

18 September 2006

Good Morning from DB

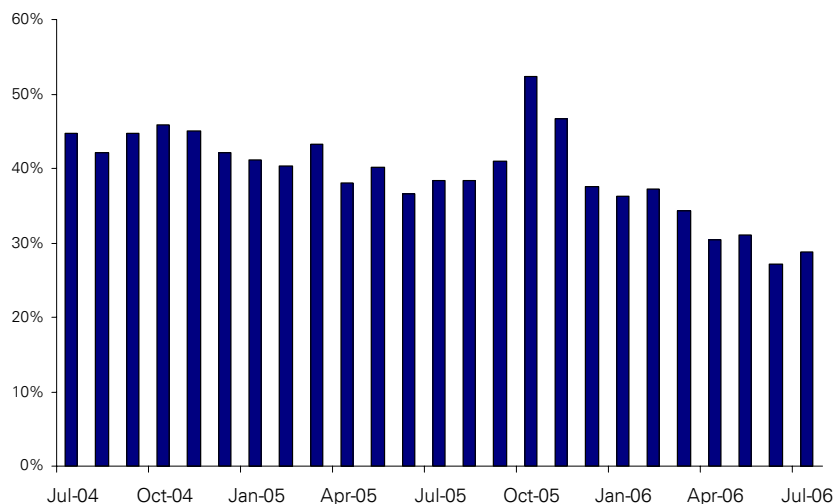
Proton signs Lol with Peugeot

Good morning!

Over the weekend, it was revealed that Proton (PROH MK, RM4.90, Buy, TP RM7.30) signed a Letter of Intent (Lol) with France's Peugeot Citroen to study possible cooperation. The study is expected to last several months and will focus on diverse areas such as product development, manufacturing, quality initiatives, vendor development, contract assembly and distribution. While we think this is a step in the right direction, it is too early to celebrate because this Lol seems rather preliminary. Remember Proton has signed similar exploratory agreements with Mitsubishi Motors Corp, China's Jinhua Youngman Automobile Group and Chery Automobile Co with not much tangible results so far in our opinion. On the bright side, Proton has seen a m/m pickup in its sales volumes in July and August, partly due to the launch of its Satria Neo. Have a good week ahead. Joe

Snippets:

Figure 1: Chart of the day: Proton monthly passenger car market share



Source: Malaysian Automotive Association

Morning Summary

Number of the Day

140

The selling price in RM million of Sheraton Subang. The property has been sold to Hong Kong based Far East Consortium International Ltd. (source: The Sun)

Market & Currency performance

	Last	3M	12M
FBM 100	6201.88	8.0%	4.5%
FBM EMAS	6215.13	7.9%	4.8%
MYR/US\$	3.6735	0.6%	-2.5%
Turnover (US\$m)	185.4	198.2	172.6

Key Economic Forecasts

	2005A	2006F	2007F
GDP%	5.3	5.5	4.6
CPI%	3.1	3.9	2.8
	3M	6M	12M
MYR/USD	3.59	3.56	3.50
OPR	3.75	3.50	3.50

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Snippets

- EPF may raise its bid for **Rashid Hussain Berhad (RHB)** shares held by the **Utama Banking Group (UBG)** after the initial bid, which was believed to be between RM1.50 to RM1.80 per share. UBG holds 32.9% of RHB. Elsewhere, **Bank of Nova Scotia** has denied bidding for the RHB. (source: BTimes)
- **YTL Corp** has won a US\$100m bid to build 15 resort residences on Singapore's Sentosa Island. (source: The Star)
- **Maxis's** Indian unit, **Aircel**, has regained its No1 position in Chennai in August. Aircel operates in 6 circles and has 3.2m subscribers. Maxis plans to invest RM1.1bn to expand Aircel's coverage by securing licenses for one more circle and another RM1.7bn in capex to expand network coverage in existing circles. (source: The Edge Weekly)
- **POS Malaysia** closed at an all-time high of RM4.92 after **Khazanah** filed its stake of 28.11% on September 12. Investors are looking to Khazanah to distribute dividends from the cash flush postal company. (source: The Edge Weekly)
- **Genting** has up its stakes in Landmarks from 16.66% to 24.38% over the past month. There has been no disclosure as to who were the sellers. **Landmarks'** management continues to be led by **North Symphony**. There has been no clear indication if the proposed REIT involving Sg Wang Plaza and Andaman Resort will be implemented. (source: The Edge Weekly)
- **QSR** is not backing down on its conditional MGO in **KFC Holdings** for RM4.94. Analysts have advised investors to reject the offer and hold on to their shares based on fundamentals of the company and expectations that its performance is likely to improve after the end of the boardroom tussle in parent company, QSR. (source: The Edge Weekly)
- The Energy Commission has proposed to all independent power producers to work under a system whereby power is despatched from the least-cost producer. If the proposal is accepted, **YTL Power's** "take or pay" clause in its power purchase agreement will no longer be effective. (source: The Edge Weekly)
- **Proton** announced yesterday that it has signed a letter of intent with France's **PSA Peugeot Citroen** to study possible cooperation in areas such as product development, manufacturing, quality initiatives, vendor development, contract assembly and distribution. (source: BTimes)

Figure 2: Top Picks

Company	BB Code	Market Cap	Rec	15-Sep-06			EPS		PER FD	EPS growth		EPS Divi Yield	
				Price	Target Price	Upside	2006F	X		2006F	2007F	2006F	2007F
		US\$m		RM	RM	%	RM	RM		%	%	%	
TOP BUYS													
Tenaga Nasional	TNB MK Equity	10,539.5	Buy	9.35	11.8	26.2	0.42	22.1	75.0	-14.4	1.4	2.0	
MISC*	MISF MK Equity	8,607.2	Buy	8.50	9.50	12.5	0.68	12.4	-14.5	6.0	3.5	3.8	
Bumi-Commerce	CAHB MK Equity	5,540.7	Buy	6.45	7.90	22.5	0.40	16.1	37.1	29.9	1.7	2.2	
Astro*	ASTR MK Equity	2,519.4	Buy	4.80	6.00	25.0	0.15	32.0	26.9	24.7	1.5	1.9	
KLK	KLK MK Equity	2,153.0	Buy	11.10	13.25	19.4	0.65	17.1	12.6	26.8	2.9	3.1	
IGB	IGB MK Equity	589.8	Buy	1.48	2.08	40.5	0.09	16.3	22.1	4.7	1.4	1.4	
TOP SELLS													
Malaysia Airlines	MAS MK Equity	1,057.6	Sell	3.10	1.80	-41.94	-0.46	nm	nm	nm	-	-	
AirAsia*	AIRA MK Equity	958.2	Sell	1.50	1.17	-22.00	0.06	24.3	17.1	33.6	0.7	1.3	
Gamuda	GAM MK Equity	820.2	Sell	4.00	3.00	-25.00	0.20	20.0	-36.5	18.2	3.0	3.0	
NSTP	NST MK Equity	101.7	Sell	1.72	1.50	-12.79	-0.06	nm	nm	9.6	2.3	2.3	

*Forecasts are for FY07 & FY08
Source: Deutsche Bank

Appendix 1

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Equity rating key Equity rating dispersion and banking relationships

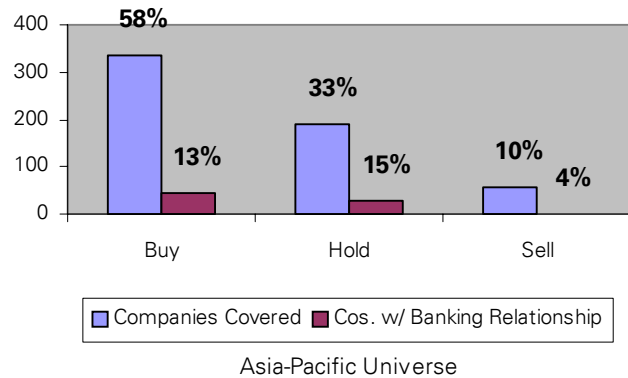
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