MORNING CALL
KDN PP 11072/9/2005

Mayban Securities
(165630-M)
MALAYSIA EQUITY RESEARCH

Tuesday, 14 June 2005

Results

Berjaya Sports Toto Bhd (RM4.08)

4QFY05 results: Within expectation. 4QFY05 turnover increased 7.7%qoq and 13.9%yoy to RM723.4m. Year-on-year, earnings returned to the black posting a net profit of RM79.3m although this was still some 14.8% lower quarter-on-quarter. For the full year, turnover rose 7.8% to RM2,670.2m while net profit surged 142.7% to RM335.1m. No final dividend was declared although total gross dividend per share for the year amounted to 45sen.

Berjaya Toto: 4Q05 results

FYE Jan	QoQ			YoY		Cumulative		
(RM m)	Jan 05	Oct 04	% chg	Jan 04	% chg	FY05	FY04	% chg
Turnover	723.4	671.6	7.7%	634.9	13.9%	2,670.2	2,477.3	7.8%
Pre-tax profit	114.2	133.4	-14.4%	100.3	13.9%	488.4	438.0	11.5%
Net profit	79.3	93.1	-14.8%	(95.5)	183.1%	335.1	138.0	142.7%
EPS (sen)	6.7	9.6	-30.2%	(10.2)	-166.1%	30.3	14.2	112.5%
Pre-tax margin	15.8%	19.9%	-20.5%	15.8%	-0.1%	18.3%	17.7%	3.5%

Comments:

- **4QFY05 results: Within expectation.** Full year net profit came in 3.6% above our forecast of RM323.3m.
- **Full year core gaming revenue growth of 8% came on the back of four additional draws in FY05 and stronger 4-Digit game sales.**
- **Full year double digit pre-tax profit growth attributed partly to lower prize payout ratio.**
- **Possible boost from launch of I-Perm, however we have not included this into our projections due to uncertainties.**
- **Maintaining fair value of RM4.12 and HOLD call on the stock.**

Quarter-on-quarter: The increase in group revenue of 7.7% was due mainly to higher gaming sales by its principal subsidiary, Sports Toto while group pre-tax profit declined 14.4% due mainly to impairment of goodwill of an offshore subsidiary and the provision of diminution in value of long term investments made during the current quarter. Meanwhile, the principal gaming subsidiary, Sports Toto recorded revenue and pre-tax profit growth of 8.1% and 8.3% respectively attributable principally to two extra draws in 4QFY05 as well as traditionally higher sales from the Chinese New Year festive season which fell in February 2005.

Year-on-year: 4QFY05's core gaming revenue and pre-tax profits (under Sports Toto) posted strong growth of 13.4% and 20.2% respectively. The commendable growth can be attributed to three additional draws in the current quarter as well as the timing of the Chinese New Year which fell in February (4Q) this current financial year as compared to January (3Q) last year. Management has attributed the improving profit margins to a better sales mix during the quarter.

Previous trading day market performance

Indices	Close	+ / -	1-d%	1-m%	ytd %
KL Composite	894.68	4.66	0.5	0.4	-1.4
KL Emas	206.15	1.54	0.8	0.2	-3.8
KL Second Board	91.23	2.12	2.4	-1.9	-17.7
Dow Jones	10,522.56	9.93	0.1	3.8	-2.4
Nasdaq	2,068.96	5.96	0.3	4.7	-4.9
Nikkei	11311.51	7.28051	0.1	2.4	-1.5
Hang Seng	13952.02	17.2602	0.1	0.6	-2.0
Straits Times	2218.86	-1.5699	-0.1	2.2	7.4

Source: Bloomberg

Most Actives (Main Board)	Close	Change	1-d%	Volume (m)
TIME ENGINEERING	0.51	0.15	39.7	24.76
TIME DOTCOM	0.60	0.27	81.8	22.15
FOUNTAIN VIEW	0.62	0.01	1.7	20.73
LEADER UNIVERSAL	0.41	0.04	9.5	12.73
HO WAH GENTING	0.31	0.03	10.7	12.43
PJI HOLDINGS	0.25	0.045	22.0	11.79
MALAYSIAN RE	0.615	0.095	18.3	9.56
IDAMAN UNGGUL	0.335	0.025	8.1	9.35

Source: Bloomberg

KLCI Current PER	
1 Day ago	14.7
1-month ago	14.8

Disclaimer: This report is for information purposes only and under no circumstances is it to be considered as an offer to sell or a solicitation of an offer to buy any securities referred to herein. The information contained therein has been obtained from sources believed to be reliable but such sources have not been independently verified and consequently no representation is made as to the accuracy or completeness of this report and it should not be relied upon as such. Mayban Securities Sdn Bhd and / or its directors may have interests in the securities referred to herein. Any opinions or recommendations contained herein are subject to changes at any time. Please refer the last page of this report for more disclaimers.

For the full year, Sports Toto registered revenue growth of 8% on the back of four additional draws in FY05 and stronger 4-Digit game sales. However, after taking into consideration the additional draws, NFO sales per draw actually grew by a more modest 5.6%. Meanwhile, pre-tax profit for the year rose by 13.8% due partly to a lower prize payout ratio estimated at around 65% as compared to last year's 66.2%.

Prospects and valuation: We are maintaining our FY06 sales per draw growth of 6%, slightly above FY05 as we expect discretionary spending to remain firm this year as well as a return of foreign workers into the country. There may even be a sales boost coming from the launch of I-Perm, BToto's version of Tanjong's highly successful IBox which is pending Government approval. We have not however included the possible revenue and earnings enhancement of the I-Perm on BToto's projected sales due uncertainties. We are therefore **maintaining** our fair value of RM4.12 and **HOLD** call on the stock. **(52w Hi-Low: RM4.36-RM3.32, FV: RM4.12)**

In the news

Khazanah Nasional Bhd

Khazanah in bid for Indonesia's Bank Lippo. According to a report in the Asian Wall Street Journal yesterday, Khazanah Nasional Bhd has emerged as a main contender to acquire a controlling 52.1% stake in Indonesia's PT Bank Lippo. *(Source: AWSJ)*

Comments:

- **Strategy in line with Khazanah's regional diversification plan**
- **Khazanah's second bid for an Indonesian bank**
- **Maybank has denied involvement, but CAHB could be a possible partner.**
- **Pending details, our initial view is positive for Khazanah and possibly offers opportunities for the larger domestic banks**

Increasing Khazanah's regional exposure. Of late, Khazanah has been actively looking at deals within the region as part of its strategy to diversify its investments. A second motivation is the need to increase its investment holdings in the financial services sector, which currently accounts for only 14% of its total portfolio (as at end-May). In addition, Indonesia's financial sector offers attractive acquisition opportunities as foreigners are allowed to gain management control of a bank.

Khazanah already has exposure to the Indonesia banking sector through its 26% shareholding in Commerce Asset-Holding Bhd (CAHB), which owns 62% of PT Bank Niaga. Since CAHB's acquisition of the stake, Bank Niaga has seen an almost fivefold increase in its net earnings from Rp141b in 2002 to Rp660b in 2004 with ROE of above 40%.

Bank Lippo is Indonesia's eighth largest bank while Bank Niaga is the seventh largest in terms of asset size. Bank Lippo however has a broader distribution network of almost 400 branches compared to Niaga's 209 branches.

Second bid after failed attempt for Bank Permata. The bid for Bank Lippo is the second attempt by Khazanah to directly acquire a controlling stake in an Indonesian Bank after the failed bid for a 51% stake in PT Bank Permata last October. Khazanah had teamed up with Maybank to form a consortium for that bid.

Will Khazanah go in alone? Despite being willing to be a co-investor with Maybank in the Permata deal, it remains to be known whether Khazanah will be interested to involve any of the local banking institutions in its bid for Lippo. Last month, Maybank denied news reports that it was bidding for a stake in Bank Lippo. Another possible partner that Khazanah may consider is CAHB, given that the latter already has significant presence in Indonesia as well as following on from plans to transform CAHB into a regional financial group.

At present, the 52% stake in Bank Lippo is held by a consortium led by Swiss financial group Swissfirst AG which acquired the stake in February 2004 and retained the bank's previous management team. The Swiss group had paid USD142m for the stake compared to the current value between USD285m - USD335m)

Telekom Malaysia Bhd (RM10.50)

Proposal to acquire Idea Cellular has lapsed.

- The proposed acquisition by TM International (as part of a consortium with ST Telemedia) of 47.7% of the enlarged equity interest in Idea Cellular has lapsed.
- Aapprovals from the Department of Telecommunications and the Foreign Investment Promotion Board were not obtained.
- Telekom is currently reviewing all its available options in respect of its investment strategy in India and the region.

Comments: Recall that in December 2004, Telekom and ST Telemedia have entered into definitive agreements to acquire a 47.7% stake in Idea Cellular for USD390m or RM1.48bn. Upon completion of this transaction, the consortium would have become the single largest shareholder in Idea Cellular.

Idea Cellular has a subscriber base of 5.36m subscribers (as at May 2005) and a wireless market share of 12.37% in India. It has operations in eight circles in India including Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Delhi, Uttar Pradesh (West), Haryana and Kerala. Besides Idea, there are eight other cellular operators in the country (refer table), which Telekom could have the opportunity to invest in.

We maintain our current forecast on Telekom pending further M&A exercise. The stock is trading at PER05 of 15.5X, based on our forecast EPS05 of 67.7sen. Maintain **BUY (52w Hi-Low: RM12.70-RM9.20, FV: RM12.20)**

India's GSM subscriber base (as at May 2005)

Company	No. of subs. (m)	Market share (%)	Service areas
Bharti Cellular Ltd	11.80	27.23	23
Sharat Sanchar Nigam Ltd (BSNL)	9.88	22.79	21
Hutch Group	8.19	18.89	13
Idea Cellular Ltd	5.36	12.37	8
BPL Cellular Ltd	2.59	5.99	4
Aircel Ltd	1.79	4.12	2
Spice Communications Ltd	1.47	3.38	2
Reliance Telecom Ltd	1.23	2.83	7
Mahanagar Telephone Nigam (MTNL)	1.04	2.39	2
Total	**43.35**	**100**	

Source: Cellular Operators Association of India

Other news

Economics: Domestic Trade and Consumer Affairs Minister, Datuk Shafie Apdal Monday said that the government will look into the possibility of abolishing the subsidy for diesel in stages within the next two to three years. This would be following the steps taken by other countries in the region. Shafie said the market would lose its competitiveness if the industry continued to depend on the subsidy. However, the removal of diesel subsidy would have to be done in stages, particularly for the transportation and fisheries industries both of which were using the bulk of the subsidised diesel. (*Source: Bernama)*

DRB-Hicom: DRB-Hicom Bhd and the government have agreed to appoint an arbitrator to resolve the dispute on the variance order claims for the Ipoh-Rawang electrified double tracking rail project. An independent claims consultant who is acceptable to both parties will be appointed. DRB was the main contractor of the RM2.6b project until last month when it had mutually terminated the contract with the government on grounds of the huge debt owing, including allegedly some RM700m for additional works. UEM Builders Bhd has been appointed by the Transport Ministry to take over and lead the project for an interim period. *(Source: theedgedaily)*

AirAsia pays USD750m for aircraft engines. AirAsia said it will buy 120 engines and nine spare ones for USD750m for the company's firm order for 60 aircraft. AirAsia also signed an agreement for the rights to buy an additional 80 engines and six spares for a further 40 aircraft. The engines are manufactured by CFM International, a company that is controlled by two major aircraft engine manufacturers - Snecma Moteurs of France and General Electric Co. in the U.S. The Airbus A320-200 aircraft, complete with the installed engines, are scheduled to be delivered over a period of up to six years with the first two aircraft scheduled for delivery in December 2005. Further, AirAsia said it is considering various sources of funding, including but not limited to export credit guaranteed borrowings, commercial bank borrowings and sale and leaseback transactions. On 9 May 2005, AirAsia was reported to be in talks with five international lenders to finance its RM14.4b purchase of 60 new Airbus A320 aircraft. *(Source: Bloomberg)*

MISC to merge petroleum tanker business. MISC plans to integrate its petroleum tanker business with that of its wholly-owned unit AET Inc Ltd, a move aimed at consolidating MISC's petroleum operations under one group. The proposed corporate integration will facilitate the establishment of effective control and management by a single corporate group structure, and therefore, enhance the management and operational efficiency of the MISC group's petroleum business. *(Source: BTimes, Bursa Malaysia)*

Kian Joo secures contract worth RM90m. Kian Joo Can Factory has secured more than 300m two-piece aluminium cans for export, valued at about RM90m, a record export volume for the company. It said a similar volume was expected in 2006. The cans in sizes of 250ml, 190ml and 330ml are produced at the plants of its wholly-owned subsidiaries, Kian Joo Packaging Sdn Bhd and KJM Aluminium Can Sdn Bhd. The biggest order came from Saudi Arabia and the UAE, while customers from India, Bangladesh, Thailand, the Philippines, Taiwan and Australia placed regular orders. *(Source: Bernama)*

Government looking to abolish diesel subsidy. Domestic Trade and Consumer Affairs Minister, Datuk Shafie Apdal Monday said that the government will look into the possibility of abolishing the subsidy for diesel in stages within the next two to three years. Shafie said the market would lose its competitiveness if the industry continued to depend on the subsidy. Thailand and Indonesia have already stopped subsidising diesel. However, the removal of diesel subsidy would have to be done in stages, particularly for the transportation and fisheries industries both of which were using the bulk of the subsidised diesel. The government spent around RM2.3b in oil subsidy for the manufacturing and vehicle sector in 2004. *(Source: Bernama)*

Sumatec to buy vessel for RM36.86m. Sumatec Resources Bhd said its wholly-owned subsidiary Semua Shipping Sdn Bhd has agreed to buy a vessel from Kuma Shipping Corp Panama for RM36.86m. The purchase, which will be funded by borrowings, is in line with its plan to expand its marine transportation services business. It said it has received a letter of intent from a Malaysian oil major for chartering the vessel for 7 years. *(Source: Bursa Malaysia)*

Revamp in the air for domestic routes. While a concept paper to restructure the domestic air services sector in Malaysia is being pieced together for presentation to the Government in two to three weeks time, AirAsia Bhd is quick to say that it is ready to take on new frequencies anywhere in the country so long as a B737 aircraft could be used for that. However, contrary to market perception that MAS is unwilling to give up its domestic routes, where sources said it is keen to keep only the key routes. For financial year ended 31 March 2004, PMB incurred RM270m in losses for domestic air services, which is a big jump from the RM150mil incurred a year earlier. According to sources, MAS in its proposal said it wants key routes such as Penang, Langkawi, Kota Kinabalu and Kuching. Last year it carried 8m domestic passengers of whom 20% were international travellers. Keeping the routes would act as a feeder service for its international operations. *(Source: Starbiz)*

Analyst Briefing

Date	Company	Time	Venue	Contact Person & No.	RSVP by
14 Jun 05	Chemical Company of Malaysia Bhd	4.30pm	Nikko Hotel, KL	Melissa @ 03-2612 3855	10 Jun 05
22 Jun 05	Malaysian Oxygen Bhd	2.00pm	Sunway Lagoon Resort Hotel, PJ	Ms. Koh Chooi Peng @ 03-7959 2181 / 2162	13 Jun 05

Note:
This notice is for information purposes only and is not meant as an invitation to the briefing.
If the company is not under Mayban Securities' coverage, we may not be attending the briefing.
Those wishing to attend briefings may contact the company directly to confirm their attendance.

DISCLAIMER

General:

This report is for information purposes only and under no circumstances is it to be considered or intended as an offer to sell or a solicitation of an offer to buy any securities referred to herein. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies discussed or opined in this report. Investors should note that income from such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Past performance is not necessarily a guide to future performance.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Mayban Securities Sdn Bhd and consequently no representation is made as to the accuracy or completeness of this report by Mayban Securities Sdn Bhd and it should not be relied upon as such. Mayban Securities Sdn Bhd and/or its directors and employees may have interests in the securities referred to herein. Any opinions or recommendations contained herein are subject to change at any time.

Investors should understand that statements regarding future prospects may not be realized. This report may include forecasts, which are based on assumptions that are subject to uncertainties and contingencies. The word "anticipates:, "believe", "intends", "plans", "expects", "forecasts", "predicts" and similar expressions are intended to identify such forecasts. Mayban Securities Sdn Bhd is of the opinion that, barring any unforeseen circumstances, the expectations reflected in such forward-looking statements are reasonable at this point of time. There can be no assurance that such expectations will prove to be correct. Any deviation from the expectations may have adverse effect on the financial and business performance of companies contained in this report.

Mayban Securities Sdn Bhd accepts no liability for any direct, indirect or consequential loss arising from use of this report.

Definition of Ratings:

Mayban Securities uses the following rating system:

BUY	Price appreciation in excess of 10% expected in the next 12 months
SELL	Price depreciation in excess of 10% expected in the next 12 months
TRADING BUY/SELL	Significant price movement expected in the next 3-months arising from positive/negative newsflow. Eg:- Mergers and acquisition, corporate restructuring, and potential of obtaining new projects.
AVOID	Uncertainty in newsflow.

Applicability of Ratings:

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

Some common terms abbreviated in this report (where they appear):

P = price
PE/PER = price earnings/ PE ratio
PEG = PE ratio to growth
FV = fair value
BV = book value
EV = enterprise
DCF = discounted cashflow
FCF = free cashflow
CAGR = compounded annual growth rate
WACC = weighted average cost of capital

PBT/PAT = Profit before tax/Profit after tax
NTA = net tangile asset
NAV = net asset value
EBIT= Earnings before interest, tax
EBITDA= EBIT, depreciation and amortisation

ROE = return on equity
ROA = return on asset
ROS = return on shareholders' funds
EPS = earnings per share
DPS = dividend per share

mom= month-on-month
yoy = year-on-year
qoq = quarter-on-quarter
ytd = year-to-date
FY/FYE = financial year/ financial year end
value CY = calendar year
capex = capital expenditure
adex = advertising expenditure
p.a = per annum

Mayban Securities

Published and Printed by Mayban Securities Sendirian Berhad
(A Wholly Owned subsidiary of Malayan Banking Berhad and A Participating Organisation of Bursa Malaysia Securities Berhad)
7th floor, Mayban Life Tower, Dataran Maybank, No.1 Jalan Maarof, 59000 Kuala Lumpur.
Telex:MA 20294 MAYSEC. Fax: 03-2282 5136. General Line: 03-2297 8888