

ORIENT FINANCE

SUMMARY OF ASIAN MARKETS

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| INDICES | 31/05/2009 | 30/06/2009 | % CHANGE |
|----------------------------------|------------|------------|---------------|
| MSCI AC FAR EAST EX JAPAN | 360.76 | 359.48 | -0.36% |
| HONG KONG & CHINA | | | |
| Hang Seng | 18171.00 | 18378.73 | 1.14% |
| Red Chips | 3787.49 | 3820.14 | 0.86% |
| H-Shares | 10428.19 | 10962.61 | 5.12% |
| Shanghai A-Shares | 2763.54 | 3106.59 | 12.41% |
| KOREA | | | |
| Kospi | 1395.89 | 1390.07 | -0.42% |
| Kosdaq | 528.80 | 485.15 | -8.25% |
| TAIWAN | | | |
| Taiex | 6890.44 | 6432.16 | -6.65% |
| SINGAPORE | | | |
| Straits Times | 2329.08 | 2333.14 | 0.17% |
| THAILAND | | | |
| SET Index | 560.41 | 597.48 | 6.61% |
| MALAYSIA | | | |
| Kuala Lumpur Composite | 1044.11 | 1075.24 | 2.98% |
| INDONESIA | | | |
| Jakarta Composite | 1916.83 | 2026.78 | 5.74% |
| PHILIPPINES | | | |
| Philippines Composite | 2389.31 | 2437.99 | 2.04% |
| INDIA | | | |
| Sensex 30 | 14625.25 | 14493.84 | -0.90% |

CURRENCIES

| VS EURO | 31/05/2009 | 30/06/2009 | % |
|-------------------|------------|------------|---------------|
| HK \$ | 10.98 | 10.95 | 0.26% |
| CHINESE RENMINBI | 9.67 | 9.65 | 0.20% |
| KOREAN WON | 1774.02 | 1800.26 | -1.48% |
| TAIWANESE \$ | 45.68 | 46.29 | -1.35% |
| SINGAPORE \$ | 2.04 | 2.04 | 0.09% |
| THAI BAHT | 48.59 | 48.11 | 0.98% |
| MALAYSIAN RINGGIT | 4.90 | 4.96 | -1.25% |
| INDONESIAN RUPIAH | 14647.30 | 14425.20 | 1.52% |
| PHILIPPINES PESO | 67.09 | 68.01 | -1.37% |
| INDIAN RUPEE | 66.71 | 67.77 | -1.59% |

| VS US\$ | 31/05/2009 | 30/06/2009 | % |
|-------------------|------------|------------|---------------|
| HK \$ | 7.75 | 7.75 | 0.03% |
| CHINESE RENMINBI | 6.83 | 6.83 | -0.02% |
| KOREAN WON | 1255.25 | 1273.80 | -1.48% |
| TAIWANESE \$ | 32.63 | 32.81 | -0.57% |
| SINGAPORE \$ | 1.44 | 1.45 | -0.14% |
| THAI BAHT | 34.32 | 34.06 | 0.77% |
| MALAYSIAN RINGGIT | 3.49 | 3.52 | -0.70% |
| INDONESIAN RUPIAH | 10295.00 | 10207.50 | 0.85% |
| PHILIPPINES PESO | 47.38 | 48.14 | -1.60% |
| INDIAN RUPEE | 46.95 | 47.97 | 2.18% |

GENERAL FACTORS AFFECTING ASIA AS A WHOLE

Asian markets were mixed in June. Chinese A-shares, Thailand and Indonesia outperformed, while Taiwan and the Kosdaq underperformed as profit taking emerged. However, the Asian stocks strongly outperformed other markets year to date (1H09).

US Fed stressed that low interest rates will be maintained for an extended period of time; it is sticking to the bond buying plan, while US housing market continued to see price slump and volume gain in May. Also, May US durable goods orders came in better than expected, up for the second month by 1.8% MoM, primarily thanks to a 68% jump in commercial airplane orders. US personal income rose 1.4% MoM thanks to enormous government transfer totalling US\$163bn, including a one-off social security payment. The OECD raised 2009 GDP growth expectation for China from 6.3% to 7.7%, while the World Bank had already raised its estimates from 6.5% to 7.2%. Also the IMF may revise up several Asian countries estimates. The weakness of the US dollar might extend, as its status as a reserve currency continues to be questioned.

Several worries about 2H09 have weighed on the markets globally, as the benefits of liquidity injections, tax cuts and public works will likely fade as some countries will have less leeway. The recovery looks fragile, as evidenced by the impact on business sentiment in some countries from concerns that rising commodity-driven, cost-push inflation could erode corporate profitability. Also increasing global unemployment may hit consumption appetites.

Crude oil prices rose in June, they have rebounded some 80% from its December 2008 low, prices were around US\$70 per barrel, despite concerns that the global economic recovery will be slow to gather strength. Opec has averted a much feared collapse of the oil price. The Baltic Dry Index was volatile in June, but remained above 3,500 points for almost all the month of June.

And hopefully, by the time that Mr Madoff is out of jail in 150 years, all these famous "green shoots" (!?) will have become leafy trees.

HONG KONG / CHINA

The HSI edged up 1.1% to 18,379 in June while H shares were up 5.1% to 10,963. HK/China stocks were mainly driven by strong liquidity inflow, better-than-expected Chinese economic figures and positive sentiment in the A share market. PBOC governor expects that the Chinese economy is on track to achieve 8% yoy growth this year. Investors remain confident that the global economy has bottomed in 1H09 and the outlook will improve in 2H09.

Shanghai Composite Index was up 12.4% in June to 2,959, the highest in a year. The resumption of domestic IPOs did not concern the domestic investors as it is expected the size of the upcoming issues will be small. Shanghai A shares have appreciated by 62.5% year-to-date.

On the macro side in China, another set of good figures: the PMI and CLSA PMI showed 53.1 and 51.2 versus 53.5 and 50.1 in April. PPI and CPI still showed deflation: -7.2% and -1.4% slightly lower than expected (-6.6% and -1.5% in April). Fixed Asset Urban Investment was again Impressive, at 33% (31% expected and 30.5% in April). Trade Balance put out another surplus of \$13.4bn with -26% exports and -25 imports yoy. MK2 growth stayed at a high level of 15.2% (15% in April) just as Retail sales did: +15.2%. Industrial Production growth of 8.9% was even higher than April (7.3%). Industrial profit year to date showed contraction of 23%, much lower than April's 37% yoy. On the Hong Kong side the picture was less impressive. Retail sales contracted 4.4% yoy in April (-8% in March). 1Q Industrial production -10.2% same contraction as Q4 08 (-10.6%). 1Q PPI and CPI showed deflation is still exerting pressure: -1.4% and 0% yoy (+3.9% and +0.6% in Q4 08). 1Q Current account surplus was cut in half yoy to 40bn HK\$ but trade balance improved to 11bn HK\$ deficit (16bn HK\$ deficit in Q4). The May budget showed a deficit of 10bn HK\$. We finished the month with a nice rebound in M2 growth to 8.2% from 3.9% in April.

Corporate news:

- The National Development and Reform Commission increased retail prices for gasoline and diesel by Rmb600 per ton on 30 Jun. The change represents a rise of around 8% to 10% over current average ceiling prices of Rmb6,930 per ton for gasoline and Rmb6,190 per ton for diesel. This followed an increase of 6% to 7% in gasoline and diesel prices made on 1 Jun.
- Chinese IPPs outperformed as coal contract price likely to settle at 4% yoy increase. Also, electricity demand is set to recover in June and in 2H09 as we enter into the peak summer months. China Resources Power (+6.3%) reached agreement with coal producers in Shandong and Henan with contract prices up only 4%. Sentiment for IPPs improved as market expected coal producers in other provinces will follow, despite weak May 09 power generation figures. Huaneng Power +7.1%, Datang +19.8%. Huadian +14%.
- HK Property sector were mixed on profit-taking. While HK property market remained resilient, property stocks were generally down on profit-taking. Cheungkong lost 7.0%, Henderson Land dropped 5.0%, and Sino Land lost 10.7% while New World Dev was down 4.0%. SHKP + 0.3% and Wharf was up 2.3%. Even though Centaline announced end of month that HK residential prices appreciated +19% year to date.

- China property stocks continued to rally on strong presales and higher prices. Despite share placement by a few developers including Hopson Shui On Land ZhongAn and KWG sentiment remained positive for the sector. Pre-sales remain strong in most cities and developers have started to replenish their landbank. CC Land (+17.8%), China Overseas Land (+10.2%), Shimao and Agile (+17.3%) were amongst the best performers within the sector. Guangzhou R&F was down 0.7% due to concerns over its gearing.
- Chinese banks sector outperformed on continued positive macro data and improving NIM and NPL trends, helped by ample liquidity as PBOC has pledged to maintain a moderately loose monetary policy. China Construction Bank +19.2%, Bank of Comm +21.7%, ICBC +10.7% and China Citic Bank +16.4% were the best performers.
- China Automobiles sector underperformed on profit-taking despite strong car sales in May. Dongfeng Motor's parent was reported to acquire 20% stake in a subsidiary of Taiwan's Yulong Motor and co-operate with Detroit Electric Holdings in technical studies on electric vehicles. Dongfeng dropped 12.1% and Geely was down 6.7%. Denway (-17.1%) underperformed as the company benefited less from the reduction of car purchase tax for smaller vehicles. Brilliance (+21.6%) outperformed as BMW was added to the Chinese government's purchase list and there were rumors of restructuring with First Auto Works (FAW). Weichai was down 11.7% as its competitor Sinotruk (-16.9%) issued profit warning for 1H09 result.
- Cement sector underperformed on profit-taking. CNBM was down 11.1% while Anhui Conch -12.8%.
- Steel sector outperformed on price hikes despite poor results expected for 1H09. Angang Steel was up 11.8% while Magang was up 14.0%.
- Chinese sportswear sector outperformed as retail sales have been improving and same-store-sales growth is recovering. Li Ning gained 20.4% and China Dongxiang was up 19.8%. Anta (+14.0%) announced it had entered into a strategic alliance agreement with the Chinese Olympic Committee (COC), appointing Anta as the 2009-2012 Sportswear Partner of COC and the official partner of China Sports Delegation.
- Chinese Telecom sector outperformed on strong growth in May subscribers. China Telecom (+6.0%) and China Unicom (+8.0%) outperformed China Mobile (+2.5%) as May subscriber figures showed a rebound for China Telecom while China Mobile was losing market share.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|----------------|-------|----------------|--------|
| HSCEI | BANK OF COMMUN | 21.71 | CHINA COM | -15.49 |
| | DATANG INTL | 19.80 | CHINA SHIPPING | -14.40 |
| | CHINA CONST | 19.25 | CHINA COSCO | -12.92 |

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|----------------|-------|---------------|--------|
| HSI | BANK OF COMMUN | 21.71 | COSCO PAC LTD | -16.86 |
| | CHINA CONST | 19.25 | ESPRIT HLDGS | -12.18 |
| | CHINQ SHENHUA | 10.87 | SINO LAND CO | -10.71 |

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|------------------|-------|-----------------|--------|
| HSCCI | CNPC HONG KG LTD | 18.30 | DENWAY MOTORS | -17.11 |
| | CHINA POWER INTE | 16.90 | SINOTRUK HK LTD | -16.92 |
| | CHINA INSURANCE | 13.10 | COSCO PAC LTD | -16.86 |

KOREA

The Kospi finished the month of June almost flat, while Kosdaq fell 8% on profit taking (following three months of serious rally). It seemed at the beginning of the month that tension with North Korea was rising sharply but as of now, that tension has passed and investors look not overly worried. It is rumoured that the youngest son of Kim Jong-Il (Kim Jong-Un) may inherit the leadership of North Korea soon, amid renewed speculation about Kim Jong-Il's health. Some foreign brokers became positive on Korean stocks pointing out that the Won slump against the \$ made stocks more attractive. We started the month with some positive news as it was reported at beginning of the month that Korea's GDP grew +0.1% from previous quarter to -4.2%. Korea's jobless rate rose in May to 3.9% from 3.7%. Sentiment further improved as Korea's bank lending households climbed in May for a fourth month on increased demand for mortgages. The BOK left rates unchanged at record-low 2% on 11th June. As expected, May industrial production (IP) grew MoM again, backed by strong tax cuts on retail sales. We see three major positives in the brisk IP recovery seen in 2Q. First, YoY declines in shipments of domestic, retail oriented products slowed from 7.8% in April to 3.5%. Second, the cyclical component of the coincident index maintained MoM growth. Third, the inventory/shipment ratio declined to 97.5% from 100.8% in April. We remain cautious in our 2H view, however, for the following reasons. First, demand will likely ebb from July as the benefits of the special consumption tax cut fade in 2H. Second, despite the release of strong pent-up retail demand, overall domestic-demand shipments remained sluggish in May -9.7% YoY as shipments of machine tools and metals remained weak and export shipments fell more YoY in May. Third, new construction orders fell 18.5% in May, worse than April's 8% decline, as public-sector orders were unable to make up for sluggish

private-sector order. Given the uncertainty surrounding 2H, it is unlikely that Korea's monetary authorities will change their neutral stance. The IMF announced that Korea's eco probably has bottomed out along with OECD forecasting that Korean eco may expand 3.5% in 2010 and may shrink 2.2% this year. Positive news continued on the macro side with Korea posting a C/A surplus for a 4th month in May. The cyclical component of the coincident index posted a third consecutive month of MoM gains in May, rising 0.3%, albeit down from April's 1.1% MoM. June survey of manufacturers by the Bank of Korea suggests that the recovery in business sentiment is starting to slow.

Corporate news:

- LG Display April panel shipment reached a monthly record high on back of set makers' inventory restocking, amid a rising demand for 32" or less sized TV in China. The company will invest W50bn in solar cell biz & invest in pilot production line.
- Samsung Electronics, Sharp won ruling to stop SEC's products from being imported into the US as it infringes 4 of Sharp's patents. Sharp also requested the ban of other displays as well. Separately, SEC expects higher handset shipments in 2Q than 1Q. And Handset market to improve in 2H from 1H.
- Hynix rose in June on two local brokers comment that 2Q earnings to beat consensus as operating loss to be much less than expected. While consensus operating loss of -W259bn, the new forecasts are operating loss of below -W200bn of -W179bn & -W180bn due to DRAM industry recovery. Meanwhile, company to record net profit for the first time in 7 quarters due to F/X related gains.
- LG Electronics expects to 3x M/S in China driven by demand for handsets and new high speed wireless networks this yr. Co's M/S was 2% last year. LGE may post record earnings in 2Q09 with sales, operating and pre-tax profits reaching KRW14.6t, KRW966b, and KRW1.1t, respectively, according to our analyst.
- Seoul Semi rises to 4th rank in the global LED market according to IMS Research.
- Jusung Eng won a W65.6bn order (43.11% of 2008 Revenues) to supply "Thin Film Si Solar Cells" to Greenland New Energy in China by Feb 10, 2010.
- Utilities sector rose as the Ministry of Knowledge & economy announced average hikes in electricity and gas tariffs of 3.9% and 7.9%, respectively; effective from 27 June. The increases stem from the ministry's belief that Kepco and Kogas are unable to reduce their net losses and accrued receivables by themselves. Commenting on Kogas's weakened financial state, the Ministry said it plans to recover the firm's W5tn in accrued receivables by 2012; and in Jan 2010 return to a cost-adjusted gas tariff system, which was temporarily put on hold in Mar 2008. The ministry also pointed out that the current lower-than-cost electricity rate is having negative effects (including inefficient resource allocation and excessive energy consumption) and hinted at gradual electricity tariff hikes in 2011 together with implementation of a fuel-cost-adjusted tariff structure. In line with our view and forecasts, but gas tariff hikes was more than the 6% expected. The hikes in electricity tariffs should increase Kepco's annual net profit by around W1tn, while the gas tariff hikes should cut Kogas's accrued receivables by W1tn after one year. Announced amid low tariff-hike expectations in the market and seen as confirmation of the government's intention to match price to cost, the increases should positively impact Kepco and Kogas shares.
- Steel sector: the Korean steelmakers plan to boost spending by W10.12tn to improve and expand facilities (+41.6% YoY). Steel output is expected to reach 64.17mn metric tons this year (vs 60.14mn tons last year, +7% YoY).
- Construction sector rebounded in June. However we saw some correction at the end of the month on worries over tighter government mortgage restrictions in efforts to curb real estate appreciation. The government may apply stricter DTI and LTV on steeper than expected real estate price rebound.
- Hyundai Development, a developer related to company has defaulted its PF loans of W200bn. The project site of the PR loan is reportedly in the Ulsan area. Hyundai Dev, who guaranteed the developer's PF loans, technically has to undertake the PF loan and is obligated to repay it. IR manager admitted to the default but did not comment on any follow-up actions of the company. Daelim was thought to have exposure as well but its IR manager strongly denied allegations.
- Kyeryong Construction won W14.0bn railway const order (1.39% of 2008 Rev) to be completed by Nov 19, 2014.
- Sales at Korea's major department stores rose for a third month in May amid signs the local economy may be improving.
- Samsung Fire&Marine outperformed as it reported an end-FY08 embedded value (EV) of KRW6.4t, up 18.6% and better than market expectations. The result includes a reduction in corporate tax rate from 27.5% to 22%; excluding this, the company's EV came in at KRW6.1t, and the value of inforce business (VIF) at KRW1.6t. The firm enjoyed both growth and profitability gains last year, boosting the value of its new business relative to the year before. Major EV assumptions were conservative. Company valued at KRW9.3t. Samsung F&M is trading at 1x FY08 P/EV with an implied new business multiple of -0.1x, implying solid upside potential.
- KB Financial will issue W2t new shares which will be used for an acquisition of a non-banking institution. Non-bank acquisition should be a positive as it can stabilize KB's earnings via diversifying revenue sources. In the end KB chose Goldman, MS, Samsung Sec, KIS as brokers.

- Hyundai Motors was strong in June on comments that company will be the first to meet new fuel-economy rules in the US. Co aims as becoming the #1 brand for fuel efficiency by 2015. Also, company may boost US production.
- Kia began production at its new Georgia US plant in Jan next year as HMC Group plans to increase Market share.
- Hankook Tire continues to solidify its #1 market position in China with 14% M/S, while the mgmt announced it was confident to bring this up to 18% level (its M/S in new tire market) by 2010.
- DSME rose as it won \$40mn order to build a vessel from Netherland's Heerema Marine Contractors. Separately, DSME also won an order in April this year from an Indonesian company; this was their first vessel order.
- STX Offshore & Shipbuilding won order to supply 4 tanker ships to a European client worth W212.8bn (7.1% of 2008 Rev), by Aug 2010.
- Hanwha Corp was weak on W300bn rights issuance rumor. Other Hanwha names were weak as well.
- LS Ind rose, to form a JV with Infineon Tech (IFX GR) for W40bn to produce power modules for household appliances. The company will hold 54% stake.
- LG Chem began construction of its lithium-ion battery plant that will supply batteries for General Motor's electric cars beginning 2H 2010. Co plans to invest W1tn by 2013 to meet increasing battery demand.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|---------|------------------|-------|--------------------|--------|
| KOSPI50 | DAEWOO ENG & CON | 25.24 | HYUNDAI ENG & CONS | -16.82 |
| | SHINSEGAE CO LTD | 15.30 | DOOSAN INFRACORE | -16.52 |
| | INDUSTRIAL BANK | 13.12 | DOOSAN HEAVY | -16.26 |

TAIWAN

The Taiex ended four straight months of gains in June by dropping 458 points, or -6.6%, to 6,432 points with average daily turnover of \$124.5bn, down 35.6% compared with May turnover. Cross-strait policy dominated market sentiment: The signing of a financial MOU now looks likely to take place in 3Q09 with agreements on banking, insurance and securities sectors to be signed at the same time. The two sides of the Taiwan Strait may start talks in October on the signing of an economic cooperation framework agreement (ECFA). Preliminary research on ECFA-related subjects was expected to be complete within days, after which a comprehensive three-month study would be conducted.

Construction -11.6%, transportation -10%, financial -8.3% and machinery -8.5% witnessed increased profit taking after a stellar performance in the earlier months (in May, construction +61%, financial +30% etc.). Textile, automobile and steel outperformed on asset plays (textile, auto) or raw material (steel, rubber) theme. Long margin positions were maintained at similar levels of \$202.5bn, May end was \$205bn. Most investors in June were focused on the development or signing of a financial MOU (in July/Aug) and the signing of an Economic Cooperation Framework Agreement ECFA (in 2H09) with Chinese government, which was one of the reasons investors were paying more attention to traditional and non-tech related industries. Tech shares received little attention in June on fading restocking demand and slow global economics. The favoured sectors were financial, tourism, asset plays and some commodities. Amongst tech related plays NB and LED shares outperformed the sector.

Recent macroeconomic figures were mixed. In May, unemployment rate was up by 0.06 ppts to 5.82%. Seasonally adjusted jobless rate rose 0.07 ppts to 5.84%, marking the 14th consecutive monthly increase. Cyclical unemployment due to business contraction or closedowns climbed for the ninth month straight. As college graduates entered the labour market in May, the number of unemployed hit a record high of 633,000 people. We expect the jobless rate to hit 6.5-7% in 4Q09. In the first four months of 2009, real regular wage declined 2.9% Yoy, pressuring private spending momentum. The government reported the May export-import amounts, the export was US\$16.17bn, up 8.9% Mom but down 31.4% Yoy, and the import was US\$13.01bn, up 2.4% Mom but down 39.1% Yoy. In May, the annual decline of Taiwan's export orders moderated to 20.1% as Chinese orders drove up export order value to US\$25.17bn. Demand from Europe, the US and Japan remained relatively weak, with order value shrinking over 10% Yoy. May leading economic indicator advance 3.3% Mom to 92.2 points. The annualized six-month rate of change of the composite leading index was 3.5%, the first positive reading in 16 months, suggesting the economic contraction has continued to slow. At its 2Q09 board meeting Taiwan's central bank kept the rediscount rate unchanged at a record-low 1.25%, on signs that the economy will recover from its record contraction and prices seem stable. In its post-meeting statement, the central bank said that the global financial market has bottomed out and the economic contraction has eased thanks to monetary and fiscal stimulus around the world. Prices on the island should remain stable, since necessities did not soar with the recent rally on crude oil and commodities prices. In light of considerable loose funds parked in local financial institutions, the central bank urged banks to provide credit to healthy businesses. We expect Taiwan's central bank to keep rates unchanged till end-2009. Taiwan's central bank usually follows the US Fed in interest rate decisions, so as to maintain a spread between NT dollar and US dollar, to support the island's export sector. In May, annual growth of monetary aggregate M1B rebounded again to 12.95%, a

new high since January, 2005, while that of M2 was 7.4%, thanks to a robust stock market and injections of domestic and foreign capital. Less than 1,000 Chinese tourists visited the island per day so far this month, fewer than the peak of 2,000-3,000 per day in April and May.

Corporate news:

- TSMC fell in June despite May sales reached a new high in 2009 to NT\$24.4bn, up 13% Mom but still a decline of 16% Yoy. TSMC estimates that its 2Q09 consolidated sales to reach NT\$74bn, which means that June sales may be falling around NT\$26bn, reaching another new high. Chairman Morris Chang has been nominated to take over the CEO position, after receiving board's approval. According to the media, this proposal was proposed by Morris Chang while the former CEO Rick Tsai will be in charge of the new business development. TSMC has set its ex-dividend day on July 15, and will payout NT\$3 per share in cash and NT\$0.05 per share in stock.
- UMC approved to merge with He-Jian in its shareholder's meeting.
- DRAM companies reported their positive sales performances in May. Nanya Tech and Inotera reported yearly high sales in May, which were NT\$2.89bn and NT\$2.5bn, respectively. Nanya Tech did a private placement for 1bn shares, or NT\$12.2bn, and its major shareholder, the Formosa Group bought all of them.
- Powerchip was suspended for margin trading starting June 2nd. Powerchip became a full-deliver stock starting on June 19th as the company was unable to pay back US\$158mn worth of ECB. The company is still in talks with all ECB holders in hoping to pay back 40% first and set a lower conversion price for the remaining 60% of ECB. Powerchip May sales grew 43% Mom to NT\$1.51bn.
- Asia Optical outperformed sharply in June. Asia Optical indicated its sales for 2Q09 and 3Q09 will increase by another 40% QoQ due to picking up in the optical lenses demand and new products introduction. Asia Optical and Young Optics reported good news. Asia Optical has developed two new micro projectors with Microvision(US) and will start mass production in 2H09. Young Optics is speculated to receive built-in micro projector for cell phone orders from LG after joining in Samsung supply chain. The micro-projector theme helped sentiment on Asia Optical and Young Optics as some analyst estimate demand of mini-projectors for handsets could be strong.
- Altek has become the number one in DC OEM maker exceeding Sanyo (JP) and Hon Hai. Altek traditionally has been known as the low P/E concept shares as the company reported EPS of NT\$5.36 in 2008 while the stock price trading at NT\$42.8. Market also estimates Altek's 2H09 sales will increase by 300% compared with 1H09 based on 20% to 80% ratio.
- Hon Hai went ex-dividend on June 2nd, Hon Hai pays NT\$1.10 in cash and NT\$1.5 in stock dividend.
- LED sector. The cross straight LED forum will be held today, and it is estimated by the media the China's LED procurement team will be purchasing around 1.4mn LED road lamp. This news should benefit the LED sector, particularly Epistar, Everlight, Formosa Epitaxy and Speed Tech.
- Acer announced May sales of NT\$34.7bn, up 18% Mom. Acer unveiled its first NB with Google Android platform yesterday at Computex in Taipei, the first one in the world. Acer's president yesterday warned investors that the PC market may only see slim demand in the peak season in July and August.
- Quanta and Pixart formed a strategic alliance yesterday by signing a cooperation memorandum. Pixart will design a new optical touch IC for Quanta's PC unveiling at the end of 3Q09. Market speculates that Quanta may also invest in Pixart through a private placement. Quanta, it was reported that the company has earned back Apple's (US) MacBook orders, 10mn NBs in 2H09, and market also speculates that the company's shipments in June will grow 52% Mom to 3.5mn units.
- Wistron decided to issue its GDR at US\$14.9 per share, total amounts of GDR issued reached US\$224mn from US\$180mn. Market also speculates that Wistron will obtain blackberry orders from RIM (Canada)
- Handset sector. A group of Chinese telecom businesspersons visited Taiwan and the leader of the group said that the China government will invest RMB\$1tn in 3G telecom infrastructure in the next 3 years and will buy up to 300mn handset devices. Related companies, such as Hon Hai, HTC and Mediatek will benefit. HTC's new smart phone, HTC Hero, will be available to the European market in July, earlier than expectation, and market speculates that the company's sales in 3Q09 will increase more than 10% QoQ to challenge the NT\$45bn level.
- Mediatek has denied market rumor regarding its cutting orders placed to TSMC and UMC. The company indicates its 2Q09 sales will still increase by 6-15% QoQ, in line with market expectations and its 3Q09 sales momentum will still be strong due to seasonality.
- A-Data became the second in the global module industry in 2008 according to a survey of iSuppli. The market share of the company increased to 9.8% in 2008 from 7.6% in 2007.
- Novatek May sales reached NT\$2.56bn, up 18.5% Mom and reaching a new one year high.
- SIS May sales reached NT\$367mn, up 13.0% Mom, setting a new high since October of 2008.
- TFT-LCD plays traded relatively flattish in June. It was reported that China will increase the procurement amount of panels by US\$2.2bn to US\$4.4bn this year.
- Prime View announced to pay US\$215mn or NT\$7.0bn to acquire E Ink (US).
- China Steel's May sales was the second worst performance this year, NT\$10.96bn, down 9.48% Mom and down 51.99% Yoy. China Steel decided to increase the wholesales price of hot role steel product by NT\$1727. Although the decision may hurt the profit of down stream steel makers, the 2Q09 operating results of the company are expected to improve. China Steel will accept a 33% price cut in iron ore fines and a 44%

price cut in lump ore from Rio Tinto (UK). The company expects to raise hot rolled steel prices by US\$1,000 per ton to US\$14,800 per ton in June.

- Hsin Kuang Steel raised its steel prices by US\$30 to US\$350 per ton. International steel prices rebounded due to demand in China and emerging markets.
- Financial sector was very volatile on several rumours regarding the MOU between Taiwan and China, which will finally be postponed to July from the end of June.
- China Development FH likely to have six member seats in Taiwan International Securities and gaining the majority in the board. CDFH indicated that they will not include Taiwan International Sec into its subsidiaries until year 2010.
- Landmark mergers. The Ministry of the Interior passed the proposal allowing landmark mergers of Taipei County with Taipei City, Taichung County with Taichung City, and Kaohsiung County with Kaohsiung City to be become three major municipal cities. Market believes the landmark mergers will benefit asset plays and housing shares for their lands to be developed. Also, a few days later, the Executive Yuan announced Tainan City and County to be upgraded as municipality, this upgrade may increase the housing prices in both city and county by as much as 20%, and the most benefited would be Tainan Spinning.
- Sanyang Industry obtained contracts worth NT\$4.85bn from the Department of Defense for light tactical vehicles. The company expects to provide 2000 vehicles to the Taiwan Military and contribute NT\$2.8bn in 2010 revenue. Sanyang is planning to develop its old factory site in Nei Hu, Taipei City, and will start building office buildings in 2010. The development project is expected to contribute more than NT\$3bn to its profit.
- Prince Housing and CMP Group was searched by prosecutors office for possible insider trading, breach of trust, fraud and tax evasion.
- Cheng Shing Rubber will spend US\$150mn to acquire businesses in China, Thailand and Vietnam. The company will expand production at those sites to produce tires for cars and bicycles. Cheng Shing Rubber announced the company will start to supply tires to Tata Motor. Tata Motor is the biggest car maker in India. Cheng Shin Rubber will supply Tata Motor's car factory in Thailand and India.
- Giant reported its May sales of NT\$3.11bn, down 11.5% Mom and down 9.09% yoy.
- Formosa Petrochemical will pay out NT\$1.5 per share in dividend. The dividend yield is 1.8% based on yesterday's closing price of NT\$82. Formosa Petrochemical May sales surpassed NT\$50bn mark to NT\$51.30bn, up 15.31% Mom.
- Food industry. The government has agreed Taisugar (unlisted) to increase its cooking oil price by 20%, and market expected other companies such as Great Wall, Fwusow, Formosa Oilseed Processing, and TTET Union, will also benefit.
- Russell Greater China Large Cap Index added 8 new Taiwan companies, including TSMC, SPIL, Synnex, Foxconn, Mediatek, Wistron, Innolux and Nanya PCB, to the component, and removed Uni-President, Taiwan Fertilizer, Quanta, Nanya Tech, Fubon FHC and Powerchip from the list.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|------------------|-------|-------------------|--------|
| TW50 | SINOPAC FINANCA | 12.75 | INOTERA MEMORIES | -17.01 |
| | WISTRON CORP | 6.86 | HUA NAN FINANCA | -16.88 |
| | CHUNGHWA TELECOM | 5.65 | CHINA DEVELOPMENT | -16.72 |

SINGAPORE

The FSSTI finished the month almost flat +0.17%, after it hovered around its ytd highs for the first 2 weeks of the month; falling at the mid of the month amid concerns of prices overshooting fundamentals; and recovering during the last days of the month. Market volume fell MoM. Transportation, Offshore&Marine, Services and Media sectors did well. We had some positive signs from the macroeconomic figures. Manufacturing output shrank 'only' 0.5% from a year ago in April, the best reading since Sept08. May's PMI reading indicates that the manufacturing economy had expanded for the first time after having contracted over 8 consecutive months. PMI posted a reading of 51.2 which was an increase of 2.0 points over the previous month. May's demand for electricity reached 4,697 megawatts (MW), up 3.6% from April – a reversal of demand decline since Sept08. Visitor arrivals in April 2009 fell for the 11th straight month year-on-year. But the 6.1% dip was smaller than the double-digit monthly slides in January, February and March, consumer price index fell 0.7% in April, the first YoY decline in more than three years. For the period January to April09, the CPI was 1.4% higher compared with the same period in 2008. Productivity in Singapore fell more sharply than real basic wages, evoking concern from NWC of a prolonged recession. The NWC has recommended employers to reduce pay or freeze wages before laying off workers. Container traffic continued to slide in May with throughput falling 20.3% to 2.1m TEUs. The latest quarterly labour market data released by the Ministry of Manpower indicated a net loss of 6,200 jobs – far worse than the 1,000 estimated at end-April. Also, workers take a longer time to find new jobs. Another dismal outcome was a decline in nominal wages, the first since 2003. The 3.7% drop was a significant turn from the 2.4% increase in the previous quarter. Real wages, which factor in inflation, fell 5.8%. Retail sales (seasonally adjusted) declined by 3.1% in April 2009 compared to March 2009 mainly due to lower

sales of motor vehicles. Retail sales excluding motor vehicles (seasonally adjusted) rose by 1.1% in April09 compared to March09. Retail sales in April09 declined by 11.7% compared to April08.

Corporate news:

- Chartered Semiconductor has received a bid from Advanced Technology Investment Company (ATIC) to buy Temasek Holding's near 60% stake at between \$2.40 and \$2.60 a share. The \$2.45 bn price tag represents a 19% premium to Chartered's market cap on 28/05/2009 of \$2.05bn. ATIC is owned by the Abu Dhabi government.
- Keppel Corp is trying to get 70% controlling stake in a Brazilian yard. Also Keppel Corp and a Chinese consortium has inked two joint ventures valued at about 950m yuan (S\$200.6m) in total as part of an eco-business park project. Separately, Keppel's customer SKEIE Drilling and Production (SKDP) is at risk of filing for bankruptcy if a proposed restructuring falls through. SKDP currently has construction contracts for three NClass jack-up offshore drilling rigs with Keppel's Corp subsidiary Keppel Fels, valued at \$1.7bn. SembMarine has since settled a potentially costly dispute over an oil rig in a US bankruptcy court where it can be allowed to sell off the drilling unit.
- SembCorp Ind completed a US\$190m expansion of its Fujairah power and desalination complex - boosting power capacity there by over 40% from 535 MW to 760 MW. SembMarine accepted the bid from Diamond Offshore for Petrorig, we estimate the bid to be above US\$450m. About US\$220m was owed by Petromena.
- ST Eng was awarded \$40m contract by the LTA to extend Expressway Monitoring&Advisory System to major arterial roads in Singapore; contract will commence in 2010 and is expected to be completed by 2013.
- Swiber raised net proceeds of \$71.8m via a placement. Dilution is 20%. Swiber's net order book at end-1Q 2009 was US\$515m while its order pipeline was unchanged at S\$5bn.
- Office occupancy costs in Singapore fell 34.4% in the 12 months to March 2009 – the largest fall among some 170 cities tracked. Singapore's occupancy cost stood at US\$82.79 per square foot (psf) per year, which put Singapore at No 15 on the list of the most expensive markets. Singapore was No. 9 a year earlier with an occupancy cost of US\$139.31 psf/yr. The government land sales continued to be suspended.
- CapitaLand launched 5th Raffles City in Ningbo, China. The growth strategy for the property group is to grow its China operations' contribution to group assets from 26% now to between 40 % and 45% in the next few years. Raffles City Ningbo to be completed by 2012 will comprise a 50,000 sq m mall, a 30,000 sq m Grade A office tower and a 20,000 sq m tower for service apartments.
- Property consultancy DTZ said some 5.8msf of new retail space expected to be completed from 2009 until 2013 with the bulk coming from 2009 will cause temporary oversupply and put downward pressure on rents but will be sustainable in the long-run. The heat is on for Orchard Road retail rents with declining retail sales.
- KepLand's S\$708m rights issue has been fully subscribed. KepLand had offered nine rights shares for every 10 existing shares at S\$1.09 a share, then a 42% discount.
- Banks have been going all out to extend loans to SME, taking advantage of the plan where the government will take 80-90% of the risk. DBS is the leader in terms of the number of government loans approved. DBS ranks No 1 for both micro loans of up to \$100,000 and the larger bridging loans of up to \$5m; OCBC has revamped its mortgage process, as part of a broader move on the way its sales staff deals with customers. Rival DBS has also introduced changes to the way that it sells products early this year.
- SIA already embroiled in a five-month dispute with travel agents in India over sales commissions now faces a similar problem with Down Under. Flight Centre, one of Australia's biggest travel companies with 800 outlets has taken SIA off its list of 40 preferred airlines and has told its staff to stop promoting the Singapore carrier to clients. Meanwhile, an Australian court has thrown out price-fixing claims by the Australia's competition watchdog against SIA Cargo and has ordered it to re-submit its case.
- NOL's container volume and revenue continue to fall. The period from April 4 to May 1 2009 saw container shipping volumes decline 22% to 157,800 forty-foot equivalent units (FEUs) from 203,000 FEUs for the comparative year-ago period, while the average per FEU fell 21% to US\$2,322 per FEU from US\$2,940.
- Singapore Tel's Indian associate Bharti Airtel is reviving talks to acquire a major stake in South African's largest wireless operator, MTN Group. Separately, SingTel is set to increase its footprint in the important emerging markets of North Africa, Middle East and Central Asia with the launch of a new and powerful satellite – the ST-2- in 2011. The ST -2 will subsequently replaced SingTel's current satellite ST – 1 which has been in orbit since 1998. The cost of building the ST-2 was approximately US\$200m. The satellite will strengthen SingTel's coverage in the emerging markets of North Africa, the Middle East and Central Asia.
- StarHub has joined 8 other regional operators for a new undersea cable project to boost high-speed data connectivity within Asia, the venture called Asia-PacificGateway will use Wavelength Division Multiplexing.
- Olam announced that it is selling 13.76% of its enlarged capital to Temasek at \$1.60 a share, a 17.5% discount to Friday's (29/06/2009) close. The deal, if approved by Olam shareholders will make Temasek its second largest shareholder. Temasek will also get a seat on Olam's board.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|--------------------|-------|-----------------|--------|
| FSSTI | OLAM INTERNATIONAL | 25.26 | SEMBCORP MARINE | -11.80 |
| | JARDINE CYCLE | 17.06 | CITY DEVELOPS | -9.21 |
| | NOBLE GROUP LTD | 15.19 | OCBC BANK | -7.73 |

THAILAND

The SET index put out a performance in line with the Asian benchmark. A dull month overall May. Export contracted by 26% same as former month; Imports contracted 34%, less than expected -36%. Thai market still saw large foreign inflows in June, especially in the first half of the month, which sent the market to its recent peak at 629 points, before profit takings set in. But the market still managed to bounce back quite quickly in the last week of Jun and closed at 597 points, up 6.6% mom. Since the market was driven by foreign inflows, big cap stocks outperformed the rest of the market. That is, SET 50, which is the index for the largest 50 stocks, rose 8.0% mom in Jun. Foreign investors were still net buyers of US\$407m, up from US\$240m in May. Local institutions were still net sellers of US\$172m, up from US\$70m in May. Stock market was still quite active with US\$693m average daily turnover in Jun vs US\$712m in May.

On the political front, infighting among coalition partners seemed to subside, following the defeat of Bhum Jai Thai Party in the by-election in Sakorn Nakorn to Puea Thai Party on 21 Jun. And with another win in the by-election in Srisaket on 28 Jun, it shows that former Prime Minister Thaksin is still popular in the Northeast. This will be a threat to the Democrat in the medium-term.

On the economic front, the Ministry of Finance plans to revise up its GDP growth forecast for this year from -4% to -2.5- -3.5% on the back of more government spending, following the passage of the executive decree to allow the government to borrow THB400bn. About THB200bn of which will be used to cover revenues shortfall, while the remaining THB200bn will be spent on various small pump-priming projects throughout the country, especially on irrigation, transport and education projects. On the macro side: Thai consumers' confidence fell to a 7-year low in May, due to the domestic political turbulence and economic uncertainties, according to a survey by the University of Thai Chamber of Commerce. The Consumer Confidence Index fell to 71.5 from 72.1 in April. The index was the lowest in 90months, as Thailand suffered from the global economic downturn as well as a volatile political climate which led to growing joblessness and higher living costs. Moody's Investors Service has taken rating actions on the deposit and debt ratings of three Thai banks. The rating actions conclude the review initiated on May 27, 2009, when Moody's placed the debt and deposit ratings of these banks on review for possible downgrade. The banks affected are Export-Import Bank of Thailand (EXIMT) rating cut to BAA1, Siam City Bank (SCIB)- raises foreign currency S-T deposit rating to P-2 and TMB Bank (TMB)- cuts foreign currency deposit rating to BAA3/ PRIME-3.

The Bank of Thailand (BOT) estimates the loan growth in the banking system for 2009 will expand as much as six percent, a BOT senior official said on Friday. The six percent growth rate equals to 350bn baht (10.24 bn U.S. dollars). Some 40% of the total loan extension will go to small- and medium-sized enterprises (SMEs). CPI was lower than expected at -3.3 (-2.4 exp; -1% April). Consumer confidence slowed to 64.3 (65.1 in April). Total car sales were quite resilient: 40539 (39713). Custom trade balance showed a large surplus of \$2.4bn (\$600mn in April),

Corporate news:

- Airports of Thailand's recent analysts' meeting has failed to throw light on Suvarnabhumi Airport's expansion plans and the future of Don Muang Airport. With passenger traffic -19.8% yoy so far this year and various discounts given to airlines and tenants, AOT's revenue is under considerable pressure. Plans to cut costs by 10% this year also seem ambitious. With little progress in key issues and no signs of an air-traffic recover.
- Hemaraj Land and Development - Planting recurring income. Although industrial sales are likely to be poor in 2Q09, Hemraj says there have been more client inquiries, which could translate into higher sales in 2H09. We expect its land sales to be 80 acres this year, before picking up to 200 acres next year. Hemraj is investing US\$140m in the GHECO-One power plant, which will be up-and-running in late 2011. This will be a great source of recurring income from 2012 onwards.
- Kasikornbank is still confident to keep its NPL below 4% of total loans, but we expect its NPL to rise to 6% by year-end. We believe the market also expects higher NPL at KBANK. But with its high NPL coverage of 87%, we are not overly concerned about its asset quality. As KBANK has cut lending rates more aggressively than deposit rates, its NIM is still under pressure in 2Q09. But this is alleviated somewhat by higher fee income and a more cautious increase in operating expenses. The stock is now trading at 1.3x CY09 P/BV.
- LPN Development decided to shift to an expansion mode again this year to boost its revenues and backlog after focusing on an old inventory depletion and cash enhancement in FY08. LPN expects FY09 presale of THB10.0bn, supported by 6 project launches. While sales revenue is seen at THB8.0bn, growing 15% yoy. Also LPN is planning to apply for tax privilege from the Board of Investment (BOI) on the latest rule changes which will allow 5-year tax holiday for low-cost condo projects. This will strengthen its position as the leader in this market. We expect the tax benefit to be felt from FY10 as it will take about a year for LPN to apply for this privilege. The positive impact will be most apparent at the net rather than gross profit level. Assuming that BOI's low-cost condo accounts for 15%-20% of the total revenue, effective tax rate could be lowered by 2-3% to 28-27% compared to prevailing 30%. This could boost earning by 4-5% all else being equal.
- Preuksa Real Estate recent BOI rule changes allowing for price hikes for low-cost housing are strongly positive for PS, potentially leading to higher revenue and margins, lower corporate taxes and rising earnings visibility.
- Rojana Industrial Park seems upbeat on its outlook, especially for its condo project in China, as pre sales have reached 60% from 50% as at end-1Q09. It expects land sales to be about 190 acres this year, about

the same as last year, as it sees strong demand from the pharmaceutical, F&B, and electronic sectors. Rojana is in the process of issuing free warrants to shareholders.

- Siam Cement - Prime beneficiary of the stimulus plan. The government will speedily implement its second economic stimulus package after the Constitution Court last week ruled that executive decree empowering the Ministry of Finance to raise THB400bn loans is constitutional. The government expects the economic stimulus package to start before the end of FY09 on 31st Oct, which should be positive to domestic consumption and cement demand. We expect domestic cement demand to recover in 4Q09. SCC's cement business should benefit from the government's stimulus plan given its largest market share.
- Siam City Bank - Takeover hype to subside. SCIB indicated that the FIDF may want to sell its stake in the bank at about 1.3-1.4x P/BV, or double SCIB's current share price. As TCAP is unlikely to bite at this price, we believe a deal may not be concluded soon and takeover hype will die down. SCIB's operations still need to be strengthened. Its NPLs are still high and NIM, low. Fee-based income is also weak. On a P/E basis, SCIB is trading at 14x, among the highest in the sector.
- Sino-Thai Engineering were less optimistic on the mega projects now than they were a few months ago even though STEC emerged as the lowest bidder for the Part II of the Purple Line Electric Train Project recently. This is because Part I of the project, which CK won five months ago, has not been concluded yet as the authorities are negotiating down the price. So STEC did not expect this project to start within this year. The management also indicated that 2Q09 results will be similar to 1Q09's, which were quite poor.
- Thai Airways International. Gloomy global economies, the H1N1 flu pandemic and seasonally weakness conspired against Thai Airways in May. Revenue passenger kilometres (RPK) plummeted 24.9% yoy, the severest so far this year, with the declines coming from all international routes. Passenger load factor fell 11.3% pts to 62.2% as capacity (ASK) cut of 11.3% yoy was no match to the demand slump. 5M09 RPK and ASK contraction now stood at 20.7% and 12.7% yoy, respectively. Although the appointment of Mr. Piyasvasti Amranand, former energy minister, as Thai Airways' new president last Thursday should be positive on the sentiments, we remain bearish on the stock given bleak demand outlook.
- Thai Oil. We expect TOP to report good 2Q09 core profits of THB6.80bn, up 198% qoq, but still down 36% yoy. The qoq improvement should due to stock gains from higher crude and product prices, and improved margins for aromatics and lube base product.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|------------------|-------|-----------------|--------|
| SET50 | TRUE CORP PCL | 28.96 | THAI OIL PCL | -12.88 |
| | GLOW ENERGY PCL | 27.10 | IRPC PCL | -12.43 |
| | BANK AYUDHYA PCL | 23.93 | DELTA ELEC THAI | -12.33 |

INDONESIA

A relatively good performance for Indonesia in June. The market outperformed the MSCi by more than 10%. On the political side: Survey by The Indonesian Survey Institute (LSI) showed that SBY's popularity is on the decline. Based on survey conducted from June 15-20, 67.2% respondents will choose SBY (lower than 71% in May survey), Megawati 15.8% (16% in May), Jusuf Kalla 8.3% (6% in May) and 8.7% undecided. LSI's official was quoted as saying that Kalla's popularity was on the rise due to his intensive campaign and variety of content in his ads which endeared him more to the public. However, he added that despite declining popularity, SBY's lead was virtually insurmountable as election is less than 2 weeks away. Election will be held on July 8. On the macro side, consumer confidence was firm at 106 in May (102 in April), inflation was in line: CPI at 6.04% (7.3 in April). April trade balance was better at \$2bn and thanks to weaker Imports (-44% vs -35% expected) and exports roughly as expected (-23%). The Central Bank decreased rates as expected from 7.25% to 7%. May Automobile and Motorcycle sales were very strong at 35818 and 457650.

Corporate news:

- Medco Energi has announced it will pay shareholders dividends of US\$50m in total or US\$1.5 per share from the company's FY08 net profits. Medco booked net profits of US\$280.20m last year, a hefty increase from US\$6.60m in FY07.
- Perusahaan Gas Negara, Indonesia's biggest distributor of the fuel that is majority-owned by the government, said it will pay a dividend of Rp1tr (US\$95m), or 58% more than last year's profit. Gas Negara will pay a dividend of Rp41.74 a share for which it will use part of its Rp2.7tr in retained earnings, according to President Director Hendi Prio Santoso. The management had proposed a 50% pay out, he said yesterday. Gas Negara increased the amount because "it was the government's request and we're in a good financial condition".
- United Tractors said sales of Komatsu Ltd.'s vehicles rose 45% in May 09 from a month earlier. The company sold 303 units of Komatsu vehicles in May 09 from 209 units in Apr 09, United Tractors said yesterday. Sales fell 27% from a year earlier. Komatsu is the world's second-largest maker of earthmoving equipment

- Indocement Tunggal Prakarsa canceled a plan to seek a Rp500bn (US\$49m) bank loan because the company has adequate cash to fund its operations
- Apexindo Pratama Duta, an Indonesian oil drilling company, started marketing a Rp600bn (US\$59.6m) sale of bonds to help pay for new vessels. The company will pay a 13.9% coupon on Rp300bn of three-year notes and 15% on Rp300bn of securities maturing in five years, it said today.
- Indosat, Indonesia's second-largest phone company, named Harry Sasongko Tirtotjondro as its president replacing Johnny Swandi Sjam. Qatar Telecom QSC this year bought 65% of Indosat after completing a tender offer on 18 Feb 09 to buy the company's remaining shares from the public.
- Bakrie & Brothers in Nov 09 may buy back shares of affiliates and units that are pledged to creditors. Bakrie allocated US\$150m to buy back the pledged shares, said Director Yuanita Rohali. Bakrie may buy the 4.2% of Bumi Resources held by Ancora Capital Management, and the 6% to 8% stake in Bakrieland Development that is pledged to Avenue Capital Group.
- Bakrie Sumatera Plantations raised its capital spending plan for FY09 to fund expansion. Bakrie Sumatera plans to spend Rp250bn (US\$25m)- The money will be used to plant more oil palm trees and build a processing facility.
- Bumi Resources said it will seek to renegotiate the price of an acquisition after the market regulator said it was paying more than the value of the company. Bumi will scrap the purchase of Fajar Bumi Sakti should the Middle East-based seller decline to accept a lower price. Indonesia's capital-market regulator, which hired an independent appraisal team early this year to review the cost of the acquisition, views the Rp2.48tr (US\$241m) Bumi is paying for a 77% stake in Fajar as "too expensive,"
- Matahari Putra Prima, Indonesia's biggest retailer, is seeking to sell US\$150m of bonds to repay US\$150m of debt maturing in Oct 09.
- Adaro Energy has signed three new coal sales contracts for about 5m metric tons annually to buyers in Thailand and India and locally. The 15-year contracts range from 1.5m tons to 2m tons a year each. The company has fixed the terms for the first five years, and the last 10 years will be negotiated with possible cancellations. First delivery will be in Dec 09, and Adaro may ship between 4.5m and 6m tons in total.
- Indofood Sukses Makmur may increase the size of a planned bond sale by 60% to Rp1.6tr (US\$155.5m). Indofood may use the proceeds to refinance part of its Rp7tr of short-term debt
- Media Nusantara Citra plans to acquire an Indonesian television company this year to boost revenue from advertising. Media Nusantara will fund the purchase using its own cash and the company also expects sales to rise as much as 20% to Rp4.7tr (US\$460m) this year on growth in its audience share and revenue from advertising. Media Nusantara, a pay-television content provider, is a unit of Indonesia's biggest media company, Global Mediacom.
- British American Tobacco Plc, Europe's largest cigarette maker, will buy control of Bentoel Internasional Investama of Indonesia. BAT yesterday said it will pay US\$494m for 85% of Bentoel, marking its first foray into clove-flavored cigarettes, known as kretek in Indonesia for the crackling sound they make when lit. Bentoel, whose brands include Star Mild, will help BAT boost its local market share to about 9%. BAT acquired 56% of Bentoel from the Rajawali Group, controlled by bnaire Peter Sondakh, and the balance from other investors.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|---------------------|-------|---------------|--------|
| LQ 45 | BAYAN RESOURCES | 37.18 | INDIKA ENERGY | -14.68 |
| | CIPUTRA DEVELOPMENT | 30.91 | MITRA RAJASA | -13.64 |
| | BANK DANAMON | 28.67 | ELNUSA | -12.82 |

MALAYSIA

Not a bad relative performance for Malaysia in June, the index having resisted better than Asia ex Japan. With weaker than expected exports in April (-26% vs -22%), Malaysia had a disappointing trade surplus of 7bn MYR (12 bn was expected). Industrial production for the same month was a pleasant surprise: it contracted 11% (-15% expected; -14 in March). May CPI was slightly higher: +24% (22% expected; 3% in April). On the political side, Prime Minister Najib is expected to announce new measures to stimulate the domestic economy thanks to the relaxation of investment by foreigners into the country; this is expected to be made at the end of the month during the CIMB Bursa Malaysia conference.

Corporate news:

- Astro's revenue was in line, but EBITDA margin slipped 2% pts which, together with the higher taxes, led to a 41% slump in core net profit. Astro declared a 2.5 sen net dividend which was no surprise.
- Spokespersons from both MGM and Genting recently confirmed that the two parties were discussing a broad range of partnerships in the global gaming industry. This was a positive surprise, confirming our earlier speculation that the group's subscription to MGM instruments could facilitate a potential alliance.

- B-Toto declared a final gross DPS of 14.7 sen bringing the FY09 total to 33.6 sen. It also declared bumper cash and share dividends for FY10. FY09 was another record year with revenue/draw rising 13% yoy.
- SapuraCrest's 1QFY1/10 results saw net profit coming in at RM26m. EPS shot up 26% yoy, supported mostly by: 1) higher drilling charter rates, 2) turnaround of 50:50 SapuraAcergy JV and 3) RM700m-800m Shell marine services contract. YTD, SapuraCrest has added RM3bn or 61% to its order book, which now stands at a record RM7.9bn. Contributions from the new contracts are expected to start flowing in during the coming quarters
- SP Setia's 2Q net profit rose 30% qoq but fell 16% yoy due to the slow pick-up in construction activities and lower margins. 2Q sales jumped to over RM400m from slightly above RM100m in 1Q, boosted by the introduction of the 5/95 financing scheme in January. SP Setia is estimated to have raked in bookings and sales of close to RM1bn since the start of the programme. SP Setia has embarked on its maiden venture in China, teaming up with a local company for a mixed development in Hangzhou in Zhejiang province. AirAsia group CEO Dato' Seri Tony Fernandes said that it was planning another 24% increase in capacity in 3Q, seasonally its weakest quarter because of strong demand. AirAsia X will be looking to lease more A340s between 2010 and 2016 as part of plans to service a few more European routes and possibly a North American destination. AirAsia announced a firm order for 10 Airbus A350 XWB aircraft by its low-cost long-haul affiliate AirAsia X.
- Telekom Malaysia (TM) is looking at setting up new nodes in the Middle East to expand its global coverage. TM is still eyeing business opportunities in Asia, especially broadband, as it is a market worth investing in. TM expects revenue from the wholesale business to grow to 15% in the next two to three years from 10% currently.
- Public Bank said it had sold RM1.2bn of debt, more than the RM1bn originally planned, via the sale of perpetual notes and subordinated notes due in 2059, which would pay 7.5% a year.
- DiGi expects to increase its business turnover this year by solidifying its market position, especially in the SME segment, said its head of enterprise business, Eric Chong.
- Tenaga: Following the announcement of the resignation of its CFO Dato' Izzaddin, Tenaga held a conference call last Friday which yielded three positive takeaways: i) The recruitment process for the CFO is underway and the CEO is unlikely to leave prematurely; ii) Tenaga has submitted its tariff review proposal; iii) Power demand has improved.
- Axiata has studied potential merger targets, and would like to see "in-country consolidations" happen within the next year or two for its Bangladesh, Sri Lanka and Indonesia units, said its President and CEO Jamaludin Ibrahim.
- MRCB is confident of doubling its order book to RM4bn by year end with new projects in the KL Sentral area
- Bursa Malaysia is expected to better its performance in the second quarter of this year after market activity picked up significantly in the months of April and May.
- Plus Expressways, which recorded a 3.2% in traffic up to April this year, does not expect to maintain the rate for the rest of the year due to the sluggish economy conditions. It will set aside RM800m for its dividends this year, matching the payout in 2008, although it expects lower traffic growth.

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|------------------|-------|------------------|--------|
| KLCI | PELIKAN INTERNAT | 21.03 | TRADEWINDS PLANT | -18.54 |
| | LAFARGE MALAYAN | 20.41 | AIRASIA BHD | -14.62 |
| | MMC CORP BHD | 20.34 | UCHI TECH BHD | -11.02 |

PHILIPPINES

On the macro side: A good month for the Philippines as the Index outperformed the MSCI Asia ex Japan by 20%. (Bank lending abated in April to 13.4% (19% in March). CPI in May was less than expected: 3.3% (3.7% expected and 4.8 April) April total exports were as weak as expected, -35% (-31% in March) resulting in \$2.8bn deficit. April overseas remittances +\$1.44bn were the same as March. Unemployment rate decreased to 7.5% (7.7% in March). May balance of payment deteriorated to a deficit: -\$55mn vs \$466mn surplus in April; as did the budget balance: 11.4bn pesos vs 8bn pesos surplus in April. Trade balance improved somewhat to 238mn deficit (363mn March).

Corporate News:

- Petron to raise P10 to P15bn. Company will defer a retail bond sale to next year. Will spend \$1bn to upgrade its refinery and add 200 service stations to existing 1,300 outlets. Megaworld reservation sales tracking company guidance. MEG officials reiterated in their annual meeting last Friday that ytd sales are tracking their full year guidance. As of the first 5 months, sources indicate that reservations are tracking P8bn.
- Metro Pacific Investments Corp approves sale of stake in Landco. Sale of 17% stake of its interest in Landco Pacific Corp to Xerez-Burgos group. Transaction will result to MPIC having eventual 34% interest in Landco while the Xeres - Burgos group will hike its stake to 66%.

- ABS-CBN hits P300M profit in May. Company posted a net income of P300 mn in May, up 54% over a year ago. Airtime revenue booked for the month reached P1.4B. In the first 5 months, EBITDA was up 20% yoy to P2.6B. Company said that it was targeting to generate additional savings of P250-P300M this year and another P200-P250M next year.
- FLI confirms plan to float corporate bonds; Share price breaks support. According to a follow up statement, FLI is raising funds for its MRBS, or medium-rise buildings. The company will also use internally generated funds. The company is considering the floatation of corporate bonds amounting to Php 2bn to Php 3bn.
- San Miguel Corp. (SMC) high yielding preferred priced at P75. San Miguel Corp. (SMCB.PH) management has set the issue price of its series 1 preferred shares at P75 each. The dividend rate is at a hefty 8% a year or nearly 3x the old dividend rate SMC gives. At P60/ share, the common shares still look extremely attractive given a potential yield of as much as 10% based on the stipulated dividend rate for the preferred (P6.00 per annum).
- Benpres at 1-year high on rumoured asset sales (NAV estimate at P2.61). Last month, price was driven by rumors that its parent Lopez Inc. was going to be sold by a faction of the family. Recent market interest however is fueled by talk that it is nearing the conclusion of the sale of its stake in Rockwell Land. This will reportedly come ahead of the potential exit in Bayantel as well which is saddled by debt.
- PLDT wireless subs base ahead of target. Wireless subs have breached the 38mn mark as of May. The company added 500k subs in May alone from April's total of 37.5mn subs. This means the group has added 3mn subs in 5 months. This is ahead of PLDT's guidance of adding 3 to 4mn subs for the full year.
- EDC sets P9.6B capex. Energy Development Corp. (EDC) has earmarked P9.61bn for its capital expenditures (capex) in 2009. 70% of the total budget for the construction of the power plants, fluid collection and re-injection systems [FCRS], transmission lines and for drilling activities of [geothermal] projects. Projects include the 20-megawatt (MW) Nasulo in Southern Negros; 50-MW Tanawon in Albay, and 50-MW Mindanao 3 in Cotabato, among others. EDC approved to increase the company's authorized capital stock to P31.15bn from the current P15.08bn.
- First Pacific offered to buy SMC's Meralco stake; (Will fuel further trading interest in Lopez stocks). The First Pacific group of HK offered to acquire SMC's stake in Meralco, the country's largest power distributor. This was confirmed by SMC President Ramon Ang in an interview with reporters yesterday. The deal however was not for cash but for a swap for FP's Philippine toll way operations (Metro Pacific Toll way Corp.) and water utilities (Maynilad).
- Metro Pacific Investment (MPI) an upcoming conglomerate; (Trading interest to continue). MPI yesterday gained after it had been rumoured that Metro Pacific Investments Corp. (MPI) will be the likely vehicle for the acquisition of the Meralco shares from SMC. While current valuations remain expensive at 47x PER for 2009, speculation will continue given that it holds the key assets that are being offered to acquire Meralco.
- San Miguel eyes Liberty telecom; not interest in Adaro Energy. Company will make an offer to buy out other minority shareholders in dormant Liberty Telecom Holding Inc. Board recently approved the purchase of approximately 32.7% of Liberty from existing stockholders for an estimated amount of P2.2B and pursue the acquisition of balance with its joint venture partner Qatar Telecom. SMC has no set timetable to enter the telecoms industry and it's no longer interested in investing in Adaro Energy PT.
- Energy Development sells land for P1bn (Maintain BUY; TP at P4.60) EDC disclosed that it completed the sale of a portion of its land in Fort Bonifacio. Net proceeds from the sale reached 1.016bn from the PNOC. The sale covered 19,785 sqm of land where EDC's office sits. The sale, which was supposed to transpire in 4Q of last year, should partly boost EDC's finances. The company's priority is to refinance and hedge its Miyazawa 2 loan due next year. EDC settled its Y12bn Miyazawa loan last June 1, saving P209mn in potential losses. Borrowing should not be a problem given the continued decline in key rates and improved financial and credit markets the last 3 months. EDC has a borrowing capacity of \$600 to \$800mn (P37.6bn), which it can tap for acquisitions (PSALM asset disposals) and currency hedges. From a technical perspective, the issue is trading above its critical support of P3.60/ share. Current price is still above its 200-day moving average of P3.20
- Banco De Oro's forecasts profit to reach P5.5B. Reported P2.2B net profit and a capital base of P57.8B in 2008. Total assets of P802B. Customer loans expanded by 32%. Deposits grew by 43%. Bank expects net income to reach P5.5B this year, 172% higher than last year on higher interest and fee-based income

| INDEX | TOP GAINERS | % MOM | TOP LOSERS | % MOM |
|-------|-----------------|-------|------------------|--------|
| PCOMP | MANILA ELECTRIC | 20.87 | UNIVERSAL ROBINA | -14.63 |
| | PHILEX MINING | 19.86 | GMA NETWORK INC | -11.11 |
| | SAN MIGUEL-A | 18.27 | SM INVESTMENTS | -8.96 |