product which could be a major earnings contributor starting 2011. Other non-F&B markets it is venturing into include healthcare and cigarettes. At end-09, Daibochi was appointed regional supplier to cigarette giant, BAT.

Financial summary

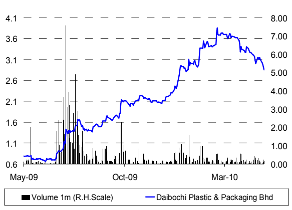
FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (RM m)	217.2	221.8	248.4	275.7	303.3
EBITDA (RM m)	16.7	33.1	42.3	47.1	52.4
EBITDA margins (%)	7.7%	14.9%	17.0%	17.1%	17.3%
Pretax profit (RM m)	9.0	27.1	34.1	38.2	43.9
Net profit (RM m)	8.1	22.7	26.1	29.1	33.3
EPS (sen)	10.7	29.9	34.3	38.4	43.9
EPS growth (%)	(6.9%)	180.2%	14.8%	11.7%	14.5%
P/E (x)	26.7	9.5	8.3	7.4	6.5
Gross DPS (sen)	8.2	21.2	23.5	26.3	30.1
Dividend yield (%)	2.9%	7.4%	8.3%	9.2%	10.6%
P/BV (x)	1.9	1.8	1.5	1.4	1.2
ROE (%)	7.1%	18.4%	19.4%	19.1%	19.8%
Net gearing (%)	23.8%	11.8%	1.0%	N/A	N/A
Net cash per share (RM)	N/A	N/A	N/A	0.14	0.34
P/FCFE (x)	1,081.6	9.0	8.3	8.1	6.8
EV/EBITDA (x)	14.6	7.0	5.2	4.4	3.7
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			0.97	0.98	1.00

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM216m/US$66m
12-m price range:	RM3.85 RM0.66
3-m avg daily vol:	0.2m
No. of shrs (m):	76
Est. free float (%):	50.0
Conv. secs (m):	None
Major shareholders (%):	
- Low Chan Tian	11.6
- Datuk Wong Soon Lim	6.5

Price chart



Source: Bloomberg

Corporate profile

Established in 1972, Daibochi has over the years expanded its plant in Melaka in phases. Today, it is Malaysia's largest plastic flexible packaging (PFP) producer with an estimated 30% market share. Some 70% of the group's revenue comes from MNCs and more than 90% of Daibochi's customers are from the F&B sector. Major customers include Nestle, Cadbury, Kraft, Danone, Unilever, Kimberly-Clark and Tesco. Management and direction of the group is driven by Managing Director Thomas Lim, a professional who joined the group in 1995.

Financial tables

PROFIT & LOSS					
(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue	217	222	248	276	303
Operating expenses	(201)	(189)	(206)	(229)	(251)
EBITDA	17	33	42	47	52
Depreciation & amortisation	(8)	(8)	(8)	(9)	(9)
EBIT	9	25	34	38	43
Net interest & invt income	1	2	1	0	1
Associates' contribution	(1)	0	0	0	0
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**9**	**27**	**34**	**38**	**44**
Tax	(1)	(4)	(8)	(9)	(10)
Minority interests	0	0	0	0	(1)
Net profit	**8**	**23**	**26**	**29**	**33**
Adj. wt. shares (m)	76	76	76	76	76
Unadj. year-end shares (m)	76	76	76	76	76

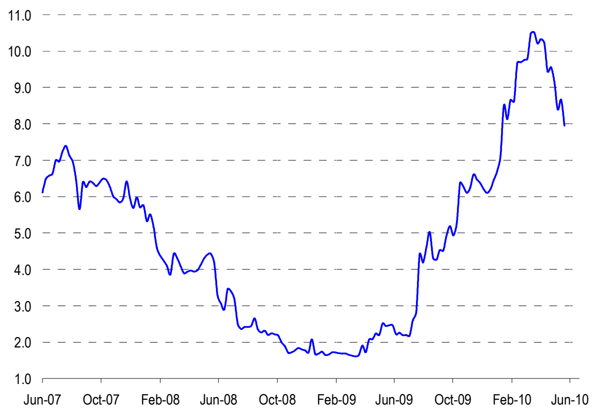
KEY RATIOS					
(FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue growth (%)	7.3	2.1	12.0	11.0	10.0
EBITDA growth (%)	(4.6)	98.2	27.8	11.3	11.3
Pretax margins (%)	4.1	12.2	13.7	13.9	14.5
Net profit margins (%)	3.7	10.2	10.5	10.6	11.0
Interest cover (x)	N/A	N/A	N/A	N/A	N/A
Effective tax rates (%)	7.8	14.8	23.0	23.0	23.0
Net dividend payout (%)	56.2	51.8	50.0	50.0	50.0
Debtors turnover (days)	69.6	76.5	67.0	62.4	62.7
Stock turnover (days)	69.1	60.7	56.3	55.5	55.7
Creditors turnover (days)	56.3	57.1	52.9	52.0	52.3

BALANCE SHEET					
(RM m, end Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Fixed assets	55	54	56	53	50
Intangible assets	0	0	0	0	0
Other long-term assets	41	29	38	38	38
Total non-current assets	**96**	**83**	**94**	**91**	**88**
Cash and equivalents	10	6	36	48	63
Stocks	41	37	40	44	49
Trade debtors	41	47	45	50	55
Other current assets	4	15	15	15	15
Total current assets	**97**	**104**	**136**	**157**	**182**
Trade creditors	34	35	37	41	45
Short-term borrowings	32	17	32	32	32
Other current liabilities	0	1	1	1	1
Total current liabilities	**66**	**53**	**70**	**74**	**78**
Long-term borrowings	6	4	6	6	6
Other long-term liabilities	7	7	7	7	7
Total long-term liabilities	**13**	**11**	**12**	**12**	**12**
Shareholders' funds	**114**	**123**	**145**	**160**	**176**
Minority interests	1	1	2	2	2
NTA/share (RM)	1.50	1.62	1.91	2.11	2.32

KEY DRIVERS				
(FYE Dec)	**2009**	**2010F**	**2011F**	**2012F**
Capacity (tonnes p.a.)	20,000	20,800	22,000	22,000
Capacity utilisation (%)	65.0%	66.0%	66.0%	66.0%

CASH FLOW					
(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Pretax profit	9	27	34	38	44
Depreciation & non–cash adj.	8	8	8	9	9
Working capital changes	4	0	2	(5)	(5)
Cash tax paid	(1)	(4)	(8)	(9)	(10)
Others	(2)	(5)	(1)	0	0
Cash flow from operations	**17**	**27**	**36**	**33**	**38**
Capex	(19)	(5)	(10)	(6)	(6)
Net investments & sale of FA	0	0	0	0	0
Others	0	0	0	0	(1)
Cash flow from investing	**(19)**	**(5)**	**(10)**	**(6)**	**(7)**
Debt raised/(repaid)	2	0	0	0	0
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(5)	(11)	(13)	(15)	(17)
Cash interest & others	1	2	1	0	1
Cash flow from financing	**(2)**	**(9)**	**(12)**	**(15)**	**(16)**
Change in cash	**(4)**	**13**	**13**	**12**	**15**
Change in net cash/(debt)	**(6)**	**13**	**13**	**12**	**15**
Ending net cash/(debt)	**(27)**	**(15)**	**(2)**	**11**	**26**

12M - FORWARD FD CORE P/E (X)



Source: Company, CIMB Research, Bloomberg

CIMB Research Report

2H10 OUTLOOK

Syariah-compliant stock

MALAYSIA

Gamuda Bhd

Splashing into waters new and old

OUTPERFORM	Maintained
RM2.82	@20/05/10
	Target: RM4.30
	Construction

GAM MK / GAMU.KL   **Sharizan Rosely** +60 (3) 2084 9864 – sharizan.rosely@cimb.com

- **Reiterate OUTPERFORM.** The favourable prospects for Gamuda are underpinned by the anticipated progress of mega projects in 2H10 and the government's drive to improve transport infrastructure. The group's position in Indochina is a long-term positive. We reiterate our OUTPERFORM call on Gamuda and our target price of RM4.30, which remains pegged to a 10% discount to its RNAV. Potential share price triggers include (i) contract awards and, (ii) Splash's takeover of Selangor's water assets. Gamuda remains one of our top picks for the construction.
- **Vying for large-scale jobs.** Gamuda's outstanding order book amounts to RM7bn. The group recently prequalified for Phase 1 of the Langat 2 water treatment plant worth RM2bn. It is also one of the main contenders for the RM7bn LRT extension/upgrade, which is likely to kick off with the award of one of the four phases in Nov 2010. There are also opportunities in the RM25bn new LRT line, likely to be the one of the key mega projects for 10MP. Success of the proposed takeover of all water concessionaires in Selangor by 40%-owned Splash would also be positive for the group as it would control the largest water operations in the country.
- **Indochina for growth.** Gamuda is penetrating deeper into the Indochina market with its RM10bn Yenso Park and RM6bn Tan Thang Development which will be positive for the group in the long term. Indochina is the group's next growth area, after Malaysia and the Middle East. We expect its existing projects in Indochina to open the doors to other infrastructure opportunities.

Stock Information

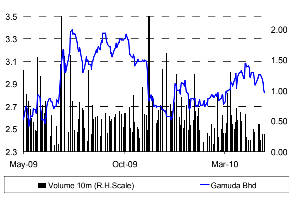
Market cap:	RM5,692m/US$1,739m
12-m price range:	RM3.38
	RM2.52
3-m avg daily vol:	4.3m
No. of shrs (m):	2,019
Est. free float (%):	77
Conv. secs (m):	268
Major shareholders (%):	
- EPF	8.4
- Platinum	6.2
- Amanah Raya Trustees	8.4

Financial summary

FYE Jul	2008	2009	2010F	2011F	2012F
Revenue (RM m)	2,403.7	2,727.3	2,965.0	3,106.7	4,107.8
EBITDA (RM m)	251.6	303.4	224.6	233.7	367.2
EBITDA margins (%)	10.5%	11.1%	7.6%	7.5%	8.9%
Pretax profit (RM m)	439.1	282.2	442.8	499.2	686.2
Net profit (RM m)	292.6	193.7	308.1	349.8	488.2
EPS (sen)	14.6	9.7	15.4	17.5	24.4
EPS growth (%)	73.2%	(33.8%)	59.1%	13.5%	39.5%
P/E (x)	19.3	29.2	18.3	16.1	11.6
Gross DPS (sen)	25.0	8.0	12.0	12.0	12.0
Dividend yield (%)	8.9%	2.8%	4.3%	4.3%	4.2%
P/BV (x)	2.1	2.7	3.1	2.7	2.7
ROE (%)	11.6%	8.2%	15.8%	18.0%	23.3%
Net gearing (%)	34.6%	41.1%	60.9%	51.4%	47.4%
P/FCFE (x)	12.3	22.4	98.4	417.2	(506.6)
EV/EBITDA (x)	26.8	22.1	31.3	29.9	19.0
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.03	0.92	1.09

Source: Company, CIMB Research, Bloomberg

Price chart



Source: Bloomberg

Corporate profile

Since its inception as a pure construction player in 1976, Gamuda has gradually evolved through ventures into toll highways and property. It later diversified into water treatment as well as overseas via Indian highway projects, among others. Today, Gamuda is Malaysia's premier infrastructure specialist with its scope of expertise covering highways, bridges, tunnels, dams and hydropower, hydraulic engineering and water treatment, railways and mass-rapid transit systems. The group also has exposure to the Middle East but is currently pursuing growth opportunities in Vietnam.

Financial tables

PROFIT & LOSS					
(RM m, FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue	2,404	2,727	2,965	3,107	4,108
Operating expenses	(2,152)	(2,424)	(2,740)	(2,873)	(3,741)
EBITDA	252	303	225	234	367
Depreciation & amortisation	(18)	(18)	(19)	(19)	(20)
EBIT	234	285	206	214	347
Net interest & invt income	19	(146)	(18)	(22)	(20)
Associates' contribution	186	143	255	306	359
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**439**	**282**	**443**	**499**	**686**
Tax	(132)	(78)	(115)	(130)	(178)
Minority interests	(15)	(11)	(20)	(20)	(20)
Net profit	**293**	**194**	**308**	**350**	**488**
Adj. wt. shares (m)	2,003	2,003	2,003	2,003	2,004
Unadj. year-end shares (m)	2,003	2,003	2,003	2,004	2,004

KEY RATIOS					
(FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue growth (%)	58.5	13.5	8.7	4.8	32.2
EBITDA growth (%)	156.5	20.6	(25.9)	4.0	57.1
Pretax margins (%)	18.3	10.3	14.9	16.1	16.7
Net profit margins (%)	12.2	7.1	10.4	11.3	11.9
Interest cover (x)	9.4	1.6	4.9	4.8	8.3
Effective tax rates (%)	30.0	27.6	26.0	26.0	26.0
Net dividend payout (%)	123.3	59.5	56.1	49.4	35.4
Debtors turnover (days)	186.9	240.7	219.5	222.9	179.8
Stock turnover (days)	6.4	5.8	6.0	7.6	6.9
Creditors turnover (days)	21.5	19.9	20.6	26.0	23.5

BALANCE SHEET					
(RM m, end Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Fixed assets	97	79	62	43	24
Intangible assets	19	19	19	18	18
Other long-term assets	1,831	1,644	1,814	1,963	1,958
Total non-current assets	**1,947**	**1,742**	**1,895**	**2,024**	**2,000**
Cash and equivalents	846	751	714	678	644
Stocks	51	35	63	66	88
Trade debtors	1,932	1,665	1,900	1,894	2,154
Other current assets	402	231	265	298	299
Total current assets	**3,231**	**2,682**	**2,942**	**2,936**	**3,185**
Trade creditors	177	120	215	228	301
Short-term borrowings	782	626	501	401	320
Other current liabilities	335	388	564	594	731
Total current liabilities	**1,295**	**1,133**	**1,280**	**1,222**	**1,352**
Long-term borrowings	1,037	1,037	1,437	1,437	1,437
Other long-term liabilities	34	38	112	46	50
Total long-term liabilities	**1,071**	**1,074**	**1,549**	**1,482**	**1,487**
Shareholders' funds	**2,678**	**2,061**	**1,833**	**2,061**	**2,131**
Minority interests	134	157	176	196	215
NTA/share (RM)	1.33	1.02	0.91	1.02	1.05

KEY DRIVERS				
(FYE Jul)	**2009**	**2010F**	**2011F**	**2012F**
Construction margins (%)	5.0%	5.0%	9.0%	9.0%
Orderbook replenishment (RM m)	200	500	500	500
Outstanding orderbook (RM m)	8,500	8,500	9,200	9,899

CASH FLOW					
(RM m, FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Pretax profit	439	282	443	499	686
Depreciation & non–cash adj.	18	18	19	19	20
Working capital changes	(1,213)	164	(376)	70	(55)
Cash tax paid	(114)	(80)	(104)	(124)	(165)
Others	40	249	11	(36)	(89)
Cash flow from operations	**(830)**	**634**	**(7)**	**429**	**396**
Capex	(14)	(14)	(14)	(14)	(14)
Net investments & sale of FA	(179)	(212)	(234)	(270)	(308)
Others	0	0	0	0	0
Cash flow from investing	**(192)**	**(225)**	**(247)**	**(284)**	**(322)**
Debt raised/(repaid)	1,483	(156)	312	(132)	(86)
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(86)	(86)	(86)	(86)	(86)
Cash interest & others	(247)	(261)	27	6	58
Cash flow from financing	**1,150**	**(504)**	**253**	**(212)**	**(114)**
Change in cash	**127**	**(95)**	**(2)**	**(67)**	**(40)**
Change in net cash/(debt)	**(1,355)**	**62**	**(314)**	**64**	**46**
Ending net cash/(debt)	**(973)**	**(910)**	**(1,224)**	**(1,159)**	**(1,113)**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

CIMB Research Report

2H10 OUTLOOK

Syariah-compliant stock

Kencana Petroleum Bhd

A barrel of good news

OUTPERFORM	Maintained
RM1.39	@20/05/10
	Target: RM1.90
	Oil & Gas - Equipment & Svs

MALAYSIA

KEPB MK / KENP.KL **Norziana Mohd Inon** +60(3) 2084 9645 – norziana.inon@cimb.com

- **Maintain OUTPERFORM.** New contracts (Malaysia, India and Australia) and new ventures (offshore support, drilling and pipeline installation) fuel our optimism on Kencana. We continue to like the company for its favourable earnings prospects and its strategy of moving up the value chain with the new ventures. We maintain our forecasts and target price of RM1.90 as we continue to apply our target market P/E of 15x to the stock. Kencana remains an OUTPERFORM, premised on the potential re-rating catalysts of 1) active order book replenishment, and 2) M&As.
- **New contracts to fuel order book.** Since Apr 10, Kencana has clinched four contracts worth RM336m, taking the value of its current orders to a shade below RM2bn. We expect newsflow from the company to stay active as it is vying for RM1bn worth of fabrication contracts in Malaysia, India and Australia. Capacity is not an issue as Kencana's 169-acre yard in Lumut is running at 50% utilisation with extra space earmarked for new contracts.
- **New ventures mark new milestones.** Kencana is venturing into drilling, an area in which SapuraCrest is currently the leader. It has secured a 5-year, RM827m Petronas Carigali contract for its KM1 drilling rig KM1, which will be deployed this Aug. In offshore support, Kencana currently owns two AHTS vessels and will have a fleet of three assets by Jul 10. These new businesses are set to contribute for the first full year in FY7/11.

Financial summary

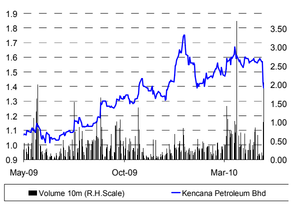
FYE Jul	2008	2009	2010F	2011F	2012F
Revenue (RM m)	1,452.2	1,140.8	1,603.5	2,485.0	3,370.0
EBITDA (RM m)	134.5	174.9	188.0	258.2	323.1
EBITDA margins (%)	9.3%	15.3%	11.7%	10.4%	9.6%
Pretax profit (RM m)	121.2	153.1	187.3	262.1	326.4
Net profit (RM m)	85.2	118.5	131.8	186.9	243.4
EPS (sen)	9.4	13.1	9.8	11.3	14.7
EPS growth (%)	47.3%	39.0%	(25.3%)	15.1%	30.2%
P/E (x)	14.7	10.6	14.2	12.3	9.5
Gross DPS (sen)	1.0	1.5	1.5	2.5	3.5
Dividend yield (%)	0.7%	1.1%	1.1%	1.8%	2.5%
P/BV (x)	5.3	5.5	7.4	8.3	7.3
ROE (%)	37.3%	51.2%	54.8%	70.5%	82.2%
Net gearing (%)	12.7%	7.9%	3.8%	N/A	N/A
Net cash per share (RM)	N/A	N/A	N/A	0.00	0.01
P/FCFE (x)	72.9	55.7	62.2	44.0	32.9
EV/EBITDA (x)	9.5	7.3	10.0	8.9	7.1
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.00	0.92	1.15

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM2,304m/US$704m
12-m price range:	RM1.75 RM1.02
3-m avg daily vol:	5.5m
No. of shrs (m):	1,658
Est. free float (%):	47.3
Conv. secs (m):	None
Major shareholders (%):	
- Khasera Baru Sdn Bhd	39.2
- EPF	7.8
- Chong Hin Loon	5.8

Price chart



Source: Bloomberg

Corporate profile

Kencana is principally involved in oil & gas fabrication and construction activities, which are carried out by its main wholly-owned key units, namely Kencana HL and Kencana Bestwide. It is one of seven Petronas-licensed fabricators of offshore structures. This essentially allows it to bid for fabrication contracts tendered by production-sharing contractors in Malaysia. In CY08, Kencana started the fabrication of its first drilling rig KM1. At present, the company's sea-fronting yard in Lumut spans 169 acres. Its covered yard space of 30,000 sq m allows the welders to work 24/7 in all weather conditions.

Financial tables

PROFIT & LOSS					
(RM m, FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue	1,452	1,141	1,603	2,485	3,370
Operating expenses	(1,318)	(966)	(1,415)	(2,227)	(3,047)
EBITDA	134	175	188	258	323
Depreciation & amortisation	(12)	(16)	(8)	(8)	(9)
EBIT	123	159	180	250	314
Net interest & invt income	(2)	(6)	(2)	0	0
Associates' contribution	0	0	9	12	12
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**121**	**153**	**187**	**262**	**326**
Tax	(36)	(35)	(55)	(75)	(83)
Minority interests	0	0	0	0	0
Net profit	**85**	**118**	**132**	**187**	**243**
Adj. wt. shares (m)	902	903	1,346	1,658	1,658
Unadj. year-end shares (m)	902	903	1,346	1,658	1,658

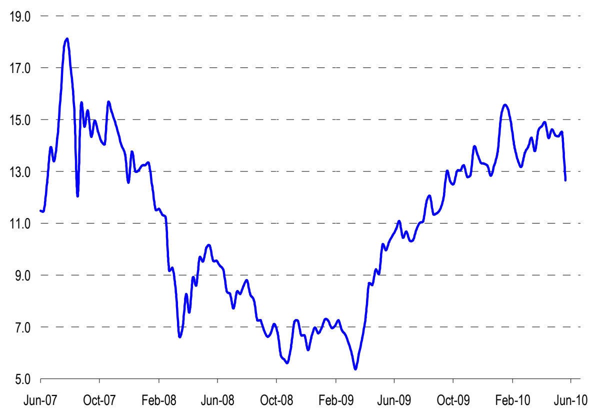
KEY RATIOS					
(FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue growth (%)	76.1	(21.4)	40.6	55.0	35.6
EBITDA growth (%)	74.7	30.1	7.5	37.3	25.1
Pretax margins (%)	8.3	13.4	11.7	10.5	9.7
Net profit margins (%)	5.9	10.4	8.2	7.5	7.2
Interest cover (x)	17.0	15.2	30.4	34.9	36.9
Effective tax rates (%)	29.7	22.6	29.6	28.7	25.4
Net dividend payout (%)	7.6	8.2	11.0	16.0	17.2
Debtors turnover (days)	71.9	100.7	78.8	55.9	45.4
Stock turnover (days)	5.8	8.1	6.3	4.5	3.6
Creditors turnover (days)	62.8	87.9	68.8	48.9	39.6

BALANCE SHEET					
(RM m, end Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Fixed assets	176	147	153	158	176
Intangible assets	1	1	1	1	1
Other long-term assets	4	4	5	5	6
Total non-current assets	**181**	**152**	**159**	**164**	**183**
Cash and equivalents	90	99	109	120	132
Stocks	24	26	29	32	35
Trade debtors	300	330	363	399	439
Other current assets	34	37	41	45	49
Total current assets	**447**	**492**	**541**	**595**	**655**
Trade creditors	262	288	317	348	383
Short-term borrowings	75	73	75	76	77
Other current liabilities	2	3	3	4	5
Total current liabilities	**339**	**363**	**394**	**427**	**464**
Long-term borrowings	45	44	44	44	45
Other long-term liabilities	9	9	9	9	10
Total long-term liabilities	**54**	**53**	**53**	**53**	**55**
Shareholders' funds	**235**	**228**	**253**	**277**	**316**
Minority interests	0	0	0	2	3
NTA/share (RM)	0.26	0.25	0.19	0.17	0.19

KEY DRIVERS				
(FYE Jul)	**2009**	**2010F**	**2011F**	**2012F**
Overseas rev contribution (%)	55.0%	55.0%	55.0%	55.0%
Order book (RM m)	2,200	2,000	2,500	2,500
Size of fabrication yard (acres)	135	169	169	169
Yard annual capacity (tonnes)	48,000	60,000	60,000	60,000
Yard utilisation rate (%)	80.0%	80.0%	80.0%	80.0%

CASH FLOW					
(RM m, FYE Jul)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Pretax profit	121	153	187	262	326
Depreciation & non–cash adj.	12	16	8	8	9
Working capital changes	(6)	(6)	(7)	(7)	(8)
Cash tax paid	(16)	(32)	(44)	(55)	(75)
Others	92	183	181	182	181
Cash flow from operations	**204**	**314**	**326**	**389**	**433**
Capex	(35)	(35)	(35)	(34)	(33)
Net investments & sale of FA	0	0	0	0	0
Others	1	0	4	7	11
Cash flow from investing	**(34)**	**(35)**	**(31)**	**(27)**	**(22)**
Debt raised/(repaid)	6	(3)	2	1	2
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(9)	(14)	(20)	(41)	(58)
Cash interest & others	(159)	(254)	(266)	(311)	(342)
Cash flow from financing	**(162)**	**(271)**	**(285)**	**(351)**	**(398)**
Change in cash	**8**	**9**	**10**	**11**	**12**
Change in net cash/(debt)	**2**	**12**	**8**	**10**	**10**
Ending net cash/(debt)	**(30)**	**(18)**	**(10)**	**0**	**10**

12M - FORWARD FD CORE P/E (X)



Source: Company, CIMB Research, Bloomberg

CIMB Research Report

Malaysian Airline System Bhd

Structural fleet renewal to lift earnings

OUTPERFORM	Maintained
RM1.98	@20/05/10
	Target: RM3.00
	Airlines

MAS MK / MASM.KL **Raymond Yap CFA** +603 2084 9769 – raymond.yap@cimb.com

- **Maintain OUTPERFORM and target price of RM3.** We recently turned bullish on MAS because (1) the rights issue is finally over and the stock remains depressed, lagging behind regional peers, (2) analysts are almost universally bearish on MAS, unlike regional airlines for which the majority of calls are buys, (3) the macroeconomic environment is improving, as evidenced by SIA's strong results, and (4) the major fleet renewal programme should contribute to significant unit cost reduction from 2011. Our end-CY10 target price of RM3 is based on 6x CY12 core EPS but we think MAS can eventually reach RM4 over a two-year period (P/E of 8x). Potential re-rating catalysts include analysts' upgrades, improved results in 2010 from the global yield recovery and a structural reduction in the airline's unit cost from 2011 onwards.
- **Cyclical recovery to drive near-term earnings.** In the recent 1Q results, MAS showed stronger cargo profits and reduced passenger losses. Cargo volume and rates have increased yoy while passenger demand has also recovered. Passenger yield is still lower yoy but MAS will selectively raise fares in the near future. Meanwhile, forward bookings are positive and MAS is responding by leasing more passenger and cargo planes, increasing frequencies and introducing new flights. MAS is our top aviation pick because the upside earnings leverage from fleet renewal over the next three years will be high.

Financial summary

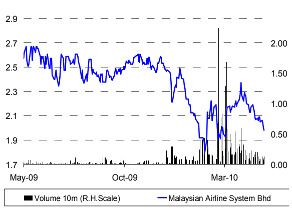
FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (RM m)	15,034.2	11,309.8	12,681.6	14,295.7	16,141.8
EBITDA (RM m)	344.0	(371.6)	72.6	1,267.0	2,557.3
EBITDA margins (%)	2.3%	(3.3%)	0.6%	8.9%	15.8%
Pretax profit (RM m)	302.7	462.0	360.6	870.5	1,742.5
Net profit (RM m)	244.4	490.2	347.8	859.2	1,728.5
EPS (sen)	11.9	23.9	11.1	25.7	51.7
EPS growth (%)	(74.9%)	100.6%	(53.4%)	131.2%	101.2%
P/E (x)	16.6	8.3	17.8	7.7	3.8
Core EPS (sen)	6.8	(111.6)	(32.8)	7.2	51.7
Core EPS growth (%)	(86.0%)	(1,737.4%)	70.6%	121.9%	620.0%
Core P/E (x)	29.0	nm	nm	27.6	3.8
FD core EPS (sen)	7.0	(104.0)	(31.0)	7.4	50.2
FD core P/E (x)	28.4	nm	nm	26.9	3.9
Gross DPS (sen)	0.0	0.0	0.0	0.0	0.0
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%
P/BV (x)	1.0	5.5	1.8	1.4	1.0
ROE (%)	6.0%	19.9%	15.5%	20.5%	31.5%
Net gearing (%)	N/A	N/A	39.1%	64.4%	36.4%
Net cash per share (RM)	1.56	0.31	N/A	N/A	N/A
P/FCFE (x)	(6.9)	(2.4)	(1.9)	(45.6)	4.3
EV/EBITDA (x)	2.6	(9.3)	105.8	7.6	3.5
% change in EPS estimates			N/A	N/A	N/A
CIMB/Consensus (x)			(6.18)	1.23	2.39

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM6,617m/US$2,022m
12-m price range:	RM2.67 RM1.80
3-m avg daily vol:	3.2m
No. of shrs (m):	3,342
Est. free float (%):	15.0
Conv. secs (m):	103.1
Major shareholders (%):	
- Penerbangan Malaysia	70.0
- EPF	10.0

Price chart



Source: Bloomberg

Corporate profile

MAS is Malaysia's national full-service carrier operating a fleet of around 90 jet aircraft and 17 turboprops. It has orders for up to 55 B737-800s, six A380s, up to 25 A330-300s and up to four A330-200 freighters, which will be used for fleet renewal and capacity expansion. MAS has undergone two major restructuring exercises, first the financial restructuring known as widespread asset unbundling in 2002, and then the operational restructuring under its ex-MD Idris Jala from 2006 to 2008. The current MD Tengku Azmil Zahruddin is expected to preside over the fleet renewal, which may significantly reduce operating costs and increase structural profitability.

Financial tables

PROFIT & LOSS

(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue	15,034	11,310	12,682	14,296	16,142
Operating expenses	(14,690)	(11,681)	(12,609)	(13,029)	(13,584)
EBITDA	344	(372)	73	1,267	2,557
Depreciation & amortisation	(328)	(316)	(417)	(567)	(617)
EBIT	16	(688)	(344)	700	1,940
Net interest & invt income	162	(25)	(98)	(167)	(207)
Associates' contribution	20	12	10	10	10
Exceptional items	104	1,163	793	328	0
Others	0	0	0	0	0
Pretax profit	**303**	**462**	**361**	**871**	**1,743**
Tax	(57)	31	(10)	(8)	(11)
Minority interests	(1)	(3)	(3)	(3)	(3)
Net profit	**244**	**490**	**348**	**859**	**1,728**
Adj. wt. shares (m)	2,053	2,053	3,127	3,342	3,342
Unadj. year-end shares (m)	2,054	2,053	3,342	3,342	3,342

KEY RATIOS

(FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue growth (%)	0.3	(24.8)	12.1	12.7	12.9
EBITDA growth (%)	(70.7)	(208.0)	119.5	1,644.8	101.8
Pretax margins (%)	2.0	4.1	2.8	6.1	10.8
Net profit margins (%)	1.6	4.3	2.7	6.0	10.7
Interest cover (x)	0.3	(8.2)	(2.5)	3.5	7.7
Effective tax rates (%)	18.8	N/A	2.7	1.0	0.6
Net dividend payout (%)	0.0	0.0	0.0	0.0	0.0
Debtors turnover (days)	36.0	54.5	44.2	44.1	44.0
Stock turnover (days)	9.0	12.3	11.5	10.8	9.9
Creditors turnover (days)	52.3	75.0	66.9	62.7	57.6

BALANCE SHEET

(RM m, end Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Fixed assets	2,465	3,044	6,763	8,367	9,275
Intangible assets	108	144	144	144	144
Other long-term assets	571	545	555	565	575
Total non-current assets	**3,144**	**3,733**	**7,462**	**9,076**	**9,994**
Cash and equivalents	4,617	2,952	2,305	2,160	3,708
Stocks	380	385	415	429	448
Trade debtors	1,932	1,447	1,623	1,830	2,066
Other current assets	0	0	0	0	1
Total current assets	**6,928**	**4,785**	**4,344**	**4,419**	**6,223**
Trade creditors	2,409	2,236	2,414	2,494	2,601
Short-term borrowings	433	319	319	319	319
Other current liabilities	2,045	3,214	1,840	1,221	1,221
Total current liabilities	**4,887**	**5,769**	**4,573**	**4,034**	**4,140**
Long-term borrowings	986	2,001	3,461	4,827	5,708
Other long-term liabilities	2	0	0	0	0
Total long-term liabilities	**987**	**2,001**	**3,461**	**4,827**	**5,708**
Shareholders' funds	**4,186**	**736**	**3,757**	**4,616**	**6,346**
Minority interests	11	12	15	18	21
NTA/share (RM)	1.99	0.29	1.08	1.34	1.86

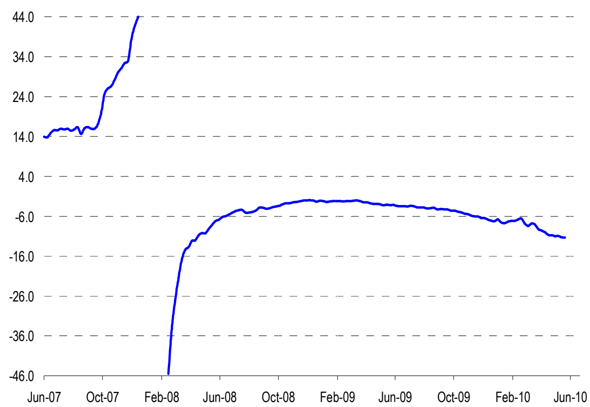
KEY DRIVERS

(FYE Dec)	**2009**	**2010F**	**2011F**	**2012F**
Passenger fleet size (# of planes)	86	84	81	80
Av. seat km (ASK, yoy chg %)	-9.5%	5.0%	5.0%	5.0%
Rev. psg km (RPK, yoy chg %)	-8.3%	14.5%	5.0%	5.0%
Load factor (%)	68.8%	75.0%	75.0%	75.0%
Passenger yield per RPK (sen)	26.41	26.10	28.49	31.11
Jet fuel price (US$/barrel)	106.10	107.00	106.00	105.00
Fuel cost per ASK (sen)	7.31	9.16	9.19	9.17
Non-fuel cost per ASK (sen)	17.11	15.94	15.51	15.36

CASH FLOW

(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Pretax profit	303	462	361	871	1,743
Depreciation & non–cash adj.	328	316	417	567	617
Working capital changes	(1,213)	307	(29)	(140)	(148)
Cash tax paid	(15)	(5)	(10)	(8)	(11)
Others	(27)	(2,678)	(1,247)	(428)	241
Cash flow from operations	**(624)**	**(1,598)**	**(508)**	**861**	**2,442**
Capex	(764)	(914)	(4,136)	(2,172)	(1,525)
Net investments & sale of FA	41	(22)	0	0	0
Others	214	54	0	0	0
Cash flow from investing	**(509)**	**(882)**	**(4,136)**	**(2,172)**	**(1,525)**
Debt raised/(repaid)	559	901	1,460	1,366	881
Equity raised/(repaid)	0	0	2,674	0	1
Dividends paid	(56)	(2)	0	0	0
Cash interest & others	(14)	(83)	(137)	(201)	(251)
Cash flow from financing	**490**	**815**	**3,996**	**1,165**	**631**
Change in cash	**(643)**	**(1,665)**	**(647)**	**(145)**	**1,548**
Change in net cash/(debt)	**(1,202)**	**(2,566)**	**(2,107)**	**(1,511)**	**667**
Ending net cash/(debt)	**3,197**	**632**	**(1,475)**	**(2,986)**	**(2,320)**

12M - FORWARD FD CORE P/E (X)



Source: Company, CIMB Research, Bloomberg

CIMB

CIMB Research Report

25 May 2010

Mudajaya

Switched on at home and abroad

RECOM	Buy
PRICE	RM5.12
MKT CAPITALISATION	RM2,105.3m
BOARD	Main (Syariah stock)
SECTOR	Construction
INDEX COMPONENT	FTSE Emas

MDJ MK / MJYA.KL

Sharizan Rosely + 60 (3) 2084-9864 – sharizan.rosely@cimb.com

- **BUY; unchanged target price of RM7.94.** Mudajaya's target of RM500m-1bn of new jobs by end-2010 remains intact, backed by the likely pick-up in the implementation of PFI jobs in the coming months. We are encouraged by the group's bid for an ultra mega power plant (UMPP) in India though we do not expect news on this venture to emerge anytime soon. Mudajaya remains a BUY, with an unchanged target price of RM7.94 based on a 20% discount to RNAV. Potential share price catalysts include (i) contract awards, and (ii) swifter-than-expected progress of the UMPP, and (iv) positive earnings surprises from quarterly results.
- **Forging an alliance for UMPP**. Mudajaya will submit its bid for the IPP in Chhattisgarh estimated to be worth around US$5bn. The group is close to forming a consortium with a Malaysian IPP player and a new reputable Indian partner. Its equity commitment would be US$260m-400m assuming a 26-40% stake in the consortium. The IPP will be a quick-turnaround project.
- **Acceleration of EP profits**. Mudajaya's outstanding order book stands at RM5.2bn and is good for another two years. Local contracts make up 39% and the balance comes from overseas jobs. Overseas projects are still dominated by the balance of works for the RM3.4bn EP works for the Chhattisgarh power plant in India. This division is set to deliver even better numbers in the coming quarters. The group is still on track to commission the power plant in 2012.
- **Among the cheapest in the sector.** Mudajaya offers superior earnings growth, ROEs of 30-44% and still-attractive CY10-11 P/Es of 7-9x, which are among the lowest in the sector. Investors with a higher risk appetite should consider the call warrants.

Key stock statistics

FYE Dec	**2009**	**2010F**
EPS (sen)	31.4	56.4
P/E (x)	16.3	9.1
Dividend/Share (sen)	4.8	4.8
NTA/Share (RM)	1.01	1.56
Book Value/Share (RM)	1.01	1.56
Issued Capital (m shares)	411.2	411.2
52-weeks Share Price Range (RM)	RM1.12 / RM5.15	
Major Shareholders:		**%**
Dataran Sentral (M) Sdn Bhd		26.9
Mulpha Infrastructure Holdings Sdn bhd		23.5
United Flagship Sdn Bhd		9.9

Per share data

FYE Dec	**2007**	**2008**	**2009**	**2010F**
Book Value (RM)	0.57	0.73	1.01	1.56
Cash Flow (sen)	9.1	12.9	30.2	63.2
Earnings (sen)	7.3	12.1	31.4	56.4
Dividend (sen)	4.3	4.4	4.8	4.8
Payout Ratio (%)	58.2	27.3	16.2	8.5
P/E (x)	69.9	42.3	16.3	9.1
P/Cash Flow (x)	56.6	39.6	16.9	8.1
P/Book Value (x)	9.0	7.0	5.1	3.3
Dividend Yield (%)	0.8	0.9	0.9	0.9
ROE (%)	15.8	25.9	34.4	43.9
Net Gearing (%)	net cash	net cash	net cash	net cash

Source: Company, CIMB estimates, Bloomberg

Figure 1: Share price chart (RM)

Source: Bloomberg

Financial summary

FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (RM m)	422.4	720.0	1,900.7	2,275.6	1,547.5
EBITDA (RM m)	66.5	166.4	341.9	406.8	292.5
EBITDA margins (%)	15.7	23.1	18.0	17.9	18.9
Pretax profit (RM m)	65.5	165.7	353.4	424.3	457.7
Net profit (RM m)	45.1	116.9	232.0	287.2	319.7
EPS (sen)	12.1	31.4	56.4	69.8	77.7
EPS growth (%)	+65%	+160%	+80%	+24%	+11%
P/E (x)	42.3	16.3	9.1	7.3	6.6
Gross DPS (sen)	4.4	4.8	4.8	4.8	4.8
Dividend yield (%)	0.9	0.9	0.9	0.9	0.9
P/NTA (x)	7.1	5.1	3.3	2.3	1.7
ROE (%)	25.9	34.4	43.9	36.7	29.5
Net cash per share (RM)	0.27	0.50	1.06	1.76	2.53
P/CF (x)	32.8	16.8	9.0	7.3	6.5
EV/EBITDA (x)	19.5	9.4	4.9	3.4	3.6
% change in EPS estimates			0.0%	0.0%	0.0%
CIMB/Consensus (x)			1.16	1.14	1.15

Source: Company, CIMB/CIMB-GK Research, Reuters Estimates

Figure 2: RNAV

Property	m sq ft	RM psf	Stake	Value (RM m)
Jalan Bukit Ledang - Damansara Heights	0.07	250.0	100%	16.3
Commercial land in Mutiara Damansara (For HQ)	0.04	320.0	100%	13.9
		RM m	**Stake (%)**	**Value (RM m)**
IPP RKM Powergen, India (1,440 MW, 20 year DCF @29% WACC)		2,786.6	26%	724.5
	P/E (x)	**RM m**	**Stake (%)**	**Value (RM m)**
Construction FY11 net profit	15.0	203.9	100%	3,058.6
Net current assets less property development cost (As at 1QFY10)				266.4
Long term debt				0
Total RNAV				4,079.8
Enlarged no. of shares (m)				411.2
RNAV/share (RM)				9.92
RNAV discount				20%
Target price (RM)				**7.94**

Source: Company, CIMB estimates

Public Bank Bhd

The pearl of Malaysian banks

OUTPERFORM	Maintained
RM11.72	@20/05/10
	Target: RM14.10
	Banks

PBK MK / PUBM.KL **Winson Ng Gia Yann CFA** +60(3) 2084 9686 – winson.ng@cimb.com

- **Maintain OUTPERFORM.** Public Bank remains an OUTPERFORM and our top pick among the big-cap Malaysian banks, premised on its superior ROE, asset quality, loan growth and operating efficiency. Potential share price triggers include (1) even higher ROEs of 28-30% in FY11-12, as targeted by the company, (2) increased contributions from Greater China, and (3) stronger-than-expected growth in non-interest income, partly from the wealth management business.
- **Strong rebound in 2010.** Public Bank is set to rebound strongly from the economic downturn last year with a projected EPS growth of 23% in FY10. This is expected to be driven by a 14.3% rise in operating revenue and a 13.7% drop in loan loss provisioning. Also, we are projecting a stronger loan growth of 16.6% (vs. 14.4% in FY09) and a stable net NPL ratio of 0.8%, the lowest among the local banks.
- **Gunning for a 30% ROE.** The group is aiming for an even higher ROE of 30% in three years' time (vs. 24.5% in FY09 and our forecast of 25.4% for FY12). To achieve this, it will continue to focus on loan growth, projected to be 15% p.a. while keeping the credit charge-off rate low at below 50bp. Another focus will be non-interest income, especially from wealth management and bancassurance.
- **Target price kept at RM14.10.** We maintain our earnings forecasts. Accordingly, our target price is kept at RM14.10, pegged to an unchanged 10% premium over its DDM value. The DDM parameters remain intact, including a cost of equity of 14.3% and dividend growth rates of 15.8% for the interim growth phase and 6% for the long-term growth phase.

Financial summary

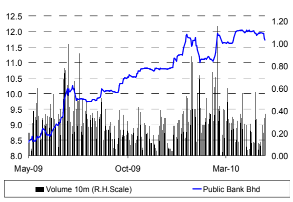
FYE Dec	2008	2009	2010F	2011F	2012F
Net interest income (RM m)	3,727.3	4,036.4	4,745.8	5,499.7	6,283.6
Non-interest income (RM m)	1,609.7	1,874.7	2,036.6	2,254.4	2,454.0
Total income (RM m)	5,739.2	6,124.9	6,998.6	7,992.8	8,999.7
Loan loss provisions (RM m)	(548.6)	(691.0)	(596.6)	(675.1)	(711.8)
Pretax profit (RM m)	3,379.1	3,321.4	4,159.3	4,894.1	5,756.2
Net profit (RM m)	2,581.2	2,517.3	3,027.3	3,525.5	4,150.3
EPS (sen)	70.1	69.3	85.1	99.8	117.5
EPS growth (%)	20%	(1%)	23%	17%	18%
P/E (x)	16.7	16.9	13.8	11.7	10.0
Gross DPS (sen)	87.0	77.2	62.4	73.2	86.2
Dividend yield (%)	7.4%	6.6%	5.3%	6.2%	7.4%
P/BV (x)	4.5	3.8	3.2	2.7	2.4
ROE (%)	27.3%	24.5%	25.2%	25.1%	25.4%
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.03	1.07	1.09

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM41,394m/US$12,647m
12-m price range:	RM12.04 RM8.43
3-m avg daily vol:	3.0m
No. of shrs (m):	3,532
Est. free float (%):	75.0
Conv. secs (m):	None
Major shareholders (%):	
- Tan Sri Dr. Teh Hong Piow	24.1
- EPF	13.6
- Valuecap	3.0

Price chart



Source: Bloomberg

Corporate profile

Public Bank is Malaysia's third largest banking group with assets totalling RM219bn as at end-Mar 10. As an anchor bank, it acquired Hock Hua Bank, Advance Finance and Sime Merchant Bank in 2000-01. The bank also took Public Finance private in 2003 and merged it with its banking business in Sep 04. The group's major operations include commercial banking, Islamic banking, investment banking, and management of unit trust funds. As part of its overseas expansion, Public acquired HK-based Asia Commercial Bank in 2006 for HK$4.5bn. It also forged a strategic alliance with ING Asia in 2007 to distribute the latter's bancassurance products.

Financial tables

PROFIT & LOSS

(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Net interest income	3,727	4,036	4,746	5,500	6,284
Non-interest income	1,610	1,875	2,037	2,254	2,454
Other income	402	214	216	239	262
Total income	5,739	6,125	6,999	7,993	9,000
Overhead expenses	(1,791)	(2,110)	(2,247)	(2,393)	(2,535)
Pre-provision profit	3,948	4,015	4,752	5,599	6,465
Loan loss provisions	(549)	(691)	(597)	(675)	(712)
Associates' contribution	12	12	10	11	11
Exceptional items	0	0	0	0	0
Others	(33)	(15)	(6)	(41)	(8)
Pretax profit	**3,379**	**3,321**	**4,159**	**4,894**	**5,756**
Tax	(757)	(770)	(1,008)	(1,235)	(1,450)
Minority interests	(41)	(34)	(124)	(134)	(156)
Net profit	**2,581**	**2,517**	**3,027**	**3,525**	**4,150**
Adj. wt. shares (m)	3,680	3,635	3,558	3,532	3,532
Unadj. year-end shares (m)	3,532	3,532	3,532	3,532	3,532

KEY RATIOS

(FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Total income growth (%)	12.3	6.7	14.3	14.2	12.6
Pre-provision profit growth (%)	15.5	1.7	18.4	17.8	15.5
Pretax growth (%)	12.5	(1.7)	25.2	17.7	17.6
Net interest margin (%)	2.24	2.21	2.32	2.38	2.41
Cost-income ratio (%)	31.2	34.4	32.1	29.9	28.2
Effective tax rates (%)	22.4	23.2	24.2	25.2	25.2
Net dividend payout (%)	91.8	83.6	55.0	55.0	55.0

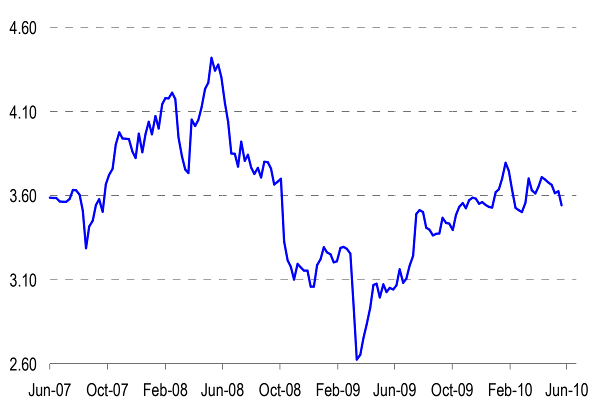
BALANCE SHEET

(RM m, end Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Cash & deposits with FIs	43,680	47,863	50,194	53,314	58,071
Marketable securities	11,940	8,268	10,204	9,501	10,507
Total current assets	**55,620**	**56,131**	**60,397**	**62,814**	**68,578**
Net loans & advances	118,386	135,336	157,670	181,965	207,562
Long-term investments	13,913	18,786	16,578	18,070	18,375
Fixed assets	1,303	1,341	1,394	1,439	1,483
Intangible assets	2,072	2,058	2,058	2,058	2,058
Other long-term assets	4,868	3,485	3,456	3,623	3,767
Total long-term assets	**140,543**	**161,005**	**181,156**	**207,156**	**233,245**
Total assets	**196,163**	**217,136**	**241,554**	**269,970**	**301,823**
Customer deposits	151,185	170,892	190,959	214,522	241,017
Deposits of other FIs	21,221	22,636	24,735	27,035	29,556
Subordinated debts	7,163	8,032	8,032	8,032	8,032
Other long-term liabilities	6,365	3,861	4,125	4,561	5,025
Total liabilities	**185,934**	**205,421**	**227,851**	**254,150**	**283,631**
Shareholders' funds	**9,537**	**11,023**	**13,011**	**15,127**	**17,501**
Minority interests	692	692	692	692	692
BV/share (RM)	2.59	3.08	3.68	4.28	4.95

KEY DRIVERS

(FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Loan growth (%)	19.1	14.4	16.6	15.5	14.1
Deposit growth (%)	9.0	13.0	11.7	12.3	12.4
Loan-deposit ratio (%)	78.3	79.2	82.6	84.8	86.1
Gross NPL (%)	1.0	1.0	1.0	1.0	1.0
Net NPL (%)	0.9	0.8	0.8	0.7	0.7
Loan loss reserve (%)	159.7	172.4	175.5	181.8	185.0
GP ratio (%)	1.5	1.5	1.5	1.5	1.5
RWCR (%)	13.7	14.7	15.5	15.4	15.5

CURRENT P/BV (X)



12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

SapuraCrest Petroleum

Drumming up overseas business

Syariah-compliant stock

OUTPERFORM	Maintained
RM2.01	@20/05/10
	Target: RM3.02
	Oil & Gas - Equipment & Svs

SCRES MK / SCRS.KL

Norziana Mohd Inon +60(3) 2084 9645 – norziana.inon@cimb.com

- **Maintain OUTPERFORM.** After a blistering performance last year, FY1/11 is set to be another record year for SapuraCrest as its RM8bn transport and installation contract gets underway. We reiterate our view that SapuraCrest is an attractive oil & gas story given its 3-year EPS CAGR of 18.8%. We maintain our forecasts and target price of RM3.02, pegged to an unchanged target market P/E of 15x. SapuraCrest remains an OUTPERFORM and our top oil & gas pick. The potential re-rating catalysts are 1) active order book replenishment, 2) success in new markets, and 3) a growing fleet of strategic assets.
- **Riding high on international demand.** SapuraCrest's objective is to be more competitive in the international arena and reduce its dependence on local projects. 30% of its FY10 revenue of RM3.2bn came from overseas operations compared with 18% in FY07. The company's overseas revenue target is 40-50% by FY13. The next phase of growth is expected to come from 1) Southeast Asia, Japan and Russia, 2) India, and 3) Australia. The exploration & production spending in Asia and Australasia is set for a boost of 10% this year and an average of 11% p.a. in 2011-13.
- **Poised for another record year.** FY11 is set to be another record year for SapuraCrest after a blazing 48% jump in EPS last year. The company has started work on the RM8bn transport and installation contract. Its current order book of RM15bn is the highest in the sector and will sustain the company for five years. It is eyeing RM6bn worth of new contracts. The company remains the undisputed leader in the drilling and installation of pipelines and facilities (IPF) businesses, garnering the lion's share of each business.

Financial summary

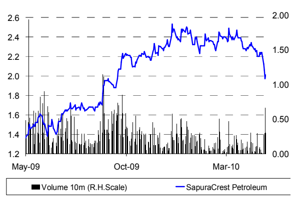
FYE Jan	2009	2010	2011F	2012F	2013F
Revenue (RM m)	3,483.8	3,257.3	4,245.3	4,661.2	5,117.7
EBITDA (RM m)	463.4	339.0	589.6	649.2	678.6
EBITDA margins (%)	13.3%	10.4%	13.9%	13.9%	13.3%
Pretax profit (RM m)	280.0	364.4	455.4	531.1	596.7
Net profit (RM m)	114.7	170.2	210.5	256.2	285.9
EPS (sen)	9.0	13.4	16.5	20.1	22.5
EPS growth (%)	37.1%	47.9%	23.7%	21.7%	11.5%
P/E (x)	22.2	15.0	12.1	10.0	9.0
Gross DPS (sen)	5.0	7.0	8.0	9.0	10.0
Dividend yield (%)	2.5%	3.5%	4.0%	4.5%	5.0%
P/BV (x)	2.7	3.0	2.8	2.7	2.6
ROE (%)	13.2%	18.8%	23.9%	27.7%	29.9%
Net gearing (%)	25.1%	19.4%	13.1%	7.2%	1.7%
P/FCFE (x)	9.4	25.3	22.9	20.8	18.4
EV/EBITDA (x)	7.1	9.9	5.7	5.2	5.0
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			0.99	1.10	0.98

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM2,566m/US$784m
12-m price range:	RM2.53
	RM1.36
3-m avg daily vol:	1.3m
No. of shrs (m):	1,277
Est. free float (%):	26.9
Conv. secs (m):	None
Major shareholders (%):	
- Sapura Technology	40.4
- Seadrill	23.6
- EPF	9.1

Price chart



Source: Bloomberg

Corporate profile

SapuraCrest came into being in Jan 03 when Sapura Telecommunications bought a 38.56% stake in Crest Petroleum from Renong for RM105.2m. It was transferred to the main board in Feb 06. Today, SapuraCrest is the leader in drilling and installation of pipelines and facilities, which are the company's two biggest income generators with more than 80% contribution. Other businesses are marine services and operations & maintenance. SapuraCrest owns a fleet of assets, which include drilling rigs, barges and support vessels. The rigs are jointly owned with Seadrill, which is also a substantial shareholder.

Financial tables

PROFIT & LOSS					
(RM m, FYE Jan)	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Revenue	3,484	3,257	4,245	4,661	5,118
Operating expenses	(3,020)	(2,918)	(3,656)	(4,012)	(4,439)
EBITDA	463	339	590	649	679
Depreciation & amortisation	(81)	0	(90)	(94)	(99)
EBIT	382	339	500	555	580
Net interest & invt income	(58)	(22)	(75)	(56)	(15)
Associates' contribution	(44)	47	30	32	32
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**280**	**364**	**455**	**531**	**597**
Tax	(31)	(31)	(83)	(96)	(114)
Minority interests	(134)	(163)	(162)	(179)	(196)
Net profit	**115**	**170**	**210**	**256**	**286**
Adj. wt. shares (m)	1,269	1,272	1,272	1,272	1,273
Unadj. year-end shares (m)	1,269	1,272	1,272	1,273	1,273

KEY RATIOS					
(FYE Jan)	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Revenue growth (%)	54.0	(6.5)	30.3	9.8	9.8
EBITDA growth (%)	35.5	(26.8)	73.9	10.1	4.5
Pretax margins (%)	8.0	11.2	10.7	11.4	11.7
Net profit margins (%)	3.3	5.2	5.0	5.5	5.6
Interest cover (x)	5.8	7.5	6.1	8.7	25.2
Effective tax rates (%)	11.1	8.6	18.1	18.1	19.2
Net dividend payout (%)	40.4	38.7	36.3	33.5	33.4
Debtors turnover (days)	165.0	198.2	153.6	141.3	130.0
Stock turnover (days)	5.6	5.6	4.3	3.9	3.6
Creditors turnover (days)	110.2	143.0	110.8	102.0	93.8

BALANCE SHEET					
(RM m, end Jan)	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Fixed assets	904	949	1,014	1,046	1,097
Intangible assets	150	140	122	140	141
Other long-term assets	118	108	109	110	111
Total non-current assets	**1,171**	**1,196**	**1,245**	**1,296**	**1,349**
Cash and equivalents	594	653	719	791	871
Stocks	50	50	50	50	50
Trade debtors	1,760	1,778	1,796	1,814	1,832
Other current assets	0	0	0	0	0
Total current assets	**2,404**	**2,481**	**2,564**	**2,654**	**2,753**
Trade creditors	1,270	1,283	1,296	1,309	1,322
Short-term borrowings	478	479	480	481	482
Other current liabilities	17	69	83	96	115
Total current liabilities	**1,765**	**1,830**	**1,858**	**1,886**	**1,919**
Long-term borrowings	454	445	436	428	419
Other long-term liabilities	9	8	8	8	10
Total long-term liabilities	**463**	**453**	**444**	**436**	**429**
Shareholders' funds	**946**	**860**	**903**	**945**	**967**
Minority interests	401	534	604	684	788
NTA/share (RM)	0.63	0.57	0.61	0.63	0.65

KEY DRIVERS				
(FYE Jan)	**2010**	**2011F**	**2012F**	**2013F**
Overseas rev contribution (%)	30.0%	40.0%	50.0%	50.0%
Downstream contribution to rev (%)	1.0%	1.0%	1.0%	1.0%
Upstream contribution to rev (%)	99.0%	99.0%	99.0%	99.0%
Order book (RM m)	15,000	13,500	12,000	10,500
Overall Gross Margin (%)	10.4%	13.9%	13.9%	13.3%
Charter rate (US$ per horse power)	2.00	2.00	2.00	2.00
Number of vessels	3	4	4	4
Vessel utilisation rate (%)	90.0%	90.0%	90.0%	90.0%
O&G contribution to order book (%)	100.0%	100.0%	100.0%	100.0%

CASH FLOW					
(RM m, FYE Jan)	**2009**	**2010**	**2011F**	**2012F**	**2013F**
Pretax profit	280	364	455	531	597
Depreciation & non–cash adj.	81	0	90	94	99
Working capital changes	72	(5)	(5)	(5)	(5)
Cash tax paid	(31)	(69)	(83)	(96)	(114)
Others	164	(74)	(176)	(177)	(177)
Cash flow from operations	**566**	**217**	**281**	**347**	**399**
Capex	(200)	(100)	(80)	(80)	(79)
Net investments & sale of FA	(5)	(5)	(5)	(5)	(4)
Others	62	0	0	0	0
Cash flow from investing	**(143)**	**(105)**	**(85)**	**(85)**	**(83)**
Debt raised/(repaid)	(125)	(8)	(8)	(8)	(8)
Equity raised/(repaid)	15	15	15	15	16
Dividends paid	(47)	(56)	(61)	(66)	(75)
Cash interest & others	(26)	(3)	(77)	(131)	(169)
Cash flow from financing	**(183)**	**(53)**	**(131)**	**(190)**	**(236)**
Change in cash	**240**	**59**	**65**	**72**	**80**
Change in net cash/(debt)	**365**	**68**	**73**	**80**	**88**
Ending net cash/(debt)	**(338)**	**(270)**	**(197)**	**(117)**	**(30)**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

CIMB Research Report

2H10 OUTLOOK

Syariah-compliant stock

MALAYSIA

Tan Chong Motor Holdings Bhd

A transformational story

OUTPERFORM	Maintained
RM4.05	@20/05/10
	Target: RM7.00
	Autos

TCM MK / TNCS.KL **Loke Wei Wern** +60 (3) 2084 9946 – weiwern.loke@cimb.com

- **Top pick in the sector.** Tan Chong's current valuations provide a good entry point to ride on the following major themes for the next three years 1) strong earnings growth trajectory, 2) model mix expansion, and 3) regional ambitions and Indochina strategy. Its forward P/E of 8x is on par with its historical average of 8x but still below its upcycle P/E of 11x. We believe that this is not justified given our projected 3-year EPS CAGR of 47%. Tan Chong is firmly an OUTPERFORM with an SOP-based target price of RM7.00. Factors that could catalyse the share price include its 1) stronger earnings growth trajectory, 2) new model pipeline, and 3) strategic positioning which will help it gain market share and tap into regional demand.
- **The stars are aligned.** Against the backdrop of an upturn in consumer sentiment, the continued strength of Tan Chong's existing models and the rollout of new models will continue to propel Tan Chong's topline. Meanwhile, the stronger ringgit and increasing economies of scale should provide a platform for better margins this year as close to 60-70% of its imported components are denominated in the weakening US$.
- **Not just a Malaysian name.** Regional expansion also holds possibilities. Tan Chong obtained an investment licence in Vietnam recently and has also clinched the exclusive distributorship for Nissan vehicles in Cambodia and Laos. Although earnings contribution will be minimal in the early stages of its penetration into the Indochina markets, these moves will increase Tan Chong's visibility in the region. More importantly, it strengthens Tan Chong's position as a representative for Nissan, not just within Malaysia, but in the region as well, allowing it to work towards becoming a regional supply chain manager for its principal.

Financial summary

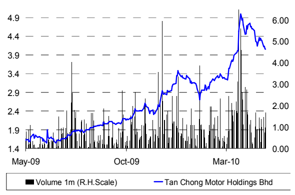
FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (RM m)	3,195.8	2,856.9	3,319.9	4,223.8	5,476.9
EBITDA (RM m)	366.2	226.5	374.9	475.3	660.8
EBITDA margins (%)	11.5%	7.9%	11.3%	11.3%	12.1%
Pretax profit (RM m)	307.2	176.8	326.8	428.3	608.5
Net profit (RM m)	245.8	152.3	260.5	341.7	485.8
EPS (sen)	36.6	22.7	38.8	50.8	72.3
EPS growth (%)	153.8%	(38.0%)	71.0%	31.2%	42.2%
P/E (x)	11.1	17.9	10.4	8.0	5.6
Gross DPS (sen)	10.0	11.0	12.0	13.0	14.0
Dividend yield (%)	2.5%	2.7%	3.0%	3.2%	3.5%
P/BV (x)	1.9	1.8	1.6	1.4	1.1
ROE (%)	18.5%	10.4%	16.2%	18.5%	22.1%
Net gearing (%)	17.8%	5.8%	3.9%	8.7%	8.5%
P/FCFE (x)	51.1	29.0	43.7	(148.2)	40.4
EV/EBITDA (x)	8.1	12.3	7.4	6.1	4.4
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.05	1.12	1.28

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM2,722m/US$832m
12-m price range:	RM4.99 RM1.55
3-m avg daily vol:	1.4m
No. of shrs (m):	672
Est. free float (%):	37.0
Conv. secs (m):	None
Major shareholders (%):	
- Tan Chong Consolidated	45.6
- Nissan Motor Co. Ltd.	5.6
- Employee Provident Fund	5.5

Price chart



Source: Bloomberg

Corporate profile

Tan Chong Motor is the exclusive assembler and distributor of the Nissan and Renault marques in Malaysia. It is 5.7% owned by Nissan Motor Japan. Through Nissan and Renault, Tan Chong has close to 6% share of total vehicle sales in Malaysia currently, compared with a mere 3.8% in 2007. The Nissan Grand Livina, which is the company's biggest volume driver, played an instrumental role in spurring Tan Chong's market share growth. Besides the Malaysian market, Tan Chong has penetrated into the auto market in Vietnam, and more recently Cambodia and Laos. It is now the exclusive distributor of Nissan cars in Cambodia and Laos.

Financial tables

PROFIT & LOSS

(RM m, FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue	3,196	2,857	3,320	4,224	5,477
Operating expenses	(2,830)	(2,630)	(2,945)	(3,748)	(4,816)
EBITDA	366	226	375	475	661
Depreciation & amortisation	(48)	(44)	(41)	(44)	(48)
EBIT	318	182	334	431	613
Net interest & invt income	(10)	(6)	(7)	(3)	(5)
Associates' contribution	0	0	0	0	0
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**307**	**177**	**327**	**428**	**609**
Tax	(61)	(24)	(65)	(86)	(122)
Minority interests	0	(1)	(1)	(1)	(1)
Net profit	**246**	**152**	**261**	**342**	**486**
Adj. wt. shares (m)	672	672	672	672	672
Unadj. year-end shares (m)	672	672	672	672	672

KEY RATIOS

(FYE Dec)	2008	2009	2010F	2011F	2012F
Revenue growth (%)	71.5	(10.6)	16.2	27.2	29.7
EBITDA growth (%)	108.7	(38.2)	65.6	26.8	39.0
Pretax margins (%)	9.6	6.2	9.8	10.1	11.1
Net profit margins (%)	7.7	5.3	7.8	8.1	8.9
Interest cover (x)	14.8	9.0	15.4	19.6	27.0
Effective tax rates (%)	20.0	13.3	20.0	20.0	20.0
Net dividend payout (%)	20.2	36.4	23.2	19.2	14.5
Debtors turnover (days)	34.2	36.9	35.2	34.2	34.3
Stock turnover (days)	82.1	97.1	87.3	94.3	96.5
Creditors turnover (days)	25.0	30.6	31.0	29.8	29.5

BALANCE SHEET

(RM m, end Dec)	2008	2009	2010F	2011F	2012F
Fixed assets	604	494	533	569	622
Intangible assets	0	0	0	0	0
Other long-term assets	214	444	326	332	334
Total non-current assets	**817**	**938**	**858**	**901**	**956**
Cash and equivalents	316	560	581	496	486
Stocks	854	665	922	1,260	1,635
Trade debtors	284	294	346	445	584
Other current assets	0	0	0	0	0
Total current assets	**1,454**	**1,520**	**1,849**	**2,200**	**2,705**
Trade creditors	219	261	303	386	500
Short-term borrowings	379	388	388	408	429
Other current liabilities	7	1	7	20	26
Total current liabilities	**604**	**649**	**698**	**813**	**955**
Long-term borrowings	191	261	261	261	261
Other long-term liabilities	52	31	31	31	31
Total long-term liabilities	**242**	**292**	**292**	**292**	**292**
Shareholders' funds	**1,421**	**1,513**	**1,713**	**1,989**	**2,404**
Minority interests	0	0	1	2	3
NTA/share (RM)	2.12	2.25	2.55	2.96	3.58

KEY DRIVERS

(FYE Dec)	2009	2010F	2011F	2012F
Unit sales	31,731	33,044	40,960	57,362
Unit sales growth (%)	2.6%	4.1%	24.0%	40.0%

CASH FLOW

(RM m, FYE Dec)	2008	2009	2010F	2011F	2012F
Pretax profit	307	177	327	428	609
Depreciation & non–cash adj.	48	44	41	44	48
Working capital changes	(241)	221	(267)	(354)	(401)
Cash tax paid	(23)	(61)	(24)	(65)	(86)
Others	(49)	(126)	71	(9)	(19)
Cash flow from operations	**42**	**254**	**149**	**44**	**151**
Capex	(50)	(228)	(80)	(80)	(100)
Net investments & sale of FA	0	0	0	0	0
Others	(44)	(6)	0	0	0
Cash flow from investing	**(94)**	**(234)**	**(80)**	**(80)**	**(100)**
Debt raised/(repaid)	115	79	0	20	21
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(58)	(59)	(64)	(69)	(74)
Cash interest & others	1	(2)	15	(1)	(9)
Cash flow from financing	**58**	**18**	**(49)**	**(49)**	**(62)**
Change in cash	**6**	**38**	**21**	**(85)**	**(11)**
Change in net cash/(debt)	**(109)**	**(40)**	**21**	**(106)**	**(32)**
Ending net cash/(debt)	**(253)**	**(88)**	**(67)**	**(173)**	**(205)**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

CIMB Research Report

2H10 OUTLOOK

Syariah-compliant stock

MALAYSIA

Top Glove Corporation

In the best of shapes

OUTPERFORM	Maintained
RM12.38	@20/05/10
	Target: RM17.90
	Rubber Gloves

TOPG MK / TPGC.KL   **Terence Wong CFA** +60(3) 20849689 – terence.wong@cimb.com

- **Maintain OUTPERFORM.** Although competition has been rising, Top Glove is holding tight to its position as the largest rubber glove manufacturer in the world with an annual capacity of 33.0bn pieces. The company is still expanding its capacity by at least 1.5bn-3.0bn pieces a year to meet the growing global demand. We like the company for its position as the market leader and its focus as a volume player. Top Glove also boasts strong finances with RM269.8m (RM0.88 per share) net cash as at end-Feb 10. In light of the favourable prospects for both the industry and the company, we maintain our OUTPERFORM call. Our end-CY10 target price remains at RM17.90 as we continue to value it at a 10% premium over our target market P/E of 15x. The stock could enjoy further re-rating on the back of a continuing uptick in demand and ongoing capacity expansion.
- **Industry demand remains healthy.** For the past decade, global rubber glove demand has racked up consistent growth of about 8-10% p.a. Top Glove, the world's largest player, believes that this trend will continue. Growth could also come from large untapped markets like China and India, tightening of global healthcare regulations, rising hygiene awareness and new demand from non-medical sectors in developed countries, for instance, the food industry.
- **More capacity to come in.** In view of the potential uptick in global demand, Top Glove remains focused on expansion. Its current expansion includes the progressive addition of 88 lines by May 11. This could raise its capacity by 25% from the current 33.0bn pieces p.a. to 41.3bn pieces p.a.

Financial summary

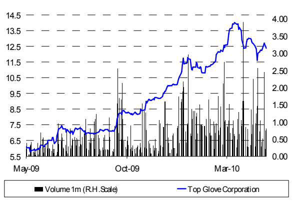
FYE Aug	2008	2009	2010F	2011F	2012F
Revenue (RM m)	1,377.9	1,529.1	2,043.1	2,490.5	2,684.3
EBITDA (RM m)	194.5	286.2	429.7	487.4	523.5
EBITDA margins (%)	14.1%	18.7%	21.0%	19.6%	19.5%
Pretax profit (RM m)	134.6	222.0	367.2	421.9	455.4
Net profit (RM m)	110.1	169.1	283.3	325.1	350.8
EPS (sen)	37.2	56.2	92.2	105.8	114.1
EPS growth (%)	21.2%	50.7%	64.1%	14.7%	7.9%
P/E (x)	33.2	22.0	13.4	11.7	10.9
Gross DPS (sen)	11.0	21.3	37.0	43.0	47.0
Dividend yield (%)	0.9%	1.7%	3.0%	3.5%	3.8%
P/BV (x)	5.5	4.4	3.6	3.1	3.0
ROE (%)	17.1%	22.7%	29.9%	28.4%	28.0%
Net gearing (%)	9.5%	N/A	N/A	N/A	N/A
Net cash per share (RM)	N/A	0.56	1.15	1.46	1.75
P/FCFE (x)	142.8	67.5	12.5	15.9	14.3
EV/EBITDA (x)	19.3	12.5	8.1	6.9	6.3
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.06	1.11	1.15

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM3,815m/US$1,166m
12-m price range:	RM14.00
	RM5.80
3-m avg daily vol:	1.0m
No. of shrs (m):	308
Est. free float (%):	55.3
Conv. secs (m):	None
Major shareholders (%):	
- Tan Sri Dr. Lim Wee Chai	29.0
- Top Glove Holdings	5.2
- Matthews International	5.2

Price chart



Source: Bloomberg

Corporate profile

Top Glove is the world's largest rubber glove manufacturer with an estimated global market share of 23% based on its existing annual capacity of 33.0bn pieces. Established in 1991, the group was listed on Bursa Malaysia in 2001. Currently, it has 371 production lines in 17 glove manufacturing factories located in Malaysia, Thailand and China. It also has two latex concentrate plants in Thailand with a combined capacity of 88,100 tonnes p.a. The company produces a diversified range of high-quality and value added gloves for the medical, food & services, high technology and industrial markets.

Financial tables

PROFIT & LOSS

(RM m, FYE Aug)	2008	2009	2010F	2011F	2012F
Revenue	1,378	1,529	2,043	2,490	2,684
Operating expenses	(1,183)	(1,243)	(1,613)	(2,003)	(2,161)
EBITDA	194	286	430	487	523
Depreciation & amortisation	(53)	(57)	(66)	(71)	(74)
EBIT	141	229	363	417	449
Net interest & invt income	(8)	(6)	3	4	4
Associates' contribution	1	(1)	1	1	2
Exceptional items	0	0	0	0	0
Others	0	0	0	0	0
Pretax profit	**135**	**222**	**367**	**422**	**455**
Tax	(27)	(54)	(88)	(101)	(109)
Minority interests	2	1	4	4	5
Net profit	**110**	**169**	**283**	**325**	**351**
Adj. wt. shares (m)	295	301	307	307	307
Unadj. year-end shares (m)	296	295	307	307	307

KEY RATIOS

(FYE Aug)	2008	2009	2010F	2011F	2012F
Revenue growth (%)	12.1	11.0	33.6	21.9	7.8
EBITDA growth (%)	12.3	47.2	50.1	13.4	7.4
Pretax margins (%)	9.8	14.5	18.0	16.9	17.0
Net profit margins (%)	8.0	11.1	13.9	13.1	13.1
Interest cover (x)	13.9	26.9	235.9	386.5	379.0
Effective tax rates (%)	19.7	24.3	24.0	24.0	24.0
Net dividend payout (%)	21.9	28.4	30.1	30.5	30.9
Debtors turnover (days)	50.7	49.2	39.6	40.8	43.1
Stock turnover (days)	37.0	33.0	25.2	25.7	25.5
Creditors turnover (days)	28.8	24.5	21.0	23.3	26.5

BALANCE SHEET

(RM m, end Aug)	2008	2009	2010F	2011F	2012F
Fixed assets	559	564	607	641	670
Intangible assets	20	20	22	22	22
Other long-term assets	22	36	20	19	19
Total non-current assets	**602**	**621**	**649**	**682**	**711**
Cash and equivalents	122	186	363	460	550
Stocks	158	119	163	187	188
Trade debtors	214	198	245	311	322
Other current assets	14	8	20	25	27
Total current assets	**508**	**511**	**792**	**983**	**1,087**
Trade creditors	113	92	143	174	215
Short-term borrowings	100	12	6	6	7
Other current liabilities	93	140	160	195	210
Total current liabilities	**306**	**244**	**309**	**375**	**432**
Long-term borrowings	87	9	4	5	5
Other long-term liabilities	30	33	37	39	41
Total long-term liabilities	**117**	**42**	**41**	**44**	**46**
Shareholders' funds	**667**	**825**	**1,069**	**1,220**	**1,289**
Minority interests	20	21	23	27	31
NTA/share (RM)	2.19	2.73	3.40	3.89	4.12

KEY DRIVERS

(FYE Aug)	2009	2010F	2011F	2012F
Production capacity (m pcs p.a)	31,500	35,250	41,250	42,750
Capacity utilisation (%)	75.0%	70.0%	70.0%	70.0%
ASP (US$) per 1,000 pieces	21.38	24.00	25.00	26.00
Natural rubber price (RM /kilogram)	4.33	5.80	5.90	6.00

CASH FLOW

(RM m, FYE Aug)	2008	2009	2010F	2011F	2012F
Pretax profit	135	222	367	422	455
Depreciation & non–cash adj.	53	57	66	71	74
Working capital changes	(73)	34	(41)	(58)	28
Cash tax paid	(21)	(39)	(54)	(88)	(101)
Others	(1)	22	87	4	(80)
Cash flow from operations	**93**	**296**	**427**	**350**	**377**
Capex	(65)	(67)	(100)	(100)	(100)
Net investments & sale of FA	1	3	0	0	0
Others	2	(10)	(12)	(12)	(12)
Cash flow from investing	**(62)**	**(74)**	**(112)**	**(112)**	**(112)**
Debt raised/(repaid)	(5)	(166)	(10)	1	1
Equity raised/(repaid)	(37)	11	0	0	0
Dividends paid	(27)	(32)	(115)	(164)	(187)
Cash interest & others	(4)	33	(12)	22	12
Cash flow from financing	**(74)**	**(155)**	**(137)**	**(141)**	**(174)**
Change in cash	**(43)**	**67**	**177**	**97**	**91**
Change in net cash/(debt)	**(38)**	**234**	**187**	**96**	**90**
Ending net cash/(debt)	**(65)**	**165**	**353**	**448**	**538**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

CIMB

CIMB Research Report

2H10 OUTLOOK

Syariah-compliant stock

MALAYSIA

WCT Bhd

Shovel ready

OUTPERFORM	Maintained
RM2.60	@20/05/10
	Target: RM3.60
	Construction

WCT MK / WCTE.KL

Sharizan Rosely +60 (3) 2084 9864 – sharizan.rosely@cimb.com

- **Maintain OUTPERFORM.** WCT continues to stand out as one of the main beneficiaries of pump-priming as it has a high chance of winning open tender jobs on merit since it is an efficient and low-cost contractor. For 2H10, the group is likely to repeat its success in 2009 when it saw the most positive newsflow among the contractors in our coverage. We continue to rate it an OUTPERFORM with an unchanged target price of RM3.60 based on a 20% discount to its RNAV. The main potential re-rating catalyst is contract wins. WCT remains one of our top picks for the sector.
- **Good orderbook replenishment prospects.** WCT is optimistic that it will achieve its target of RM2bn new contracts by end-2010. On the local side, the group is gunning for a large water infrastructure project in Sabah, estimated to be worth as much as RM1bn. It is also one of the main contenders for the RM7bn LRT extension/upgrade. The group is upbeat about its chances of securing more projects in the Middle East. Its outstanding order book stands at RM2.6bn of which RM1.9bn are external jobs.
- **Buying opportunity.** WCT's recent selldown which was triggered by concerns over Bakun cost overruns was overdone. The stock is down 15% from the RM3.06 high hit in Apr 10. This present a good buying opportunity.

Financial summary

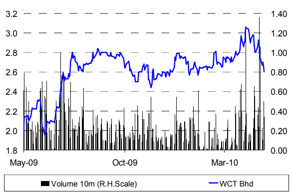
FYE Dec	2008	2009	2010F	2011F	2012F
Revenue (RM m)	3,711.5	4,666.6	3,166.7	3,597.4	3,619.1
EBITDA (RM m)	292.9	362.8	444.3	476.7	494.8
EBITDA margins (%)	7.9%	7.8%	14.0%	13.3%	13.7%
Pretax profit (RM m)	158.4	211.1	304.6	326.1	332.7
Net profit (RM m)	101.3	147.1	161.4	181.5	188.3
EPS (sen)	12.9	18.8	20.6	23.2	24.0
EPS growth (%)	(39.7%)	45.2%	9.8%	12.4%	3.8%
P/E (x)	20.1	13.9	12.6	11.2	10.8
Core EPS (sen)	21.9	18.8	20.6	23.2	24.0
Core EPS growth (%)	1.9%	(14.2%)	9.8%	12.4%	3.8%
Core P/E (x)	11.9	13.9	12.6	11.2	10.8
FD core EPS (sen)	20.8	17.9	19.5	22.7	23.9
FD core P/E (x)	12.5	14.6	13.3	11.5	10.9
Gross DPS (sen)	8.8	10.0	10.0	10.0	10.0
Dividend yield (%)	3.4%	3.8%	3.8%	3.8%	3.8%
P/BV (x)	2.2	2.0	1.8	1.6	1.4
ROE (%)	12.0%	15.3%	14.9%	14.9%	13.7%
Net gearing (%)	43.1%	34.0%	27.5%	20.9%	17.0%
P/FCFE (x)	(22.5)	17.9	24.0	19.6	28.0
EV/EBITDA (x)	8.8	7.0	5.7	5.3	5.1
% change in EPS estimates			-	-	-
CIMB/Consensus (x)			1.05	1.03	1.04

Source: Company, CIMB Research, Bloomberg

Stock Information

Market cap:	RM2,032m/US$621m
12-m price range:	RM3.06 RM1.92
3-m avg daily vol:	2.6m
No. of shrs (m):	782
Est. free float (%):	52.3
Conv. secs (m):	200
Major shareholders (%):	
- EPF	25.7
- WCT Capital	22.0

Price chart



Source: Bloomberg

Corporate profile

WCT made its debut on the now-defunct Second Board on 16 Feb 95 and was elevated to the Main Board on 7 Jan 99. Today, it is a well-diversified group with involvement in civil engineering, building & infrastructure construction, property development, property investment and toll highway concession. It is one of the highly regarded contractors in the Gulf region. Over the past 28 years, the group has completed over 300 projects worth RM9.5bn. The construction business is the biggest earnings contributor, accounting more than 60% of earnings, followed by property at 30%.

Financial tables

PROFIT & LOSS					
(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue	3,712	4,667	3,167	3,597	3,619
Operating expenses	(3,419)	(4,304)	(2,722)	(3,121)	(3,124)
EBITDA	293	363	444	477	495
Depreciation & amortisation	(110)	(128)	(141)	(157)	(173)
EBIT	183	234	304	320	322
Net interest & invt income	25	(41)	(35)	(34)	(33)
Associates' contribution	21	17	36	40	44
Exceptional items	0	0	0	0	0
Others	(70)	0	0	0	0
Pretax profit	**158**	**211**	**305**	**326**	**333**
Tax	(13)	5	(76)	(82)	(83)
Minority interests	(44)	(69)	(67)	(63)	(61)
Net profit	**101**	**147**	**161**	**181**	**188**
Adj. wt. shares (m)	784	784	784	784	784
Unadj. year-end shares (m)	784	784	784	784	784

KEY RATIOS					
(FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Revenue growth (%)	33.4	25.7	(32.1)	13.6	0.6
EBITDA growth (%)	(6.3)	23.8	22.5	7.3	3.8
Pretax margins (%)	4.3	4.5	9.6	9.1	9.2
Net profit margins (%)	2.7	3.2	5.1	5.0	5.2
Interest cover (x)	4.2	4.7	4.6	4.8	4.7
Effective tax rates (%)	8.3	N/A	25.0	25.0	25.0
Net dividend payout (%)	48.9	38.3	34.9	31.0	29.9
Debtors turnover (days)	109.1	103.5	162.4	153.4	162.7
Stock turnover (days)	0.1	0.1	0.1	0.1	0.1
Creditors turnover (days)	74.8	71.0	111.3	105.2	111.5

BALANCE SHEET					
(RM m, end Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Fixed assets	305	258	198	125	38
Intangible assets	0	0	0	0	0
Other long-term assets	1,165	1,271	1,479	1,697	1,936
Total non-current assets	**1,470**	**1,529**	**1,677**	**1,822**	**1,974**
Cash and equivalents	865	936	984	1,058	1,112
Stocks	1	1	1	1	1
Trade debtors	1,245	1,402	1,415	1,608	1,618
Other current assets	646	716	757	842	890
Total current assets	**2,757**	**3,054**	**3,157**	**3,509**	**3,621**
Trade creditors	854	961	971	1,103	1,109
Short-term borrowings	522	496	471	448	426
Other current liabilities	865	954	981	1,109	1,117
Total current liabilities	**2,240**	**2,411**	**2,423**	**2,660**	**2,652**
Long-term borrowings	831	873	916	962	1,010
Other long-term liabilities	23	25	27	29	31
Total long-term liabilities	**855**	**898**	**944**	**991**	**1,042**
Shareholders' funds	**909**	**1,016**	**1,145**	**1,294**	**1,454**
Minority interests	223	258	325	388	449
NTA/share (RM)	1.16	1.30	1.46	1.65	1.85

KEY DRIVERS				
(FYE Dec)	**2009**	**2010F**	**2011F**	**2012F**
Construction margins (%)	9.0%	10.0%	12.0%	12.5%
Orderbook replenishment (RM m)	500	500	1,000	1,000
Outstanding orderbook (RM m)	2,200	2,700	3,700	4,700

CASH FLOW					
(RM m, FYE Dec)	**2008**	**2009**	**2010F**	**2011F**	**2012F**
Pretax profit	158	211	305	326	333
Depreciation & non–cash adj.	110	128	141	157	173
Working capital changes	(21)	(37)	(55)	(42)	(66)
Cash tax paid	(47)	(68)	(57)	(75)	(81)
Others	(30)	47	22	17	12
Cash flow from operations	**171**	**281**	**355**	**383**	**372**
Capex	(76)	(79)	(82)	(84)	(87)
Net investments & sale of FA	(724)	(106)	(208)	(218)	(239)
Others	0	0	0	0	0
Cash flow from investing	**(800)**	**(184)**	**(290)**	**(302)**	**(326)**
Debt raised/(repaid)	538	17	20	24	27
Equity raised/(repaid)	0	0	0	0	0
Dividends paid	(33)	(33)	(33)	(33)	(33)
Cash interest & others	165	(8)	(4)	5	15
Cash flow from financing	**670**	**(24)**	**(17)**	**(4)**	**9**
Change in cash	**41**	**73**	**48**	**76**	**55**
Change in net cash/(debt)	**(497)**	**56**	**27**	**53**	**28**
Ending net cash/(debt)	**(488)**	**(432)**	**(404)**	**(352)**	**(324)**

12M - FORWARD FD CORE P/E (X)

Source: Company, CIMB Research, Bloomberg

DISCLAIMER

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.

By accepting this report, the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth below and agrees to be bound by the limitations contained herein (including the "Restrictions on Distributions" set out below). Any failure to comply with these limitations may constitute a violation of law. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

CIMB, its affiliates and related companies, their directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities. Further, CIMB, its affiliates and its related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them to or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies) as well as solicit such investment, advisory or other services from any entity mentioned in this report. The views expressed in this report accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report. CIMB prohibits the analyst(s) who prepared this research report from receiving any compensation, incentive or bonus based on specific investment banking transactions or for providing a specific recommendation for, or view of, a particular company. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations and the research personnel involved in the preparation of this report may also participate in the solicitation of the businesses as described above. In reviewing this research report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request.

The term "CIMB" shall denote where applicable the relevant entity distributing the report in that particular jurisdiction where mentioned specifically below shall be a CIMB Group Sdn Bhd's affiliates, subsidiaries and related companies.

(i) As of 24 May 2010, CIMB has a proprietary position in the following securities in this report:
   (a) Gamuda, Gamude CW, Kencana Petroleum, Kencana Petroleum CW, Malaysian Airline System, MAS CW, Public Bank, Public Bank CW, SapuraCrest Petroleum, SapuraCrest CW, Tan Chong, Tan Chong CW, Top Glove, Top Glove CW, WCT, WCT-CA, Axiata, Axiata CW, Sime Darby, Sima Darby CW, AMMB Holdings, AMMB Holdings CW, Supermax, Supermax CW, Hartalega, Hartalega CW, Kossan, Latexx, Tanjong plc, Tanjong plc CW.

(ii) As of 25 May 2010, the analyst, Terence Wong who prepared this report, has / have an interest in the securities in the following company or companies covered or recommended in this report:
   (a) **-.**

The information contained in this research report is prepared from data believed to be correct and reliable at the time of issue of this report. This report does not purport to contain all the information that a prospective investor may require. CIMB or any of its affiliates does not make any guarantee, representation or warranty, express or implied, as to the adequacy, accuracy, completeness, reliability or fairness of any such information and opinion contained in this report and accordingly, neither CIMB nor any of its affiliates nor its related persons shall be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

This report is general in nature and has been prepared for information purposes only. It is intended for circulation amongst CIMB and its affiliates' clients generally and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information and opinions in this report are not and should not be construed or considered as an offer, recommendation or solicitation to buy or sell the subject securities, related investments or other financial instruments thereof.

Investors are advised to make their own independent evaluation of the information contained in this research report, consider their own individual investment objectives, financial situation and particular needs and consult their own professional and financial advisers as to the legal, business, financial, tax and other aspects before participating in any transaction in respect of the securities of company(ies) covered in this research report. The securities of such company(ies) may not be eligible for sale in all jurisdictions or to all categories of investors.

Australia: Despite anything in this report to the contrary, this research is provided in Australia by CIMB-GK Research Pte. Ltd. ("CIMB-GK") and CIMB-GK notifies each recipient and each recipient acknowledges that CIMB-GK is exempt from the requirement to hold an Australian financial services licence under the Corporations Act 2001 (Cwlth) in respect of financial services provided to the recipient. CIMB-GK is regulated by the Monetary Authority of Singapore under the laws of Singapore, which differ from Australian laws. This research is only available in Australia to persons who are "wholesale clients" (within the meaning of the Corporations Act 2001 (Cwlth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. This research has been prepared without taking into account the objectives, financial situation or needs of the individual recipient.

France: Only qualified investors within the meaning of French law shall have access to this report. This report shall not be considered as an offer to subscribe to, or used in connection with, any offer for subscription or sale or marketing or direct or indirect distribution of financial instruments and it is not intended as a solicitation for the purchase of any financial instrument.

Hong Kong: This report is issued and distributed in Hong Kong by CIMB Securities (HK) Limited ("CHK") which is licensed in Hong Kong by the Securities and Futures Commission for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) activities. Any investors wishing to purchase or otherwise deal in the securities covered in this report should contact the Head of Sales at CIMB Securities (HK) Limited. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CHK has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CHK. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CHK. Unless permitted to do so by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the securities covered in this report, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong).

Indonesia: This report is issued and distributed by PT CIMB Securities Indonesia ("CIMBI"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBI has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBI. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBI. Neither this report nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesia residents except in compliance with applicable Indonesian capital market laws and regulations.

Malaysia: This report is issued and distributed by CIMB Investment Bank Berhad ("CIMB"). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMB. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB.

New Zealand: In New Zealand, this report is for distribution only to persons whose principal business is the investment of money or who, in the course of, and for the purposes of their business, habitually invest money pursuant to Section 3(2)(a)(ii) of the Securities Act 1978.

Singapore: This report is issued and distributed by CIMB-GK Research Pte Ltd ("CIMB-GKR"). Recipients of this report are to contact CIMB-GKR in Singapore in respect of any matters arising from, or in connection with, this report. The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMB-GKR has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only. If the recipient of this research report is not an accredited investor, expert investor or institutional investor, CIMB-GKR accepts legal responsibility for the contents of the report without any disclaimer limiting or otherwise curtailing such legal responsibility. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMB-GKR.

As of 24 May 2010 CIMB-GK Research Pte Ltd does not have a proprietary position in the recommended securities in this report.

Sweden: This report contains only marketing information and has not been approved by the Swedish Financial Supervisory Authority. The distribution of this report is not an offer to sell to any person in Sweden or a solicitation to any person in Sweden to buy any instruments described herein and may not be forwarded to the public in Sweden.

Taiwan: This research report is not an offer or marketing of foreign securities in Taiwan. The securities as referred to in this research report have not been and will not be registered with the Financial Supervisory Commission of the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold within the Republic of China through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Law of the Republic of China that requires a registration or approval of the Financial Supervisory Commission of the Republic of China.

Thailand: This report is issued and distributed by CIMB Securities (Thailand) Company Limited (CIMBS). The views and opinions in this research report are our own as of the date hereof and are subject to change. If the Financial Services and Markets Act of the United Kingdom or the rules of the Financial Services Authority apply to a recipient, our obligations owed to such recipient therein are unaffected. CIMBS has no obligation to update its opinion or the information in this research report.

This publication is strictly confidential and is for private circulation only to clients of CIMBS. This publication is being supplied to you strictly on the basis that it will remain confidential. No part of this material may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of CIMBS.

United Arab Emirates: The distributor of this report has not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities or governmental agencies in the United Arab Emirates. This report is strictly private and confidential and has not been reviewed by, deposited or registered with UAE Central Bank or any other licensing authority or governmental agencies in the United Arab Emirates. This report is being issued outside the United Arab Emirates to a limited number of institutional investors and must not be provided to any person other than the original recipient and may not be reproduced or used for any other purpose. Further, the information contained in this report is not intended to lead to the sale of investments under any subscription agreement or the conclusion of any other contract of whatsoever nature within the territory of the United Arab Emirates.

United Kingdom: This report is being distributed by CIMB Securities (UK) Limited only to, and is directed at selected persons on the basis that those persons are (a) persons falling within Article 19 of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order") who have professional experience in investments of this type or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(1) of the Order, (all such persons together being referred to as "relevant persons"). A high net worth entity includes a body corporate which has (or is a member of a group which has) a called-up share capital or net assets of not less than (a) if it has (or is a subsidiary of an undertaking which has) more than 20 members, £500,000, (b) otherwise, £5 million, the trustee of a high value trust or an unincorporated association or partnership with assets of no less than £5 million. Directors, officers and employees of such entities are also included provided their responsibilities regarding those entities involve engaging in investment activity. Persons who do not have professional experience relating to investments should not rely on this document.

United States: This research report is distributed in the United States of America by CIMB Securities (USA) Inc, a U.S.-registered broker-dealer and a related company of CIMB-GK Research Pte Ltd solely to persons who qualify as "Major U.S. Institutional Investors" as defined in Rule 15a-6 under the Securities and Exchange Act of 1934. This communication is only for Institutional Investors and investment professionals whose ordinary business activities involve investing in shares, bonds and associated securities and/or derivative securities and who have professional experience in such investments. Any person who is not an Institutional Investor must not rely on this communication. However, the delivery of this research report to any person in the United States of America shall not be deemed a recommendation to effect any transactions in the securities discussed herein or an endorsement of any opinion expressed herein. For further information or to place an order in any of the above-mentioned securities please contact a registered representative of CIMB Securities (USA) Inc.

Other jurisdictions: In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is only for distribution to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

RECOMMENDATION FRAMEWORK #1*

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.	**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.	**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.
TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.
TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

** This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand and Jakarta Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

CIMB-GK Research Pte Ltd (Co. Reg. No. 198701620M)

RECOMMENDATION FRAMEWORK #2 **

STOCK RECOMMENDATIONS	SECTOR RECOMMENDATIONS
OUTPERFORM: Expected positive total returns of 15% or more over the next 12 months.	**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 12 months.
NEUTRAL: Expected total returns of between -15% and +15% over the next 12 months.	**NEUTRAL:** The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +15% (or better) or -15% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +15% to -15%; both over the next 12 months.
UNDERPERFORM: Expected negative total returns of 15% or more over the next 12 months.	**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.	**TRADING BUY:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +15% or better over the next 3 months.
TRADING SELL: Expected negative total returns of 15% or more over the next 3 months.	**TRADING SELL:** The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -15% or worse over the next 3 months.

*** This framework only applies to stocks listed on the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

CIMB SECURITIES OFFICES

CIMB Investment Bank Bhd	CIMB-GK Securities (S) Pte Ltd	PT CIMB Securities Indonesia	CIMB Securities (HK) Limited	CIMB Securities (Thailand) Co Ltd	CIMB Securities (UK) Ltd	CIMB Securities (USA) Inc
(18417-M) (A Participating Organisation of Bursa Malaysia Securities Bhd) 10th Floor Bangunan CIMB Jalan Semantan Damansara Heights 50490 Kuala Lumpur Malaysia	*(198701621D)* 50 Raffles Place #19-00 Singapore Land Tower Singapore 048623	*(01.353.099.3-054.000)* Jakarta Stock Exchange Building Tower II 20th Floor Jalan Jenderal Sudirman Kav. 52-53 Jakarta 12190 Indonesia	*(290697)* 25th Floor Central Tower 28 Queen's Road Central Hong Kong	*(0105542081800)* 44 CIMB Thai Bank Building 24-25th Floor Soi Langsuan Lumpini, Patumwan Bangkok 10330 Thailand	*(2719607)* 27 Knightsbridge London SW1X 7YB United Kingdom	*(52-1971703)* 540 Madison Avenue 11th Floor New York N.Y. 10022 USA
T: +60 (3) 2084 8888 F: +60 (3) 2084 8899	T: +65 6225 1228 F: +65 6224 6906	T: +62 21 515 1330 F: +62 21 515 1335	T: +852 2868 0380 F: +852 2537 1928	T: +66 2 657 9000 F: +66 2 657 9111	T: +44 20 7201 2199 F: +44 20 7201 2191	T: +1 212 616 8600 F: +1 212 616 8639