

**Tuesday, 28 December 2004**

**Listing today**



**IPO: D&O Ventures Bhd**

Counter : Second Board  
 IPO price : RM0.38  
 Enlarged share capital : 730m  
 Public issue : 36.5m shares  
 Par value : RM0.10  
 Listing PE : PER05 11.9x  
 NTA/share post listing : RM0.18  
 Nature of business : The principal activities of D&O are investment holding and provision of management services, via its wholly-owned subsidiary, Omega is principally in the provision of a full range of contract manufacture of semiconductor component which are supplied mainly to multinational corporation (s) [MNC(s)] engaged to semiconductor products.

The manufacturer and assembly of semiconductor component are primarily undertaken by Omega under an original equipment manufacturer (OEM) contract manufacturing arrangement and 'Captive line' arrangement, which could involve the full consignment of manufacturing equipment.

**In the news**

**Ranhill Bhd (RM6.75)**

**Building up its power unit.** Ranhill Bhd plans to increase the power generation capacity to 1,000MW in the next years. The group's power unit, Ranhill Powertron Sdn Bhd, will increase its 120MW open-cycle gas turbine in Teluk Salut in Sabah to 190MW combined-cycle gas turbine plant.

On its oil & gas venture, Ranhill plans to increase the gas field's production to 25mscfd from the current 10mscfd in its 49%-owned Ellipse Energy Jatirarongan Wahana Ltd, a marginal gas field operator in Indonesia.

On the overseas front, Ranhill is bidding for the three contracts and expects the results to be out by next month. The contracts are:

1. Oil processing facility in the Iraq-Kuwait border worth RM760m;
2. Oil & gas construction job in Sudan worth RM1.14b;
3. Iraq hospital project worth RM76m.

**Previous trading day market performance**

Indices	Close	+ / -	1-d%	1-m%	ytd %	Most Actives (Main Board)	Close	Change	1-d%	Volume (m)
KL Composite	906.89	-0.31	-0.03	-0.21	14.23	PSC INDUS BH	0.99	0.21	26.11	13.19 KLCI Current PER
KL Emas	213.34	-0.13	-0.06	-0.40	9.09	FOUNTAIN VIE	5.00	0.06	1.21	9.46 1 Day ago 15.2
KL Second Board	109.63	0.00	0.00	-2.44	-22.05	SUREMAX GROU	1.16	0.01	0.87	8.67 1-month ago
Dow Jones	10,776.13	-50.99	-0.47	2.43	3.08	SEAL INC BER	1.13	0.00	0.00	6.81
Nasdaq	2,154.22	-6.40	-0.30	2.46	7.53	MEDA INC BHD	0.29	0.01	1.79	6.14
Nikkei	11,362.35	-3.13	-0.03	4.88	6.42	SANBUMI HOLD	0.48	0.01	2.13	6.02
Hang Seng	14194.9	-40.4	-0.28	2.158	12.873	SETRON MALAY	0.39	0.09	30.00	5.58
Straits Times	2050.99	-4.5701	-0.22	1.112	16.235	FA PENINSULA	1.45	-	0.00	5.42

Source: Bloomberg

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On the local front, Ranhill is banking on another three projects to grow its existing order book of RM1.6b, which are:

1. Women and Child hospital (RM800m);
2. Senai-Desaru highway (RM1.0b);
3. Powertron's power plant (RM280m).

(Source: BT)

**Comments:** Ranhill's strategy is to grow its secured recurring income base to buffer the cyclical construction earnings. The power division contributed approximately 15-20% of revenue and we believe Ranhill plans to raise this nearer to the 30% level. Besides upgrading of Powertron's plant, Ranhill is looking to venture into India's power sector via the acquisition of a 64%-stake of Nagarjuna Power Corporation Ltd, which we believe is pending due diligence.

We remain neutral on Ranhill's bid for overseas projects as we believe its risk profile will increase should Ranhill participate in projects in high-risk countries such as Iraq and Sudan. Otherwise, its bid on the local projects appears promising as we expect Ranhill to secure at least two of the projects i.e. Senai-Desaru highway and Powertron plant to raise its order book to approximately RM2.8b. Pending confirmation on these projects, we maintain our **HOLD** recommendation on the stock. **(52w Hi-Low: RM8.85-RM6.10, FV: RM7.40)**

### RHB Capital Bhd (RM2.28)

**RHB Capital to issue bonds.** RHB Capital (RHBC) proposes to issue RM500 million Serial Fixed Rate Bonds with an over-allotment option for up to a further RM100 million, on a fully subscribed basis. The bonds will be issued early January 2005 after all conditions precedent for issuance of the Bonds have been met. The Bonds shall be redeemed at 100% of its nominal value on the maturity date. The bonds will be assigned a long-term rating of A2 on issuance by Rating Agency Malaysia Berhad (Source: Bursa Malaysia)

**Comments:** We are positive on this latest development as it will allow RHBC to reduce its reliance on short term bank borrowings and allow the company to redeem its existing RM200 million bond that is due to mature in 2009, which carries a higher interest rate. In addition, the bond issue will enable RHB Capital to lock-in fixed rates in the current low interest rate regime.

The financial covenants of the bond issue stipulates that RHB Capital will ensure that the gearing ratio will not exceed 0.75 times without the Trustee's approval and minimum interest coverage ratio of 1.5 times. We maintain a BUY on the stock with fair value of RM2.70. **BUY (52wk Hi-Low: RM2.77-RM1.75; FV: RM2.70)**

### Proposed utilisation of proceeds

Description	RM'000
1. To refinance bank borrowings	200,000*
2. For early redemption of the RHB Capital '09 Bonds (estimated)	220,000
3. To finance issuance expenses	1,138
4. For general working capital requirements	72,56**
<b>Total</b>	<b>493,705^</b>
* if the over-allotment option of RM100 million is exercised, the over-allotment monies will be split equally between (i) and (iv)	
** this amount shall be adjusted based on the total net proceeds received	
^ this is an approximate amount based on an issue at discount and the final total net proceeds shall be confirmed upon determination of the bought deal rate and if the over-allotment option is exercised	

Source: BursaMalaysia

**RHBC's Borrowings as at 30 September 2004**

	As at 30 Sept 2004
	RM'000
Secured:	
Revolving credits	286,500
Term Loan	240,000
Unsecured:	
Revolving credits	122,200
Overdraft	12,101
Redeemable Serial Fixed Rate Bonds 2002/2007	500,000
7.5% Bonds 2003/2009	200,000
	<u>1,360,801</u>

Source: Company data

**AMFB Holdings Bhd (RM6.25),  
AMMB Holdings Bhd (RM3.30)**

**AMFB shareholders may get higher cash payout.** The minority shareholders of AMFB Holdings Bhd (AMFB) may get a higher cash payout of RM3.90 a share as opposed to the RM3.12 announced earlier as part of AMFB's privatisation scheme. This would mean an additional 78 sen a share, with the payout expected to be made in March next year.

AMMB had in February proposed to buy the balance 35.7% equity interest in its finance arm, AMFB, for RM1.36bil or RM7.20 a share, to be satisfied by the issue of one new AMMB share valued at RM4.08 plus RM3.12 cash for every AMFB share held. (Source: StarBiz)

**Comments:** Although the news is unconfirmed at this stage, the revision will be positive for the minority shareholders as it will adjust the valuation of the deal back to RM7.20 a share or RM1.36bil in total. Since the announcement of the privatisation scheme, since the share price of AMMB has since fallen by 19% to RM3.30 as of 27 December. This would have valued the deal at only RM6.42 per share (1 AMMB share at RM3.30, plus the RM3.12 cash offer).

The scheme also involves the listing of its investment arm, AmInvestment Group Bhd (AIGB). Both deals are inter-conditional. AMFB minorities have the option to buy AIGB shares on the basis of 1-for-5 at RM1.40 each. AIGB should be listed on Bursa Malaysia by end-April.

**AMFB Hldg. HOLD (52w Hi-Low: RM7.10-RM5.35, FV: RM6.90)**

**AMMB Hldg. HOLD (52w Hi-Low: RM4.22-RM2.80, FV: RM3.65)**

## Other news

**KFC sells 27 restaurant outlets to Amanah Raya.** KFC Holdings will dispose of 25 KFC and two Pizza Hut outlets to Amanah Raya Bhd for around RM55m and lease back the properties for 10 years at 7.1% return per annum, enabling KFC to realise a gain of more than RM10m. The cash from this deal will be used to redeem part of KFC's RM300m Islamic bonds, which starts to mature this year up to 2008. The sale and lease back exercise is in line with the company's plan to focus on its core restaurant business. (Source: *Business Times*)

**Star Cruises diverts ships from Phuket to Langkawi.** Star Cruises has temporarily diverted its ships SuperStar Virgo and SuperStar Gemini, which are due to call at Phuket on Tuesdays and Mondays respectively, to Langkawi following damage and destruction in parts of the island caused by the tsunami. (Source: *Theedgedaily*)

**Fraser & Neave:** F&N is setting up a subsidiary in Thailand to support its glass manufacturing activities there. The glass operations in Thailand is named Siam Malaya Glass (Thailand) Co Ltd (SMG). Investments of RM125.4m will be funded by equity and borrowings and. The new glassworks factory is expected to produce 70,000 tonnes of glass products for sale in Thailand and overseas, and is expected to complete in February 2007. Thai Asia Pacific Brewery is expected to enter into a procurement and supply agreement with SMG to purchase glass bottles. (Source: *Business Times*)

**MAA's RM120m 6-year structured serial bond at A- reaffirmed by MARC .** The rating reaffirmation reflects the financial strength of the life and general insurance funds of its main subsidiary Malaysian Assurance Alliance Berhad (MAA) and the support provided by the Revolving Credit (RC) Facility to meet coupon and principal payments in the event of a shortfall. (Source: *Bursa Malaysia*)

**Southern Acid net RM1.3m earnings in 1H05.** Higher sales from its manufacturing and plantation divisions contributed to the increase in turnover. Nevertheless, earnings were adversely affected by poorer results from its oleochemical division. Higher raw materials and fuel costs in the current quarter against the corresponding period last year, coupled with the group's restricted ability to transfer these increased costs to its customer in the form of higher selling prices has adversely affected its margins. (Source: *Bursa Malaysia*)

**Petronas refuelling facility hit by Tsunami.** Petroliam Nasional Bhd's (Petronas) floating refuelling facility in Kedah was damaged after being hit by two yachts due to tsunami that resulted from the undersea earthquake off Sumatra. The facility, located at the Telaga Harbour Park in Pantai Kok, Langkawi, had the valves to its dispensing units immediately shut off and electrical supply isolated after the incident. None of its other onshore and offshore facilities and installations throughout the country were affected by the tsunami waves. (Source: *Theedgedaily*)

**Petronas:** Swedish oil exploration company, Lundin Petroleum, said that drilling in the Munir block in Iran had failed to yield commercially viable amounts of hydrocarbons. Lundin has a 30% stake in the block, operator Edison International of Italy has 40% and Petronas Carigali Overseas 30%. It is likely that these reservoirs contained hydrocarbons but were subsequently breached by tectonic events allowing hydrocarbons to escape through faulting. (Source: *Reuters*)

**John Hancock Life changes name to Manulife.** John Hancock Life Insurance (M) Bhd will be traded and quoted under the new name, Manulife Insurance (Malaysia) Bhd and new short stock name, MANULFE, with effect from Dec 28. The company's stock number 1058 remained unchanged. (Source: *Theedgedaily*)

**Fotronics heads for listing on Mesdaq Market.** Technology design house Fotronics Corporation Bhd plans to issue 50.74m shares of 10 sen at an issue price of RM1.00 each in its upcoming flotation exercise, which will make it one of the largest listings on the Mesdaq market. Fotronics, a foreign-owned company on Bursa Malaysia, expect to launch its prospectus in the first quarter of next year. (Source: *Theedgedaily*)

**PDZ expands fleet.** PDZ Holdings Bhd plans to acquire two container vessels of 600 TEUs capacity in 2005 as it looks to expand its regional network to Korea, the Middle East and other parts of China. The purchase of the vessels would increase PDZ's fleet capacity to 4,000 TEUs. The purchase would be financed via internal funds and borrowings. (Source: *Theedgedaily*)

## Analyst briefing

Date	Company	Time	Venue	Contact Person & Number	RSVP by
29-Dec-04	Megan Media Bhd*	4.30pm	Concorde Hotel, KL	Ms. Macy Thong at 03-56373995	28-Dec-04
10-Jan-05	QL Resources Bhd (Company Visit)	10.00a.m	QL Resources, Klang	Ms. Yeoh Chee Hong at 03-22978686	31-Dec-04

\* New addition

**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.

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Mayban Securities uses the following rating system:

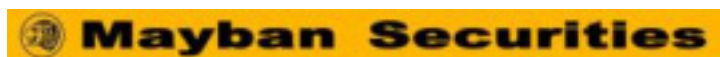
<b>BUY</b>	Price appreciation in excess of 20% expected in the next 12 months
<b>SELL</b>	Price depreciation in excess of 20% expected in the next 12 months
<b>TRADINGBUY/SELL</b>	Significant price movement expected in the next 3-months arising from positive/negative newsflow. Eg:- Mergers and acquisition, corporate restructuring, and potential of obtaining new projects.
<b>AVOID</b>	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	PBT/PAT = Profit before tax/Profit after tax	mom = month-on-month
PE/PER = price earnings/ PE ratio	NTA = net tangible asset	yoy = year-on-year
PEG = PE ratio to growth	NAV = net asset value	qoq = quarter-on-quarter
FV = fair value	EBIT = Earnings before interest, tax	ytd = year-to-date
BV = book value	EBITDA = EBIT, depreciation and amortisation	FY/FYE = financial year/ financial year end
EV = enterprise		value CY = calendar year
DCF = discounted cashflow	ROE = return on equity	capex = capital expenditure
FCF = free cashflow	ROA = return on asset	adex = advertising expenditure
CAGR = compounded annual growth rate	ROS = return on shareholders' funds	p.a = per annum
WACC = weighted average cost of capital	EPS = earnings per share	
	DPS = dividend per share	



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 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