AmWatch

AmResearch

14 December 2005

MARKET INFORMATION

KLCI	898.27 (+1.26)
52-Week Range	858.84 - 953.88
Mkt Cap (RMb)	691.48
Volume (m shares)	299.93
Value (RMm)	513.09
BLR (Maybank)	6.0%

TOP 5 GAINERS

	Closing Price (RM)	(%)
SILTON	0.155	55.0
DSKPROP-WA	0.200	33.3
TMS	0.125	31.6
FOCAL	0.340	30.8
PSCI	0.520	25.3

TOP 5 LOSERS

	Closing Price (RM)	(%)
MITRA-WB	0.100	-50.0
ASIAPAC-WA	0.005	-50.0
KBUNAI-WB	0.005	-50.0
CCM-WA	0.010	-50.0
TANCO-WA	0.010	-33.3

RECOMMENDATION (WITHIN 12-MONTH PERIOD)

Buy	Minimum 15% expected total return
Hold	0 - 15% expected total return
Sell	Negative expected total return

Note: Total return = price appreciation plus gross yield

MARKET STRATEGY

- **Market Strategy**
  Whither local interest rates? *(Gan Kim Khoon)*

RESULTS UPDATES

- **Tanjong** — **Hold**
  3QFY06 : Above Expectations
- **Sapuracrest Petroleum** — **Buy**
  3QFY06 : Below Expectations

NEWS HIGHLIGHTS

- **IOI Corporation** — **Buy**
  Mulls plans to build bio-diesel plant
- **Telekom Malaysia** — **Hold**
  Clarifies its exit from Guinean investment *(Fiona Leong)*
- **IOI Corporation** — **Buy**
  IOI Oleochemical — **Accept GO**
  Shareholders give nod to proposed privatization of IOI Oleo
- **UMW Holdings** — **Buy**
  MBM Resources — **Buy**
  Perodua's RM300m expansion plan
- **Bumiputra-Commerce Holdings** — **Hold**
  Acquires 30.5m Class B shares in PT Bank Niaga for RM4.3m
- **Maxis Communications** — **Hold**
  Expands 3G to Penang

ECONOMIC HIGHLIGHTS

- US: Central bank raises key rate to 4.25%; stocks up
- China: Central Bank rules out yuan revaluation in 2006

PP12260/6/2006

Market Strategy

Whither local interest rates?

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QUICK TAKE ON DIRECTION OF LOCAL INTEREST RATES

The Americans have done it again. With the U.S. Federal Reserve raising its federal funds rate for the 13th time last night (by 25 basis points) to 4.25%, the focus has shifted to Malaysian interest rates and its direction.

What we think. In our opinion, the Malaysian benchmark interest rate, the Overnight Policy Rate ("OPR"), will likely see further hikes in 2006. Our view is that a total increase of 50 basis points for 2006, which will bring the OPR from 3.00% presently to 3.50% by 2H 2006, is highly likely. [Another 25 basis points hike in the OPR in 1H06 followed by another 25 basis points hike in 3Q06 is highly possible, in our view].

Our justifications. There are 3 simple reasons for this view:

(1) The differential between the US fed funds rate and the OPR has widened back to 125 basis points (after narrowing to 100 basis points barely two weeks ago). We think that while BNM could live with a differential of 100 basis points, any wider and it may be difficult for BNM in its management of domestic liquidity in the banking system.

And this differential could potentially widen further if the US Federal Reserve raises its rates again in 2006. There are some that believe that the fed funds rate has not yet reached its "neutral point".

(2) A new and revamped Consumer Price Index (CPI) would be introduced in Jan 2006 (if it is implemented according to original plan). This new index is supposed to be more reflective of the actual price situation on the ground for the man-in-the-street and is thus very likely to show a much higher inflation rate than the reported 3.4% for Oct 05. Potentially, the new CPI could indicate that inflation in Malaysia is as high as 4% or thereabouts. [The current CPI has been criticised as not being representative of actual inflation in Malaysia].

If that be the case, i.e., if the new CPI says inflation is around 4%, it would mean real deposit rates in Malaysia would still be a negative 90 - 100 basis points for a 3-month fixed deposit. This would clearly be untenable and socially unpopular for BNM.

(3) BNM is still looking at a very strong GDP growth rate of 5-6% for 2006. Higher interest rates (particularly lending rates) would help cool the economy slightly and help curb excessive asset inflation.

Implications for the Ringgit. If the US stops raising its fed funds rate, and instead BNM continues to hike its OPR by as much as 50 basis points in 2006, then theoretically, the Ringgit should appreciate against the US Dollar, albeit marginally.

Chinese wildcard. Another consideration is if the Chinese government carries out another round of revaluation of the Renminbi. If that happens, regional currencies, including the Ringgit, would strengthen against the Dollar in tandem. We see the Ringgit potentially strengthening against the Dollar from circa 3.77 presently to about 3.70 by mid-2006.

Results Update

TANJONG (RM15.00)

3QFY06 : Above Expectations

HOLD

Target Price: RM14.95

STOCK & SHAREHOLDERS' DATA

Bloomberg Code	: TJN MK
Reuters Code	: TJPL.KL
KLCI	: 898.27
Market Capitalisation	: RM6,063.9m
Issued Capital	: 403.3m
Free Float (est)	: 54.2%
Range 12 mths	: RM12.70-RM15.60
Daily turnover (3 mth)	: RM5.2m
Relative Performance	: 1-mth +3.5% 3-mth +8.3% 12-mth +16.2%
Major Shareholder	:
Usaha Tegas Sdn Bhd	32.2%

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RESULTS SUMMARY

YE 31 Jan (RMm)	**9MFY05**	**9MFY06**	***% YoY***	**2Q06**	**3Q06**	***% QoQ***
Turnover	2,190.4	2,404.9	*9.8*	800.3	760.1	*(5.0)*
EBITDA	624.3	635.7	*1.8*	232.1	194.0	*(16.4)*
Interest income						
Net interest expense	(65.3)	(59.5)		(18.6)	(18.9)	
Depreciation	(143.8)	(185.4)	*28.9*	(60.7)	(63.0)	
Other income						
Pre-EI profit	415.2	390.7	*(5.9)*	152.7	112.0	*(26.6)*
Exceptionals	-	-		-	-	
Associates	4.5	12.9		7.3	4.6	
Pretax Profit	**419.8**	**403.7**	*(3.8)*	**160.0**	**116.6**	*(27.1)*
Taxation	(127.6)	(121.6)		(44.7)	(31.5)	
Minorities	(1.4)	6.2		2.4	1.3	
Net Profit	**290.8**	**288.2**	*(0.9)*	**117.7**	**86.4**	*(26.6)*
EPS (sen)	72.1	71.5	*(0.9)*	29.2	21.4	*(26.7)*
Gross DPS (sen)	32.0	36.0		12.0	12.0	
NTA/Share (RM)	5.89	6.28		6.17	6.28	

Results Analysis

Above ours and consensus projections. This was due to higher-than-expected power operating profit. Management had indicated earlier that 50% of the maintenance expenses would be capitalised and 50% expensed. But now it appears that 70% of the maintenance expenses would be capitalised and only 30% expensed.

Net profit down by 0.9% YoY to RM288.2m in 9MFY06. This is largely due to a 16% YoY fall in power operating profit to RM294m in 9MFY06. The power division was affected by maintenance expenses involving 6 out of 10 turbines in the Panglima and Pahlawan power plants. The maintenance expenses occur once in every 6 years. Although power operating profit fell sharply, group pre-tax profit only moderated by 3.8% YoY to RM403.7m in 9MFY06 due to strong earnings contribution from the NFO division.

Ticket sales rose by 11.5% YoY to RM1,426.7m in 9MFY06. We believe that this is underpinned by higher number of draws and continued interest in the i-Box game. The number of draws stood at 129 in 9MFY06 against 123 in 9MFY05. Gross sales per draw improved from RM10.4m in 9MFY05 to RM11.1m in 9MFY06. In terms of payout, it was 66% in 9MFY06 compared to 64% in 9MFY05.

NFO sales declined 8.1% QoQ to RM438.1m in 3QFY06. This is due to lower number of draws of 41 in 3QFY06 versus 44 in 2QFY06. On a per draw basis, gross sales was relatively flat at RM10.7m in 3QFY06 against RM10.8m in 2QFY06. Again, we reckon that it is still too early to assess the impact of Berjaya Sports Toto Bhd's i-Perm as there was only 1-month impact of i-Perm in Tanjong's results. As for payout ratio, this increased from an estimated 62.4% in 2QFY06 to 67.5% in 3QFY06. Tanjong's lower sales growth and higher payout QoQ resulted in a 46.9% fall in gaming operating profit in 3QFY06.

Losses in Tropical Island Resort narrowed QoQ in 3QFY06. As for Tropical Island Resort, Tanjong's share of losses in 9MFY06 stood at RM42m. On a more positive note, the group's share of losses narrowed from RM16m in 2QFY06 to RM9.9m in 3QFY06. The improved results was due to higher number of visitors in 3QFY06. The resort recorded 2,900 visitors/day in 3QFY06 versus 2,200 visitors/day in 2QFY06.

3rd interim dividend of 12 sen less 28% tax. This brings total gross dividend per share to 36 sen less 28% tax for 9MFY06. Our full year forecast is 70 sen, which translates into a yield of 4.7%. The payment date of the 3rd interim dividend is 17 January 2006.

Prospects

FY06 earnings forecast revised upwards by 4.3%. This is to account for higher-than-expected earnings from the power division. However, this would be partly offset by RM10m start-up losses from Tanjong's Moscow venture, which started on 12 December 2005. There are currently two types of lotteries undertaken by the Moscow venture i.e. 5/35, which is conducted daily, and 6/48, which is conducted weekly. Tanjong's effective stake in the Moscow venture is 24.5%. The remaining stakes are held by Tanjong's Greek partner and Russian parties.

As for the NFO division, we project ticket sales growth of 9% per draw for FY06. The number of draws is forecast at 172 in FY06 versus 165 in FY05. Payout ratio is estimated at 64.5% in FY06 compared to FY05's 64.9% and theoretical payout of 65.3%. For Tropical Island Resort, we are forecasting Tanjong's share of losses at RM59.6m in FY06. Our assumptions are 0.8m visitors, average spending of 16 Euros per visitor and a negative operating margin of 35%. Going forward, we expect the number of visitors to improve to 1m for Tropical Island Resort in FY07 underpinned by the FIFA World Cup in Germany and link-ups with tourist operators.

Power earnings to recover in FY07. After a 21% decline in power operating profit in FY06, power earnings are expected to recover by 29% to RM465.3m in FY07 in the absence of maintenance expenses for the power plants' turbines. FY07 earnings are also expected to expand due to contribution from the proposed acquisitions of the Suez and Port Said power plants in Egypt, which is expected to be completed by 1Q2006.

HOLD. We like Tanjong for its cash generative businesses of power and gaming. The group continues to make strides in the international power arena, which we view positively as it would open up doors to other opportunities and enhance the group's profitability. Nevertheless, losses in Tropical Island Resorts would continue to partly drag the group and our target price coupled with gross DPS of 75 sen suggest an upside of 5% only.

EARNINGS (+ve) ; REC (unch)

YE 31 Jan	2004A	2005A	2006F	2007F	2008F
Pretax Profit (RMm)	588.0	540.3	531.7	624.7	673.9
Net Profit (RMm)	405.5	392.3	352.3	451.3	474.9
Revision (%)			*4.3*	*(0.0)*	*(0.0)*
Consensus Net Profit (RMm)			*332.0*	*437.4*	*481.5*
WAC (m)	390.31	403.26	403.26	403.26	403.26
EPS (sen)	103.9	97.9	87.4	111.9	117.8
EPS Growth (%)	24.0	(3.3)	(10.2)	28.1	5.2
CFPS (sen)	150.6	146.8	141.9	171.5	177.2
Gross DPS (sen)	66.0	70.0	70.0	75.0	75.0
NTA/Share (RM)	5.34	5.84	6.18	6.76	7.40
PER (x)	14.4	15.4	17.2	13.4	12.7
P/CFPS (x)	10.0	10.2	10.6	8.7	8.5
Yield (%)	4.4	4.7	4.7	5.0	5.0
Price/NTA (x)	2.8	2.6	2.4	2.2	2.0
ROE (%)	20.3	17.2	14.2	16.9	16.3
EV/EBITDA (x)	7.9	8.8	8.8	7.6	6.9

Results Update

SAPURACREST PETROLEUM (RM0.635)

BUY

3QFY06 : Below Expectations

Target Price: RM0.78

STOCK & SHAREHOLDERS' DATA

Bloomberg Code	: SCRES.MK
Reuters Code	: SCRS .KL
KLCI	: 898.27
Market Capitalisation	: RM870.3m
Issued Capital	: 879.1m
Free Float (est)	: 33.3%
Range 12 mths	: RM0.59-RM1.27
Daily turnover (3 mth)	: RM1.1m
Relative Performance	: 1-mth -22.6%
	3-mth -31.1%
	6-mth -45.8%
Major Shareholders	:
Sapura Techcology Bhd	60.97%
Employees Provident Fund	5.39%

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RESULTS SUMMARY

YE 31 Jan (RMm)	9M05	9M06	*% YoY*	2Q06	3Q06	*%QoQ*
Turnover	783.2	1,399.4	*78.7*	490.3	544.1	*11.0*
EBITDA	**128.1**	**176.9**	***38.1***	**62.4**	**56.1**	***(10.1)***
Dep. and amort.	(50.6)	(55.4)		(19.3)	(19.4)	
EBIT	77.5	121.5	***56.8***	43.1	36.7	***(14.8)***
Net interest inc / (exp)	(15.4)	(34.6)	***124.5***	(8.2)	(13.9)	
Pre-exceptional Profit	62.1	86.9		34.9	22.8	
Associates & JV	2.0	1.9		0.3	0.8	
Pretax Profit	**64.1**	**88.8**	***38.5***	**35.2**	**23.7**	***(32.7)***
Taxation	5.1	(7.9)		(5.0)	(1.5)	
Minorities	(23.8)	(24.3)		(9.1)	(6.9)	
Net Profit	**45.5**	**56.5**	***24.4***	**21.1**	**15.3**	***(27.6)***
EPS (sen)	5.3	6.4		2.4	1.7	
Gross DPS (sen)	0.0	1.5		0.0	0.0	
NTA/Share (RM)	0.33	0.37		0.36	0.37	
EBITDA margin (%)	16.4	12.6		12.7	10.3	
EBIT margin (%)	9.9	8.7		8.8	6.7	
Pretax margin (%)	8.2	6.3		7.2	4.4	
Effective tax rate (%)	(8.0)	8.9		14.2	6.4	

Results Analysis

Below expectations. SapuraCrest Petroleum Bhd's ("SapuraCrest") cumulative net profit of RM56.5m for 9MFY06 came below our and consensus estimates. Cumulative net profit for FY06 only accounted for 66.5% of our and consensus estimates of RM85m. Turnover however, was above our expectations, amounting to 92.6% of our full year forecast of RM1,510.5m.

The lower-than-expected results were due to weaker-than-expected margins. SapuraCrest's EBIT margin for 9MFY06 was at 8.7%, 3.4%-points lower than our estimates. The Company's profit before tax margin for nine-months ended Oct 2005 was at 6.3%, 3.4% lower compared to our forecast of 9.7%.

Effective tax rate for 9MFY06, 8.9% was lower versus our forecast of 23.0%. We have been more prudent in our tax rate assumptions thus far. SapuraCrest's lower than statutory tax rate was mainly due to utilisation of unabsorbed losses & capital allowances and lower statutory tax rate for offshore subsidiaries. Based on SapuraCrest's FY05 annual report, the Group has three (3) active subsidiaries incorporated in Labuan of which one is a special purpose vehicle for its convertible bonds while the other two are involved in leasing of vessels and barges.

Sequentially, turnover was up 11.0% to RM544.1m but net profit declined by 27.6% to RM15.3m. The drop in bottom line arose from squeeze in EBIT margin.

Cumulative net profit for 9MFY06 rose 24.4% to RM56.5m on the back of 78.7% increase in turnover to RM1,399.4m. The higher turnover was attributable to the installation of pipeline and platform contract secured with Petronas Carigali, Shell and ExxonMobil within the IPF division and higher activities in offshore drilling. Despite strong top line growth, SapuraCrest's net earnings grew by a lower magnitude due to higher interest expense incurred YoY and 1.2%-point squeeze in EBIT margin to 8.7% in 9MFY06. The lower EBIT margin arose from declining profitability registered for its marine services division. The Company's marine services PBT margin was at 2.1% in 9MFY06 (9MFY05 : 9.7%).

SapuraCrest's marine services such as marine engineering and survey activities registered a decline YoY in both turnover and profits during the 9MFY06.

Drilling division was the main profit contributor, accounting for 57.4% of SapuraCrest's pretax profit in 9MFY06 but only 16.2% of Group's turnover. Next in line was the IPF division, which contributed 42.8% to Group's pretax profit and 66.8% to turnover. The drilling division maintained its commendable pretax profit margin of 22.4% in 9MFY06 (9MFY05 : 20.4%) while its IPF division's pretax margin was also unchanged YoY at 4.0%

There was no dividend declared for the quarter under review, similar to 3QFY05.

Our assumptions for recent sell down. Management has been unable to provide us reasons for the sell down of the Company's stocks since end-Oct 2005, a hefty 30% decline from RM0.90. We opine that the selling of SapuraCrest shares was triggered by lackluster investor sentiment, selling by foreign funds which decided to cut their exposure in the Malaysian market and lower-than-expected 3QFY05 results. SapuraCrest would be a sell pick of foreign funds given its smaller capitalisation, higher risk and failure to perform over the last 6 - 9 months. There was no provision made or contingent liability disclosed for any potential claim as rumoured earlier.

Prospects

Downgrade earnings by 22.2% to RM66.2m for FY05 and 20.2% to RM77.2m for FY06. We have reduced our pretax margin assumptions from 9.7% to 6.6% for FY06 and from 10.7% to 8.0% for FY07, adjustment was made in the IPF and marine services division. The negative impact of lower margin assumptions was mitigated by downward revision in effective tax rate estimates, by 5.0%-points to 18.0% for FY06 and 5.0%-points to 20.0% for FY07 (9MFY06 : 8.9%). Our conservative stance is due to the volatile tax rate for the last 3 quarters, effective tax rate for 1QFY06 was at 4.7%, 2QFY06 was at 14.2% and 6.4% for 3QFY06.

Net profit projected to grow by 14.0% for CY06 and 34.4% for CY07, even after earnings downward revision. SapuraCrest's earnings growth going forward would be underpinned by its order book of RM1.9bn (as at Sept 2005), expected to last until 2006. Main contributor to SapuraCrest's current order book is the approximately RM1.2bn (balance) IPF contract signed with Petronas Carigali, Shell and ExxonMobil. The contract is targeted to complete 1Q2007 with option to extend for another 2 years. Meanwhile, its 4 jointly-owned tender assisted drilling rigs for the drilling division have contract signed for periods of 1 up to 3 years. The contracts were renewed with previous customers SapuraCrest has been servicing, namely ExxonMobil and Petroleum of Thailand.

Margin assumptions toned down but expected to improve in CY07 provided SapuraCrest's success in clinching contracts for deepwater works and deployment of "Sapura 3000" and newly acquired cable-laying vessel. Sapura 3000, the Company's jointly owned self-propelled dynamically positioned heavy lift derrick pipelay combination vessel is expected to earn lucrative charter rates and margins. The vessel is said to be one of the most advanced deepwater construction ship in Asia Pacific and there is only approximately 7 dynamically positioned vessels in the world.

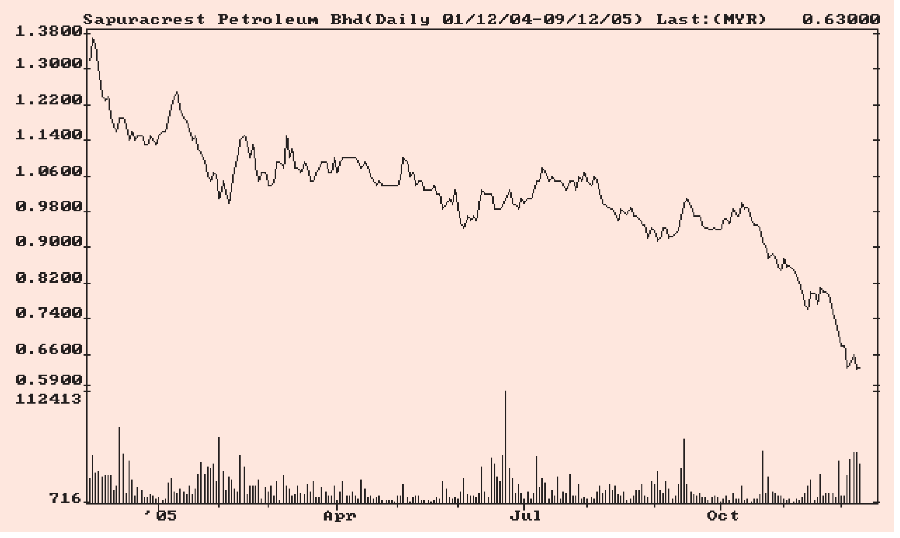
Still a Buy. SapuraCrest is currently trading at inexpensive valuations. The Company is trading at 7.9x CY06 gradually diluted EPS and 6.3x on CY07. We believe its current share price has factored in the lower-than-expected results for 3QFY06 and lackluster investor sentiment especially on second liners. Hence, at a lower discount to market PER of 13.9x for CY06, 30% (35% in our report dated 08/12/05), we maintain our **Buy** recommendation with implied upside of 22.8% to our target price of RM0.78. This is based on 9.7x PER. Valuation is also at discount to PER of its listed international peers, 17.7x and listed local oil & gas companies, 11.0x. At RM0.78, SapuraCrest is trading at only 1.3x the Company's revalued NTA of RM0.60. The NTA takes into account revaluation of the Company's key operational assets such as rigs, vessels and ROVs. Its proposed transfer of listing from Second to Main Board of Bursa Malaysia Securities, scheduled to complete by FYE Jan 2006, should spur interest for the stock.

Despite SapuraCrest's similar earnings growth to market earnings in 2006, our hefty discount takes into account possibility of a provision or claim going forward. From information gathered todate, the claim is in relation to an accident which occurred during installation of one of SapuraCrest's rig. Nevertheless, no official announcement has been made by any parties, we would be seeking clarification from management as soon as they are available to meet with us.

EARNINGS (-ve) ; REC (unch)

YE 31 Jan	2004*	2005	2006F	2007F	2008F
Pretax Profit (RMm)	(58.2)	72.2	107.6	128.7	174.7
Net Profit (RMm)	(43.7)	74.9	66.2	77.2	104.8
Revision (%)			*(22.2)*	*(20.2)*	*(9.7)*
Consensus Profit (RMm)			*85.0*	*101.1*	*130.6*
EPS (sen)	(57.6)	8.7	7.5	8.8	11.9
EPS Growth (%)	412.6	81.6	(13.4)	16.7	35.8
Fully diluted EPS (sen)	n/a	n/a	5.5	6.4	8.7
CFPS (sen)	48.1	(5.8)	12.0	27.8	30.4
Gross DPS (sen)	0.0	0.0	2.0	2.5	3.4
NTA/share (RM)	1.02	0.34	0.39	0.46	0.58
PER (x) - basic	n/a	7.3	8.4	7.2	5.3
PER (x) - diluted	n/a	n/a	11.5	9.9	7.3
P/CF (x)	1.3	(10.9)	5.3	2.3	2.1
P/NTA (x)	0.6	1.9	1.6	1.4	1.1
Gross yield (%)	0.0	0.0	0.0	0.0	0.1
ROE (%)	(22.7)	18.3	14.4	14.8	16.8
EV/EBITDA	361.0	5.9	4.0	3.8	2.8

** - FYE Jan 2004 is for 13 months*



News Highlights

IOI Corporation (RM12.30) **Buy**

Mulls plans to build bio-diesel plant

IOI Corporation Bhd ("IOIC") confirmed it has plans to build its first bio-diesel plant but remains undecided whether to venture big into the new sector. The group said should it decide on building the plant, which would cost RM100m, it would either be in Pasir Gudang in Johor or in the Netherlands. IOIC executive chairman Tan Sri Lee Shin Cheng said the group is still studying whether it wants to venture into the bio-diesel sector. "We have not decided yet and are still considering whether to build or not. So it is difficult to put a timeframe. It could be in the Netherlands or in Pasir Gudang, Johor with capacity of 150,000 tonnes a year," Lee said. *(NST)*

Comment: *We reckon that a bio-diesel plant with capacity of 150,000 tonnes/year is big in size compared to Golden Hope Plantations Bhd's ("GHope") joint venture with MPOB to build a plant of only 60,000 tonnes/year. The costs of both IOIC's and GHope's bio-diesel plants translate into a replacement cost of RM667/tonne each. According to an industry player, a bio-diesel plant is only feasible at a size of 60,000 tonnes/year.*

Although GHope's management indicated that the break-even level is at an average CPO price of RM1,400/tonne and crude oil price of US$50/barrel, IOIC's management had much earlier given a higher break-even level of US$65/barrel. However, we believe that if the group uses cheaper feedstock to make bio-diesel, then the break-even level could be lower. Recall that GHope is projecting its plant with a 60,000/ tonnes capacity to record a net profit of RM8m-RM10m/year based on average CPO price of RM1,400/tonne and crude oil price of US$50/barrel. Using this as a guidance but lowering it slightly as crude oil is currently above US$60/barrel, IOIC's 150,000 tonnes/year plant could be recording net profit of below RM15m.

IOIC's decision to build the plant either in Netherlands or Pasir Gudang is because it has refineries there and these refineries could easily supply RBD palm oil or RBD palm olein as feedstock for the bio-diesel plants without incurring heavy transportation costs. IOIC's Soctek Edible Oils Sdn Bhd is in Pasir Gudang while Loders Croklaan is in Rotterdam.

Telekom Malaysia (RM9.65) **Hold**

Clarifies its exit from Guinean investment

In a joint decision taken with senior Government of Guinea ("GoG") officials, Telekom Malaysia ("TM") has decided to cease all operational and managerial control of Societe des Telecommunications de Guinee (Sotelgui s.a.) as the initial step to TM's total exit from Guinea. TM would continue to have Board representation in Sotelgui and the Board will oversee the new management until all other exit-related issues including equity transfer are finalised.

TM's investment in Guinea commenced on 23 December 1995 with the signing of a Joint Venture Agreement ("JVA") with GoG. The JVA was for a 60% stake in Sotelgui s.a., which TM currently holds, with the remaining 40% being held by GoG. TM's initial investment was US$45m.   *(BMSB Announcement)*

Comment*: Since late-2004, TM has made known its intentions to divest all its African investments, Sotelgui included, to focus on overseas investments that are closer to home. The divestment would not have any material impact on TM as contributions (PATAMI) from Sotelgui was a small RM0.82m for the 9 months ended September 2005. We do not have information on TM's total investment in Sotelgui todate. But we believe TM would be able to recover part of its investment when it finally exists Guinea. Assuming, TM write-offs of the initial investment of US$45m (RM166.5m) it invested in*

Sotelgui, this would trim its FY06 net profit by 8.3% to RM1,851.3m and its NTA per share from RM4.48 to RM4.43. (Fiona Leong)

IOI Corporation (RM12.30) **Buy**
IOI Oleochemical (RM11.30) **Accept GO**
Shareholders give nod for proposed privatization of IOI Oleo

Both the shareholders of IOI Corporation Bhd ("IOI Corp") and IOI Oleochemicals Bhd ("IOI Oleo") have given their respective approvals in relation to the proposed privatization of IOI Oleo. *(BMSB Announcement)*

UMW Holdings (RM5.95) **Buy**
MBM Resources (RM2.68) **Buy**
Perodua's RM300m expansion plan

Perusahaan Otomobil Kedua Sdn Bhd ("Perodua") will invest at least RM300m next year to increase capacity from the current 200,000 units to up to 300,000 units. Its managing director Hafiz Syed Abu Bakar said the sum was the estimated minimum cost of the expansion exercise and that the investment would be internally financed. For next year, the company aimed to boost its market share to 30% from the current 25% besides improving its ranking to third under the consumer satisfaction index. *(The Sun)*

Bumiputra-Commerce Holdings (RM5.60) **Hold**
Acquires 30.5m Class B shares in PT Bank Niaga for RM4.3m

Bumiputra-Commerce Holdings Bhd ("BCHB") had on 1 December 2005, acquired 30.5m Class B shares of RP50 each in PT Bank Niaga TBK ("Bank Niaga") for RM4.3m. Pursuant to the acquisition, BCHB currently holds 7.8bn Class B shares representing approximately 65.4% of Bank Niaga. *(BMSB Announcement)*

Maxis Communications (RM2.65) **Hold**
Expands 3G to Penang

Maxis Communications Bhd has expanded its 3G coverage to Penang in a move to further enhance its mobile telephony service at broadband speed. Since the launch of 3G on July 1, Maxis has increased coverage in the Klang Valley and will soon expand the service to Johor Bahru. *(The Star)*

MAA Holdings (RM3.38) **Hold**
MAA Assurance and Bahrain firm bid for takaful licence

Solidarity, a Bahrain-incorporated takaful company, has signed a joint-venture agreement with MAA Assurance, the insurance arm of MAA Holdings Bhd, to vie for one of four new takaful licences to be announced by Bank Negara Malaysia next month. The two companies will set up a US$25m joint-venture firm. Solidarity, established in 2003, is said to be the world's largest Islamic insurer in terms of paid-up capital (US$100m). *(The Star)*

Metrojaya (RM0.65)
Capital repayment to enhance return on assets

Metrojaya Bhd's return on assets is set to rise from the present 5% to 11%, following the company's proposal to make a capital repayment to shareholders. The proposal was overwhelmingly approved at an EGM. The repayment of RM1.32 per share will lower the company's net asset base to RM1.03 per share. Against expected full-year earnings of RM120m, the returns were quite good, chief executive officer Robert Heng said. As for debt, Heng said management did envisage some additional small borrowings for future expansion, but it would be well within the company's gearing capabilities. As at September 30, the company's gearing ratio was a very low 0.19%. *(The Star)*

Coastal Contracts (RM0.47)

Aborts proposed private placement

Coastal Contracts Bhd has aborted its proposed private placement of 66.8m or 20% of its issued and paid-up share capital. (BMSB *Announcement)*

UPA Corporation (RM1.59)

Buys industrial land in Selangor for RM7.5m

UPA Corporation Bhd had on 12 December 2005, entered into a sale and purchase agreement with Acetai Corporation Sdn Bhd to acquire a piece of vacant industrial land in the Mukim of Petaling, District of Petaling, Selangor for a total cash consideration of RM7.5m. *(BMSB Announcement)*

Advance Synergy (RM0.215)

Proposed sale and leaseback of Holiday Villa hotels to Amanah Raya

Advance Synergy Bhd ("ASB") has accepted an offer from Amanah Raya Bhd ("Amanah Raya") to acquire Holiday Villa Alor Setar, Holiday Villa Cherating and Holiday Villa Langkawi for a maximum amount of up to RM30m, RM23m and RM52m respectively (or RM105m in total). Simultaneously, Amanah Raya will leaseback each of the hotels to ASB for 10 years (with an option for another 5 years). The net rental of the leaseback for the 10-year term is as follow:

- Year 1-3: 7.0% p.a
- Year 4-6: 7.5 % p.a
- Year 7-10: 8.0% p.a

(BMSB Announcement)

DIRECT BUSINESS TRANSACTIONS ON THE KLSE

Stock	Quantity ('000)	Price (RM)	Turnover (RM'000)
ASIAPLY	13,147	0.340	4,470
ASIATIC	336	2.100	706
AXREIT	425	1.650	701
CENBOND	780	0.037	29
COMMERZ	100	5.520	552
CRESBLD	100	0.770	77
EVERMAS	642	0.861	553
FAREAST	74	2.650	196
HEXAGON	500	3.000	1,500
JPK	470	0.660	310
MINETEC	282	0.650	183
MINPLY	450	0.500	225
MPTECH	1,839	0.250	460
NAMFATT-LB	950	0.130	124
NESTLE	300	24.100	7,230
NPC	1,035	1.380	1,428
PANTAI-WA	127	0.800	102
PAOS	3,000	1.000	3,000
REDTONE	800	1.550	1,240
SAMUDRA	2,000	0.980	1,960
TAMCORP	70	0.300	21
THHIN	250	2.660	665
TITAN	290	1.430	415
WASEONG	1,120	1.920	2,150
YILAI	500	1.280	640

CHANGES IN SUBSTANTIAL SHAREHOLDINGS (AmResearch Coverage Only)

Name of Company	Name of Substantial Shareholder	Acquired / (Disposed)	Date of Transaction	No. of Shares ('000)	Total No. of Shares After Change ('000)
SapuraCrest Petroleum	EPF & Portfolio Managers	Acquired	6-Dec-05	200.0	47,595.2
IJM Corp	EPF	Acquired	7-Dec-05	43.3	69,194.6
YTL Corp	EPF	Disposed	2-Dec-05	(350.0)	177,931.1
Proton Holdings	EPF & Portfolio Managers	Acquired	2-Dec-05	100.0	
	EPF & Portfolio Managers	Acquired	5-Dec-05	301.6	63,163.9
AEON	EPF & Portfolio Managers	Acquired	7-Dec-05	110.6	16,002.5
Landmarks	Loo Khee Kwong @ Danny Loo	Acquired	8-Dec-05	40.0	
	Loo Khee Kwong @ Danny Loo	Acquired	9-Dec-05	10.0	90,850.0
LBS Bina	Intelrich Sdn Bhd	Acquired	8-Dec-05	130.0	
	Intelrich Sdn Bhd	Acquired	12-Dec-05	290.0	167,864.2
Niam Cendera	Lambaian Kukuh Sdn. Bhd	Acquired	9-Dec-05	114.0	
	Lambaian Kukuh Sdn. Bhd	Acquired	12-Dec-05	16.0	20,806.8
Media Prima	EPF	Acquired	25-Nov-05	37.00	
	EPF	Acquired	29-Nov-05	50.00	
	EPF	Acquired	6-Dec-05	56.8	76,444.3
Media Prima	Harris Associates L.P.	Acquired	30-Nov-05	244.80	
	Harris Associates L.P.	Acquired	1-Dec-05	556.30	
	Harris Associates L.P.	Acquired	2-Dec-05	255.7	
	Harris Associates L.P.	Acquired	5-Dec-05	35.0	
	Harris Associates L.P.	Acquired	6-Dec-05	130.0	
	Harris Associates L.P.	Acquired	7-Dec-05	350.0	
	Harris Associates L.P.	Acquired	9-Dec-05	17.7	49,293.2
Nestle	EPF	Acquired	6-Dec-05	57.2	
	EPF	Acquired	7-Dec-05	11.0	18,537.0
MPI	EPF	Acquired	6-Dec-05	79.8	15,250.5
Star Publications	EPF & Portfolio Managers	Acquired	6-Dec-05	283.6	41,372.2
Telekom	Yayasan Pelaburan Bumiputra	Acquired	6-Dec-05	500.0	
	Yayasan Pelaburan Bumiputra	Acquired	7-Dec-05	300.0	171,487.1
Public Bank	EPF	Acquired	6-Dec-05	200.0	
	EPF	Acquired	7-Dec-05	14.0	235,998.2
CBIP Holding	HSBC Holdings plc	Acquired	6-Dec-05	25.00	11,970.6
Globetronics	EPF & Portfolio Managers	Acquired	6-Dec-05	35.40	235,840.1
London Biscuits	MEILEELANUSA Sdn Bhd	Disposed	7-Dec-05	(14.00)	
	MEILEELANUSA Sdn Bhd	Acquired	7-Dec-05	4.00	29,525.8
Magnum Corp	MPHB	Acquired	1-Dec-05	100.00	543,914.6

Economic Highlights

US

Central bank raises key rate to 4.25%; stocks up

The US Federal Reserve raised its benchmark interest rate by a quarter-point on Tuesday , December 13 but hinted that the string of 13 straight increases might soon end. US stocks rose sharply following the announcement. The Fed began raising the rate in June 2004, when it stood at a 46-year low of 1.0% in order to keep inflation in check.

In a statement accompanying the increase, the Fed said it would continue to raise the rate at a "measured" pace but dropped a phrase included in previous statements saying there is "accommodation" in its policy. The omission was seen as a sign that the Fed might believe that the interest rate is no longer spurring economic growth and could end the string of increases. The rate now stands at its highest level since May 2001.

"Despite elevated energy prices and hurricane-related disruptions, the expansion in economic activity appears solid," the Fed said in the statement. "Core inflation has stayed relatively low in recent months and longer-term inflation expectations remain continued." The US economy has expanded strongly and is creating jobs. The White House said economic growth would be 3.5% this year, and unemployment is at 5.0%. *(Bangkok Post)*

Comment: *The Fed fund rate is now 125 basis points higher compared with Malaysia's overnight policy rate (OPR) of 3.0%. Any further decision by BNM to narrow the interest rate differential between Malaysia and the US, would be primarily determined by two factors, namely growth and inflation. There are two other elements that may influence the interest rate policy, i.e capital flows and exchange rate. As at end of November, the external reserves of BNM had declined to US$73.07b from a high of US$80.3b as at end of September. In the October-November period, the external reserves had decreased by US$7.3b largely due to outflow of short-term capital. The outflow could have continued in December following the widening of interest rate differential and strong US dollar. The OPR would have to be adjusted further in 2006 to narrow the interest gap and support the Ringgit exchange rate. Potentially, the OPR may be raised gradually to a maximum 4.0% in 2006. (Economics)*

China

Central Bank rules out yuan revaluation in 2006

Pressure for a yuan revaluation will probably not increase in 2006 as China will take measures to reduce its trade surplus, China's central bank Governor Zhou Xiaochuan was quoted as saying in a report. He also denied that a revaluation of the yuan will be made in January. Zhou also rejected speculation the central bank will widen the 0.3% range that the yuan can trade against the US dollar in the near future, the China Securities Journal said. *(AFP)*

Oil

Crude holds near US$61

Oil held near US$61 a barrel on Tuesday after the Organisation of Petroleum Exporting Countries (OPEC) paved the way for a production cut early next year and forecasters predicted more cold weather in the north-east US. Oil races 3.0% higher on Monday after OPEC moved to pull output within an official 28 million barrels per day limit. Prices gave back some of the gains on Tuesday. US crude stood at US$61.08 a barrel at 1026 GMT, off a high of US$61.50 and down 22 cents. London Brent crude was down 19 cents at US$59.25 a barrel. *(Reuters)*

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