

ORIENT FINANCE

SUMMARY OF ASIAN MARKETS

MAY 2009

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INDICES	30/04/2009	29/05/2009	% CHANGE
MSCI AC FAR EAST EX JAPAN	318.14	356.55	12.07%
HONG KONG & CHINA			
Hang Seng	15520.99	18171	17.07%
Red Chips	3263.55	3787.49	16.05%
H-Shares	9084.91	10428.19	14.79%
Shanghai A-Shares	2600.606	2763.54	6.27%
KOREA			
Kospi	1369.36	1395.89	1.94%
Kosdaq	500.98	528.8	5.55%
TAIWAN			
Taiox	5992.57	6890.44	14.98%
SINGAPORE			
Straits Times	1920.28	2329.08	21.29%
THAILAND			
SET Index	491.69	560.41	13.98%
MALAYSIA			
Kuala Lumpur Composite	990.74	1044.11	5.39%
INDONESIA			
Jakarta Composite	1722.766	1916.831	11.26%
PHILIPPINES			
Philippines Composite	2103.5	2389.31	13.59%
INDIA			
Sensex 30	11403.3	14625.25	28.25%

CURRENCIES

VS EURO	30/04/2009	29/05/2009	%
HK \$	10.25	10.94	-6.72%
CHINESE RENMINBI	9.02	9.64	-6.83%
KOREAN WON	1694.92	1780.66	-5.06%
TAIWANESE \$	44.24	45.68	-3.24%
SINGAPORE \$	1.96	2.04	-3.93%
THAI BAHT	46.68	48.46	-3.81%
MALAYSIAN RINGGIT	4.75	4.90	-3.22%
INDONESIAN RUPIAH	14084.81	14524.38	-3.12%
PHILIPPINES PESO	63.96	66.88	-4.57%
INDIAN RUPEE	66.19	66.69	-0.75%

VS US\$	30/04/2009	29/05/2009	%
HK \$	7.75	7.75	-0.02%
CHINESE RENMINBI	6.82	6.83	-0.12%
KOREAN WON	1282.95	1255.25	2.16%
TAIWANESE \$	33.08	32.63	1.37%
SINGAPORE \$	1.48	1.44	2.60%
THAI BAHT	35.28	34.33	2.69%
MALAYSIAN RINGGIT	3.56	3.49	1.82%
INDONESIAN RUPIAH	10625.00	10295.00	3.11%
PHILIPPINES PESO	48.35	47.38	2.00%
INDIAN RUPEE	46.95	47.26	0.65%

GENERAL FACTORS AFFECTING ASIA AS A WHOLE

Asian markets outperformed US and European markets in May. The US market rose slightly in May concentrated on a bunch of good macro figures, such as Michigan Confidence index, ISM manufacturing, pending home sales, construction spending, MBA mortgage and consumer confidence. Geitner reassured the market with the results of the stress test showing that banks needed fewer funds than expected (only BoA, Wells Fargo and Citigroup needed real money). BoA successfully raised US\$13.5bn through a share sale, marking a major step toward meeting the US government's requirements. However, on the 21st May the Fed projected deeper recession and pointed out the need of changes at the head of some major US banks.

The UK's AAA sovereign credit rating was put on negative watch by S&P. This raised concerns that the US may be in for the same fate. Rate cuts to near zero and aggressive fiscal spending worldwide have kept the global economy afloat thus far. S&P credit rating downgrade is a warning against overusing such policies.

The reflation theme drove commodity plays up as US\$ weakened. Crude oil price moved up steadily from \$55/bbl to around \$65 in May, despite demand is at its weakest level in two decades and oil inventory in big consuming nations continued to rise. The Baltic Dry Index climbed from 1786 to 3298 in May.

Rio Tinto accepted to decrease ore price by 33%; which was accepted by Nippon Steel and Posco.

Following announcements from other countries, China announced that it will invest Rmb3tn in green energy by 2020.

At the end of May North Korea did its second nuclear test ever (the first being in 2006) and fired six short range missiles. South Korea reacted to this provocation by joining the US in the Proliferation Security Initiative (set up to seize illegally transferred weapons of mass destruction), which pushed the Dear Leader's regime into its usual apocalyptic rhetoric... Ironically, at the same time, South Korean former president Roh (who had pushed for a rapprochement with the North) committed suicide amid a deepening corruption probe.

HONG KONG / CHINA

The HSI was up 17.1% to 18,171 in May while H shares were up 14.8% to 10,428. HK/China stocks continued their rally in May along with the recovery in global stock markets, helped by strong liquidity inflow. Investment sentiment remained positive as investors believe that the global economy has bottomed in 1H09 and the outlook will improve in 2H09.

Shanghai Composite Index was up 6.3% to 2,633 in May. Shanghai A shares have appreciated by 44.6% year-to-date but has underperformed H shares in the last 3 months. Domestic investors worried that the resumption of IPOs as well as the continual unlocking of the state-owned shares would have negative impact to the share prices. H/A shares discounts fell further from 45.4% in April to 36.8% in May.

On the macro side, in China May started with impressive figures: 53.5 in April for PMI and 50.1 CLSA manufacturing, accelerating from 52.4 and 44.8 in March. PPI and Cpi pointed to further deflation in April: -6.6 and -1.5 yoy. M2 stayed at a decent level: +26% as well as fixed asset urban investment +30.5%. April trade surplus retreated somewhat to 13bn \$ vs 18.5 in March as exports were weaker than expected -22% vs -15% expected.

Retail sales put out an impressive 14.8% again and industrial production a slightly lower than expected 5.5% (6.2% expected; 5.1% in March). The CBRC said China's new loans topped Rmb600bn in April, adding to indications that lending has cooled from a record Rmb1.89tr in March. According to the NDRC, housing prices in 70 Chinese cities fell 1.1% YoY in April, the smallest drop in 3 months, after prices fell by a record 1.3% in March. The value of homes sold rose 35.4% YoY in 4M09 to Rmb799.6bn while GFA sold rose 17.5% YoY to 176m sq m. April, the smallest drop in 3 months, after prices fell by a record 1.3% in March. The value of homes sold rose 35.4% YoY in 4M09 to Rmb799.6bn while GFA sold rose 17.5% YoY to 176m sq m.

As for Hong Kong; retail sales improved -7.7% March yoy vs -12% in February (-9% in volume vs -14% in March).

Q1 GDP was a real disappointment -7.8% (-2.6% Q4 08). Unemployment stayed at 5.3%.

Trade deficit decreased to 16bn hk \$ (-18bn in March) as exports contracted only 18% (-21% in March). Eventually the budget balance improved a lot to a small deficit of 3.2bn hk \$ (42 bn deficit in March).

Macro news HK: HK relief package - HK Government announced a HK\$16.8bn relief package including tax cuts, fee waivers and spending to help support the economy from the worst recession on record.

Corporate news:

- Tingyi - posted a quarterly record profit on increased demand for staple food.
- Datang Its parent plans to raise as much as Rmb5bn in a private placement of its shares. The company will sell as many as 700m shares for at least Rmb6.33 each. Alibaba - rose 14.6%. Chairman Jack Ma said the company lost Rmb50m in 1Q09 through price cuts to lure businesses to market products on its website amid the global recession.
- StanChart The company's Kenyan unit said 1Q profit climbed 15% to US\$124.3m as income from lending grew.
- PetroChina Keppel Corp (KEP SP) sold its entire 45.5% stake in Singapore Petroleum to PetroChina with S\$1.47bn, profiting about S\$660m.
- China Resource Enterprise - fell 2.5%. 1Q09 net profit fell 35% YoY to HK\$417m from HK\$639m as slowing economic growth curbed consumer spending.

- Sino Land The developer received an encouraging response for its We Kai Sha project, Lake Silver, with more than 30,000 visitors to show flats over the weekend.
- HSBC It has completed the acquisition of 88.89% of PT Bank Ekonomi Raharja Tbk for US\$607.5m in cash.
- Lenovo posted a second straight quarterly loss of US\$264m for January-March 09, which was worse than analysts' forecasts.
- Parkson 1Q09 net profit rose 14.9% YoY to Rmb258.7m while sales rose 20.8% YoY to Rmb3.42bn. 1Q09 SSS grew 9%.
- PCCW Pacific Century Regional Developments Ltd. filed a motion to HK's Court of Appeal today to seek an appeal with the Court of Final Appeal on a ruling that blocked the buyout offer for PCCW Ltd.
- Agricultural Bank of China raised Rmb50bn in the nation's biggest corporate bond sale to boost capital and help pave the way for an IPO. The sale may lift its capital ratio above 10%, the minimum required for IPO.
- HSBC & BEA have won approval from Chinese regulators to sell RMB bonds in HK.
- The Chinese telecom sector underperformed the HSI. China Mobile (+12.5%) underperformed on concerns over competition in the 3G market as well as weaker-than-expected EBITDA margin for 1Q09. China Telecom and China Unicom were down 5.5% and up 7.1% respectively.
- The Chinese banks were mixed as the market was concerned about the overhang from the share placements from strategic investors of China Construction Bank (+11.5%) and ICBC (+9.4%). China Merchant Bank (+46.7%) and China Citic Bank (+21.0%) outperformed the HSI as they were laggards.
- The Chinese property sector outperformed as property transaction volume continued to rebound and property prices seemed to have bottomed out. YTD average weekly property transactions increased by 26-160% for different cities. Most developers achieved very encouraging pre-sales YTD in FY09. Easing credit also helped the sentiment towards the highly-leveraged developers. CC Land Guangzhou R&F and Shimao were amongst the best performers within the sector, whilst China Overseas Land lagged behind on relatively rich valuation. COLI was up 19.4%, Guangzhou R&F was up 38.2%, Shimao went up 52.1% while CC Land was up 64.6%.
- The Chinese auto sector outperformed as China's car sales in April were better than expected, with passenger vehicles sales growing 37% yoy, and sedan sales accelerating 33% yoy. The government also announced an increase in total amount of subsidies from Rmb1bn to Rmb5bn for scrappage of light and medium trucks. Geely (+42.8%) and Dongfeng (+27.4%) were the best performers. This was despite Geely's placement of new share which represents 8% of its existing share outstanding. Denway (+14.4%) lagged behind as the company benefited from the halving of car purchase tax as it is more focused on midsize sedans.
- The Chinese IPPs underperformed as electricity output fell in April. The market is disappointed by the weak electricity output in April and May despite an apparent rebound in economic activities. Also, the negotiations of 2009 contract coal prices between major IPPs and coal suppliers did not have any progress. China Resources Power was down 5.6%, Huaneng Power was down 4.2% and Datang was up 4.8%.
- The coal mining sector outperformed as contract coal prices have not been fixed with IPPs and coal producers have all announced strong 1QFY09 earnings. Also, the coal inventory level fell to a very low level at Qinghuangdao as major coal producers reduced production in order to support the spot prices. Shenhua and China Coal) were up 18.4% and 36.8% respectively.
- The Chinese consumption sector outperformed as the market was speculating the next round of stimulus will be targeting the consumption sector. Also, there are signs that Sportswear retailers rebounded – Li Ning gained 18.6%, Anta went up 29.2% and China Dongxiang was up 16.6% in May.
- HK Property sector outperformed. Transaction volume in HK property market picked up with rebound in property prices. Sun Hung Kai Properties Henderson Land and Sino Land were up 19.5%, 28.2% and 43.8% respectively.
- Small cap industrials outperformed on recovery in US. Techtronic was up 24.4% on recovery in the US housing data, while Lee & Man was up 44.0%.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCEI	DONGFENG MOTOR-H	197.60	HUANENG POWER-H	-9.29
	JIANGXI COPPER-H	125.70	JIANGSU EXPRE-H	-5.44
	CHINA SHIPPING	107.69	DATANG INTL PO-H	-3.90

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSI	FOXCONN INTL	115.18	HONG KG ELEC	-4.14
	CITIC PACIFIC	112.41	CHINA MOBILE	-2.70
	NEW WORLD	85.75	CLP HLDGS	-.86

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
HSCCI	CITIC RESOURCES	143.96	CHINA MOBILE	-2.70
	SHENZHEN INVEST	142.03	SINOFERT HOLDING	-.27
	GUANGZHOU INVEST	134.67	CHINA UNICOM	2.15

KOREA

The Kospi rose 1.9% in May, underperforming all other Asian markets, as tensions with North Korea and the suicide of former president Roh weighed on sentiment following the rally of +13.5% in April and +13% in March. The Bank of Korea kept the benchmark interest rate for 3rd straight month at 2% on the 12th May. It was reported the next day that unemployment rate had fell to 3.8% in April from 4% in March adding to signs the country's battered economy is improving. On 18th May, the FSC announced plans to buy as much as \$16bn of distressed assets from banks this year. On the same day, reports came out that Korea's trade surplus stood at a new record high in April (\$5.79bn) with imports declining faster than exports. More positive news followed when Korea's Consumer Confidence rose to a 2 year high in May to 105. Moody's maintained their 'stable' outlook on Korea's A2 rating yesterday despite recent nuclear tests. It was reported yesterday that Korea's economic growth in the 1Q stood at the highest among OECD members. It marked 0.1% growth in 1Q. South Korea to lift a ban on the short selling of non-financial stocks on June 1. Korean Won appreciated sharply at the beginning of the month. The Won then saw some depreciation due to the foreign selling and rising risk aversion, helping tech and autos but weighing on utilities and airliners. April bank lending to households rose for the 3rd month by W1.1tn to W392.7tn on increased demand for mortgages.

It hasn't been so rosy on the political side of things in Korea. The nation was shocked when ex president Mr Roh committed suicide on 23rd May after being grilled by prosecutors last month in a bribery investigation. However this had little effect on the stock market. The second nuclear tests by North Korea on 25th May certainly brought more negativity amid South Korea joining the Anti-Proliferation Security Initiative and Korea raising Watch Condition level. With US deciding to take a strong stance on North Korea, we will have to see where things will go and how it will affect the stock market.

Corporate news:

- LG Electronics was strong on hopes of strong 2Q numbers. 2Q global RP is now expected to reach W1tr (vs previous consensus of W300bn) on continued improvement in handset/appliance business, FX related gain amid KRW appreciation; and also on reduced loss from LG Display.
- Hynix fell in May, Hyundai Heavy denied rumor of acquiring Hynix while indicated the company has no interests at the moment. Meanwhile, investors who received shrs from 70mn rights issuance will be able to start selling from today - hearing some local ITCs aim to sell on concern over short selling (from Jun 1) and recent pull-back in DRAM/NAND average selling price. Our analyst recommends to wait for further correction and buy at below W10K (09E 1x PB), while buy Samsung Elec at current level ahead of robust 2Q earnings.
- Construction sector rose slightly, as some brokers upgraded main plays as nation's housing market is expected to recover from 3Q09. We had some positive news in terms of order flow for Samsung Eng. However we are still seeing reports about rising new unsold housing units.
- POSCO finally signed an agreement with Taihan Elec to acquire additional stake in Taihan Elect's subsidiary TaihanST Corp. Posco raised its stake in to 85% from 19.9%. TaihanST makes cold-rolled stainless products by processing raw materials, which are mostly from Posco. With this deal, Posco expects to enhance competitiveness and to see an impact of restructuring in a market that's showing oversupply. Also Posco agreed 33% Iron Ore price cut with Rio Tinto.
- Alternative energy names performed strong as this remained one of the main themes in the market (Hyunjin Mat, PSM, Taewoong,...). Korean government is going to invest W4.2tn by 2013 to develop eco friendly technology products.
- Hyosung is finally close to receiving the 2MW windpower gearbox quality approval from Germany. This should soon be certified. This is an event that market has anticipated for long time, as it should lead to supplying 100 units to Kepco (worth W400bn) that has been already signed with Hyosung and Hyundai Heavy. Hyosung therefore is the most likely candidate to lead the domestic wind turbine market as it is the only company that can in-house develop and manufacture all major components.
- Kepco finished the month almost flat despite won strength and reports pointing out that the government is considering to raise late-night electricity charges from June.
- IBK: Korean government to inject W300bn of capital into IBK, announced on 15th May. The impact was limited as it was already anticipated by the market as part of government's supplemental budget plan. IBK issued new common shares on 18th May that were equivalent to 6.78% of total shares outstanding at 5% discount (W8,642) from base price.
- Woori Financial rose, on 18th May it was reported that SK was considering acquiring Woori Fin or financial sector of Korea Post through Hana Fin. SK official said reason to do so was because the group has reached a threshold for further growth with current business while it has ample cash to explore new businesses... Still waiting for update on this but our analyst has some doubts that this will happen due to the fact that a non financial company can't acquire more than 9% of a banking company, acquiring more than a 4% stake would require government approval.
- Kumho Tire reported worse than expected 1Q results much below consensus with sales and OP loss of W496.b and - W59.3b. OPM deteriorated to -11.9%. The stock was downgraded by the analyst at Samsung Sec on 18th May to sell he expects the fall in raw material price to start to filter thru OP in 2Q, turning the company black. However, rising interest expenses and continuing losses at overseas plants should keep the Co in the red at recurring level.
- Hyundai Mobis is recording new highs, the shareholders approved a merger with Hyundai Autonet that will help Hyundai Mobis expand its electronic components business. Hyundai Autonet, which makes audio visual equipment for cars, will be merged into Hyundai Mobis on June 25. Hyundai Mobis raises also on hopes that the restructuring and consolidation of US auto industry will result in more orders for Mobis. Plus, US plans for low emissions and high mileage standard which should push car makers to move toward hybrid, electric, and lighter vehicles. Mobis should benefit from such trend with its strong presence in automotive parts.

•Insurance sector rose only slightly for the month, and it was weak at the end of the month following rise in auto loss ratios in April.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KOSPI50	SK NETWORKS	42.86	KT FREETEL	-14.15
	HANA FINANCIAL	35.29	DOOSAN HEAVY	-12.34
	NHN CORP	27.97	HYNIX SEMICON	-10.42

TAIWAN

The Taiex rose 15%, closed up for the fourth straight month with strong gains of 898 points, as the investors remained optimistic about the market's prospects, mainly propped up by warming ties with China, also MSCI increased the weighting of Taiwanese shares in its equity indexes, giving its new picks a lift. Taiex finished the month at 6,890, with an average daily turnover at \$193.4bn, up 35% compare with April on actively local participation. Potential Chinese investors and further cross-strait de-regulations continue to play the key role in May leading property/asset and financials to dominate the market. The Executive Yuan plans to de-regulate Chinese investment to Taiwan, with the exception of the financials, foundries, TFT-LCD plays and first tier telecom operators. Vice chairwoman of Financial Supervisory Commission suggested that financial MOU will be signed no later the June. Mainland China is open to earlier than scheduled ECFA (Economic Cooperation Framework Agreement) talks with Taiwan, talks may start in 2H09. China further announced additional measurements including encouraging Chinese corporate to invest in Taiwan, increasing procurement and pushing up Chinese tourists to visit Taiwan. Taiwanese stocks rose this 15% in May (following a +15% in April, +14% in March and +7.3% in February) despite pro-independence protests against the ruling party, fears of selling pressure ahead of the one-year anniversary of the Presidential inauguration and the announcement of a record drop in GDP for 1Q09. Long margin position also picked up 15% to \$205bn level, but FINI's participation remains weak (only 10~15%). The strong Taiex performance is due to re-rating on Taiwan stocks thanks to China Mobile/FarEasTone's acquisition talk at the end of April, which sparks high investors' attention. Some sectors outperformed the Taiex on potential de-regulation of Chinese investors, including financials +30%, automobile +34%, construction +61.5%, electrics +29.2% and pulp +35.7%. The sectors that underperformed were cement +9.2%, plastics +7.7% and glass -1.6%. Taiwan also reported the first case of H1N1 (total nine cases so far, mostly were travelers came back from overseas), but it doesn't seem to bother tourism sector (+19.1%) on limited impact. With MOU to be signed at the end of June and ECFA talks to take place in 2H09, cross-strait de-regulation concepts dominated the market. Taiwan 1Q09 GDP posted a record drop of 10.24% due to sharp fall of export and local investment, but expecting to improve QoQ in 09. The CPI in April dropped 0.45% YoY, which was the third consecutive decline MoM. NT dollar has strengthened to a five-month high on closer ties with China, raising the outlook for more capital inflows. Taiwan's April monetary aggregate M1B growth accelerated to 9.5%, the fastest pace since January of 2003 and the first time M1B growth has outpaced M2 growth, forming a golden cross since Feb07, suggesting strengthening funds momentum in the stock market. Political situation remains as in recent months, the opposition DPP held an 'anti-Ma' rally on May 17th in Taipei and Kaohsiung, however the rally ended peacefully.

Corporate news:

- The tech sector slightly underperformed the Taiex by rising +11.6%. However the local funds were actively involved in IC designs, commodities, LED sectors. The foreign investors turned to net sellers from the second week of May, after heavily net buying in the previous two weeks. They significantly net sold tech shares, while remaining net buyers in the non-tech segment. Telecom services, connector and foundry shares were the most net sold in the tech space.
- MSCI added twenty-two Taiwan shares and deleted Promos from Taiwan MSCI with re-balance date on 27th May.
- TSMC posted 1Q09 net income of NT\$1.6bn, down 87.5% QoQ and 94.5% YoY, for an EPS of NT\$0.06, attributed to declined profitability on lower utilization rate. Gross margin declined to 18.9% in 1Q09. Operating profit margin also declined to 3.1% in 1Q09 from 18.6% in 4Q08. For 2Q09, TSMC expects revenue to be NT\$71-74bn with 80% above QoQ growth as the market consumed shipment is stronger than production shipment. The revenue growth of 3Q09 is expected to remain flat or slightly increase and will decline sequential in 4Q09.
- Compal Elect rose strongly at the beginning of May but consolidated afterwards. Compal has revised up 2Q09 NB shipment guidance to 20% QoQ with whole year shipment at 35mn units.
- Wistron NB order wins enhance 2009 outlook, 1Q09 earnings improved on forex gains contribution. Both profitability and shipments should pick up in 2Q09. The company's NB shipments guidance is getting increasingly positive.
- Quanta 1Q09 earnings beat expectation on solid margins. The shipments picking up in 2Q09 but the company will feel margin under pressure; we are more confidence on 2009 outlook on improving visibility.
- Ju-Teng TDR was listed on 25th May, JuTeng is the biggest plastic NB casing maker, the company is listed in Hong Kong.
- Chi Mei Optronics reported a 1Q09 net loss of NT\$19.6bn, down 37.1% QoQ, in line with market consensus. 1Q09 net sales were NT\$44.3bn, up just 1.3% QoQ, due to falling blended large-panel price, by 13.8% QoQ and increasing large-sized panel shipments of 15.78% QoQ. Despite the fact that CMO likely faces continued losses at least until 1Q10, and is falling behind peers toward breakeven, the firm's stock price has rebounded sharply this year.
- Epistar rallied sharply, 2Q09 sales up QoQ, but further growth stymied by full loading rate. We expect LED TV to contribute 10% of sales as demand outpaces shipments by 20% in 2Q09. Our analyst (at KGI) has become less bullish after this rally, she downgraded the stock to hold.

- Taiwanese suppliers of home appliances and auto benefited from the Chinese government plans to offer urban consumers subsidies for car and home appliance purchases starting late May, which is looked to be more effective than rural subsidies given the stronger buying power in first-tier cities and wider price flexibility.
- Yulon Motor rallied on news that Taiwan is likely to allow Chinese investors to invest in 65 industries in a first phase of opening trade to the mainland. Auto demand trend up recovery of stock market leading Yulon, China Motor and Hotai Motor to ramp up.
- China Steel rose, the company lowered June quotation by 9.4% on average on sluggish end-demand. China Steel has been permitted by the Vietnam government to invest NT\$37bn in setting up a steel plant in Vietnam.
- FarEasTone: the NCC said they will not approve China Mobile and FarEasTone case yet, as it faces regulatory obstacles as Taiwan's telecommunications sector isn't open to mainland Chinese investors, according to the island's government. The telecommunications industry isn't among the 65 sectors that Taiwan plans to open up for Chinese investments in the first phase, Economics Minister said on 12th May.
- Financial sector outperformed as the foreign investors remained net bought on the prospects of cross-strait financial cooperation, though at the much smaller amount compared to net buy in the previous two weeks.
- Yuanta FH rose a lot, the Ma family resigned from management team due to scandal of involving in former president Chen's bribery.
- KGI Securities announced to acquire Taiwan Sec from Taishin FH with \$28bn in cash and \$1bn worth of KGI shares. This will push up KGI's local market share. KGI is Orient Finance's broker in Taiwan.
- The Shanghai Stock Exchange will seek mutual listings of ETF with Taiwan and HK after completing its ongoing plan of mutual ETF listing with Shenzhen Stock Exchange. Mutual ETF listings among stock markets in greater China has handsome potential due to the different structures of listed companies which can create a complementary effect;
- Construction sector rallied hard in May on speculation a stronger currency will boost property values amid increased investment arriving from China. The NT\$ continued appreciating versus the US\$ in May.
- China strengthened its commitment to accelerating the development of a planned economic zone in the southeast province of Fujian, which is positive for the many Taiwanese firms there. We believe the plan will pave the way for the Economic Cooperation Framework Agreement proposed by the Taiwanese government.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
TW50	SHIN KONG FIN	48.84	ACER INC	-7.11
	CATHAY FINANCIAL	42.24	COMPAL ELECTRON	-2.14
	CHINATRUST FIN	41.25	INOTERA MEMORIES	-2.01

SINGAPORE

The STI gained 21.3% in May (following +13% in April and +15% in March), market volume surged 74% mom from April. The main outperforming sectors were property, banks, plantations, offshore & marine and S-Chips. Sectors that underperformed were public transport, shipping and media. The REITs were mixed, with retailcentric REITs underperforming. The Singapore government unveiled a blueprint for sustainable development for the next 10 to 20 years. The green economy is to add 18,000 jobs and add \$3.4 billion to the Republic's GDP by 2015. Manufacturing output contracted by 13.9% in March 2009 compared to February 2009 on a seasonally adjusted basis. On a year-on-year basis, output in March 2009 fell by 33.9%. Cumulatively, output in the first three months of 2009 declined by 26.1% compared to the same period last year. Meanwhile, April manufacturing index improved slightly with the key electronics segment returning to expansionary track. March industrial output fell by a third from 2008. Industrial output fell 13.9% from February, on a seasonally adjusted basis. Total output for 1Q09 fell 26.1% from last year. The weak sentiment still holds, leading manufacturers to run down inventory. A record of 12,600 workers lost jobs in Singapore in the 1Q09. The jobless rate in March hits a 5-year high of 4.8% but this is still below the peak reached during the Sars crisis in 2003. Singapore's April bunker sales dropped 7.8% drop to 2.88m tonnes, from 3.13m tonnes in March. Singapore's NODX plunged 19% yoy in April, sharper than the 17% decline in March. Overall trade shrank 28% in April – a bigger fall than the 24% tumble in the previous month. Seasonally adjusted, NODX dipped 1.3% in April from the previous month, after a revised 10% rise in March and a 1.6% increase in February. Singapore's economy contracted sharply in 1Q across almost all sectors with two notable exceptions – financial services and construction. The building trade posted growth of 9.6% in 1Q but still below the 10.3% expansion in 4Q08. The financial services showed an unexpectedly buoyant 7.7% growth over the previous three months. Singapore's domestic wholesale trade fell 11% in seasonally adjusted terms in 1Q09 from 4Q08.

Corporate news:

- Property sector outperformed as optimism seems to be seeping in, despite some negative news. Private home prices fall 14.1% in 1Q wiping out the gains owners have made since 2007. 1Q fall was worse than an initial URA estimate of 13.8%, indicating the slide accelerated towards the end of the quarter. After a nine-month lull, investment sales activity for office buildings could pick up soon with the possibility of three buildings in the CBD changing hands as buyers start to shop again.
- CDL Hospitality Trusts has refinanced all of its S\$297m existing debt maturing in July this year, after securing a new three-year S\$350m bank facility from DBS Bank. It will have no further debt to refinance till financial 2012.

- Banks were the other out performer sector in May. March industry loan growth shows its first marginal MoM expansion (+0.1%), partly reflecting the effect of the Singapore's government risk-sharing scheme. System loans stand at S\$270.7bn. Mortgage and manufacturing loans show slight expansion. Singapore's local banks' China ambitions will be more challenging following the latest mainland liberalization measures for Hong Kong. HK banks, under the latest arrangement, can set up service points in Guangdong province without first establishing branches there. This means it will be easier and cheaper for banks to expand their network, and improve the quality and efficiency of banking services provided to enterprises. The Singapore local banks do not qualify for easier access as they are not incorporated in Hong Kong.
- DBS, OCBC and UOB all posted results above expectations. Key positives were some recovery in fee income, good trading performance and excellent cost control. DBS and UOB kept specific provisioning levels high, OCBC saw provisioning come off.
- SGX to develop commodity market with India, launches oil future contract. SICOM (Singapore commodity exchange) and NCDEX (India commodity & derivative exchange) signs Head of terms to co-operate on commodities and derivatives.
- Chartered Semiconductor Manufacturing is in talks with lenders to change terms of debt due after 2010 as global recession hurts earnings. The company will repay all debt maturing next year and aims to change covenants on other borrowing.
- SembMarine appears to be more bullish about order wins this year, compared to Keppel Corp. SembMarine has hinted that S\$3-4bn of order win this year is possible.
- SembCorp Industries, the preferred bidder for the US\$1 billion-plus Salalah independent water and power project (IWPP) in Oman is tackling the finance question on three fronts, including raising funds from equity. If SembCorp obtains the finance, it will be the Singapore group's second IWPP win in the Gulf, after its US\$1.7 billion Fujairah IWPP in the UAE. The authorities have reportedly asked for new round of bidding by all three short-listed bidders, including SembCorp.
- Keppel Corp is divesting its 45.5% stake in SPC to PetroChina for S\$1.47bn. We expect part of the gains to be returned as special dividends, when remainder could be used to do M&A to grow the Infrastructure business.
- SingTel posted the highest subscriber gain among the three local operators in 1QCY09. It added 34,000 new mobile customers in 1Q, to take its Singapore cellular base to 2.98m. SingTel has bagged a A\$500 million (S\$543 million) contract to provide Australia's ANZ Bank with telecommunications and managed network services for five years.
- CPO prices eased off from RM2,800/tonne to RM2,500/tonne, over the month of May. Our house analyst believes the potential impact of the swine flu outbreak on CPO price depends on how it affects the global poultry business and the global economic growth and trade. The impact will depend on the duration and the severity of the outbreak. Wilmar International has made a bold bid to hive off 20-30% of its China operations as a separate listed company despite the depressed market for new listings globally. Golden Agri has proposed a fully underwritten 17-for-100 rights with free detachable warrants at SGD0.18
- Singapore's petrochemical plants returned to near full operating capacity in 1Q, 2Q promises to be even better. From a 20-30% plunge in 4Q08, utilisation rates improved about 3-5% each month in Q1 with most plants now operating at 90-95%. Singapore now has two operating petrochemical complexes on Jurong Island – PCS's 1.4m tpa facility and various downstream plants plus ExxonMobil's 900,000 tpa Singapore Chemical Plant complex.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
FSSTI	FRASER AND NEAVE	51.53	SINGAP TECH ENG	-9.34
	CITY DEVELOPS	45.83	COMFORTDELGRO CO	-9.15
	SEMBCORP MARINE	44.55	SINAP PRESS HGS	2.07

THAILAND

The Set index awoke in May to beat the MSCI. The political scene was quiet until the end of the month, when the Democrat Party had a fight with its coalition partner about a rice stock sale.

On the macro side:

April Cpi pointed again to deflation: -0.9% (-0.2 in March) when core CPI stayed at +1%. April consumer confidence weakened a little bit to 65. Foreign reserves stayed flat at 118bn \$. Total car sales weakened somewhat to 39 713 (41328 in March). Contrary to expectations, the Central Bank committee maintained rates at the same level of 1.25% (0.25% was expected). Exports and imports resisted better than expected: -26 and -36% respectively but the trade surplus was a disappointing 600mn \$ (1.2bn consensus). GDP contracted 7.1% in Q1 more than the -6.5 expected and -4.2% in Q4 2008. In May, Thailand's SET Index jumped up 15% to close at 5XX points as domestic political concerns were put in the back burner. Foreign and local institutional buying lifted the average daily turnover to Bt25bn, from an average of Bt13bn in 1Q09. Foreign investors ended up being net buyers by Bt8bn in May. Banks' results in 1Q09 showed their asset quality remained relatively healthy, while energy stocks enjoyed strong rebounds in their 1Q09 earnings after marking huge inventory losses in 4Q08. The star out-performers in May were property developer stocks, which spiked up sharply after seeing a gradual recovery in new housing sales and reporting relatively robust 1Q09 results. Negative political news such as potential rifts among PM Abhisit's coalition partners did not dampen market sentiments as no major demonstration or potential for street violence is expected at this time. Even news of Moody's "potential" downgrades on 11 Thai banks and the weaker than expected 1Q GDP numbers were brushed aside, which were viewed as earlier discounted in the market already.

Corporate news:

- Thai Military Bank TMB has bought back US\$131m of Hybrid Tier I securities at 57% of their face value. It is expected to book a US\$56m or THB2bn capital gain from this buyback. Its CAR would drop from 14.1% with 10.6% Tier I to 12.9% and 9.1%, respectively. The bank is in the process of issuing THB4bn Hybrid Tier I securities locally. This would boost the two ratios to 13.8% and 10%, respectively. We do not believe the market will get excited over these transactions as investors would need to see improvements in its operations, given disappointing 1Q09 results. Maintain Neutral and THB0.55 target price, still based on 0.5x CY09 P/BV.
- Precious Shipping - PSL's annualised 1Q09 core net profit was 8.5% below our forecast but 5.5% above consensus. The variance was due to greater-than-expected interest expense as new debt was taken up faster than forecast. PSL recorded income of THB153.6m from compensation for the termination of vessel hire contracts during the quarter. YTD, it has sold 10 vessels, of which eight have been scrapped. We had assumed the disposal of 10 vessels over the year, so the pace of disposals was faster than forecast. Maintain UNDERPERFORM, earnings forecasts and sum-of-the-parts target price of THB10.80 for now. PSL expressed pessimism on the 2009 bulk sector outlook, but is also confident about its fleet rejuvenation plan, which will be assisted by undrawn facilities of around US\$350m.
- Supalai Plc - We anticipate to report robust net profit of THB500bn up 182% yoy and 127% qoq, mainly supported by its record high sales revenue, strong gross margins and business tax savings. Even though the upside potential for SPALI to beat the consensus and CIMB's estimates is rising, we'd rather remain more cautious than the company's bullish stance, expecting 30% yoy increase in FY09 revenue (vs. CIMB's 10% growth). As a result, we kept our EPS estimates for FY09-11 unchanged, expecting EPS to grow by 5-15%. Nonetheless, we raised our P/E multiple used as the basis for our valuation to 4x CY10 P/E from 3.5x to yield at the new target price of THB3.00 (vs. previous THB2.40) to reflect an expected strong 1Q09 performance, healthy backlog, and improving political climate. Maintain Outperform.
- Thai Union Frozen Products – TUF's 1Q09 core net profit was THB526m, almost quadrupling yoy and up 41% qoq on higher margins. This was in line with expectations, forming 21% of our and consensus' full-year estimates. Revenue in US\$ term climbed 4.4% yoy to US\$499m driven largely by volume increases particularly from canned pet food, sardines and mackerels. Gross and operating margins also improved given more favourable THB/US\$ exchange rates, relatively stable tuna prices and ongoing cost-controls.
- PTT Exploration and Production At the analysts' meeting, management is confident that it can maintain the strong volume growth of 10% for FY09 and 25% for FY10. There is an earnings upside for FY10 from higher product prices given its strong volume growth.
- Banpu's 1QFY09 core profit was THB3.6bn, up 73% yoy and 22% qoq on higher ASPs, better margins, and higher contributions from its China businesses. The results are 5% above our forecast, and 7% higher than market expectations due to better-than-expected margins and higher other income. The outlook for the rest of 2009 could be poorer due to lower ASPs, and less non-recurring income.
- Thai Oil - Boosted by aromatics business. TOP's 1Q09 core profit was THB2.6bn, down 19% yoy, but up significantly from 4Q08's losses of THB8.9bn. The results are 18% above our forecast and market expectations due to stronger-than-expected margins for aromatics products.
- Minor International - Hotel weakness to persist. MINT's 1Q09 results were 14% below our forecast but in line with market expectations. The main culprit was lower-than-expected hotel gross margins, which plunged from 62% in 1Q08 and 78% in 4Q08 to 54% in 1Q09. Hotels suffered from both the global slowdown and Thailand's political instability. However, MINT's food business continued to perform well, thanks to the consolidation of Thai Express and outlet expansion. As MINT's share price has rallied 16% month-to-date and as the outlook for hotels is still dim, we believe further upside will be quite limited.
- Charoen Pokphand Foods – CPF's 1Q09 core net profit of THB744m was up an impressive 203% yoy and 138% qoq on higher margins. This was in line with expectations, making up 24% and 25% of consensus and our full-year expectations, respectively. Revenue climbed 2.7% yoy to THB34.8bn while overall gross margins widened a whopping 2.6% pt yoy to 14.7%, driven by better aquaculture margins. Management expects FY09 to be another good year for CPF following 1Q09's good start. Over the next few years, CPF plans to raise the proportion of food products in its sales mix to 33% (from 20% now) to improve margins and better insulate its earnings from fluctuating commodity prices.
- BECL's Steady path 1Q09 net profit was THB387m, up 14% yoy on higher tolls and lower interest expense. Excluding a THB44m loss on investments, core net profit of THB417m (up 25% yoy and down 4% qoq) was largely in line. Despite lower yoy traffic during the quarter, toll revenue climbed 7.3% yoy to THB1.9bn, largely on toll hikes in Sep 08 and Nov 08.
- Advanced Info Service –1Q09 core profit was THB4.5bn, beating market consensus but in line with our expectation. While modest topline growth of 1.6% qoq came from stronger roaming and data, and flat voice revenue, effective cost management raised its EBITDA margin from 4Q08..
- Hemaraj Land and Development - Hemraj's 1Q09 net profit was well below our forecast and market consensus. The main culprit was a 90% yoy and 83% plunge in revenue from land sales to only THB70m in 1Q09. Hemraj sold only 2.4 acres of industrial land in 1Q09, but has THB1.1bn of deferred revenue for booking over the next 18 months. The outlook for the industry remains clouded by political risks and lower capacity utilisation.
- Siam City Cement - No excitement 1Q09 core profit was THB805m, down 20% yoy but up 19% qoq. The results are 7% above our forecast and 5% above market expectations due to better-than-expected gross margins. The lower yoy profits were caused by weak sales volume in both domestic and export markets. The near-term outlook remains weak as we expect domestic cement consumption this year to continue to contract. However, there is a chance of a recovery next year.
- Thai Airways' 1Q09 core net profit of THB3.3bn was up 16% yoy largely on lower fuel costs. This exceeded our full-year estimate of -THB2.5bn, with lower-than-expected operating expense the key surprise. Although traffic volume and yields suffered from domestic political turmoil and the global economic slowdown, lower revenue (-25.8% yoy) was offset by lower operating expense (-28.1% yoy).

- Bumrungrad Hospital -1Q09 net profit was well above our forecast and market consensus on the back of strong hospital revenue and gross margins, while SG&A expenses were well under control. We raise our earnings forecasts by 8-14% for FY09-11. As a result, our target price rises from THB20.50 to THB22.00, still based on 15x CY10 P/E.
 - Major Cineplex Group - 1Q09 net profit of THB12m was down a drastic 95% yoy on disappointing advertising revenue. The results only met 2% of our full-year expectation.
 - Sino-Thai Eng & Construction - 1Q09 results were 48% below our forecast and 35% below market expectations. The main culprits were lower-than-expected revenue and only a marginal improvement in gross margins despite sharply lower steel prices. With the disappointing results and thinning backlog, we have cut our earnings forecasts by 29% for this year and 6% for next. STEC's share price has rebounded nicely on speculation that it will be awarded either Part II or III of the Purple Line project. With market sentiment turning more cautious, we believe investors will be switching out of high-beta stocks. Therefore, we maintain our Underperform and THB3.00 target price, still based on 0.8x CY09 P/BV.
 - Airports of Thailand - Revenue under pressure 2Q09 core net profit of THB855m was down 77% yoy on 19% yoy lower revenue. Although 1H09 core net profit of THB1.5bn meets 96% of our full-year forecast and exceeded consensus' THB446m, this has been largely anticipated. We expect 2H09 performance to deteriorate given the various discounts that AOT is offering to its tenants and airlines, and 4Q's bonus payments. Although the worst in traffic decline might be behind us, AOT's revenue is still under pressure from measures to help airlines and tenants.
 - Italian-Thai Development - Disappointing margins 1Q09 results were well below our forecast and market consensus. The main culprits were weaker-than-expected gross margins and a jump in SG&A expenses.
 - Ch Karnchang -CK's 1Q09 results were impressive, above our forecast and market consensus due to a sharp jump in revenue. However, backlog is thinning and we do not believe that Part I of the Purple Line project will be awarded soon. Like ITD, CK has a high net gearing.
 - BEC's 1Q09 net profit of THB544m was down 20% yoy on lower revenue and higher SG&A. This meets only 20% of our full-year expectation and consensus. Lower-than-expected margins were the key variance.
 - PTT - PTT's 1Q09 core profits were THB7.4bn, down 68% yoy, but improved significantly from 4Q08's losses of THB22.1bn. The results are 35% below our forecast and 26% below market expectations due to lower profits from all businesses. With poorer 1Q09 results, we have cut our EPS forecasts by 8.0% for FY09.
 - Thoresen Thai Agencies - TTA's 1Q09 core net profit was THB320m, above our full-year estimate of THB2.2bn loss, but below consensus expectations for THB1.8bn profit. The variance came from our overly conservative estimates for dry bulk rates. 2Q group core net loss of THB32m contrasted with the THB2.1bn profit a year ago, due mainly to bulk shipping falling into the red, coupled with an unexpected loss at subsea engineering.
 - Kim Eng Securities (Tha) Pcl - Following an analysts' meeting yesterday, we are more convinced about KEST's competitive position in the sector. Its fundamentals had been the least affected in this bear market. Its share price has been up 90% since early April, vs. 30% for the SET, gathering momentum as its earnings visibility improves.
 - Krung Thai Bank - We believe that the risk of an NPL jump at KTB is higher than at peers. This is because KTB's loan growth was strong qoq in 1Q09, while it was negative for the other big banks. As a state bank, KTB may have to follow the government's guideline of boosting lending growth, which would have negative repercussions on KTB over the long term.
 - Phatra Securities Pcl - More negatives in sight
- We expect Phatra's share price to retreat as market turnover declines from this year's high. Phatra's brokerage market share is also weakening, which could be another drag on its share price while the outlook for its direct investment and fee income remains unexciting.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
SET50	PTT AROMATICS	102.04	TOTAL ACCESS COM	-12.50
	SIAM CITY BANK	97.16	RATCHABURI ELEC	-12.28
	THAI AIRWAYS INT	92.26	THAI TAP WATER	-2.39

INDONESIA

The JCI index put out a just in line performance in May compared to the Asian benchmark. On the macro side, April's CPI was lower than expected at 7.3%. March exports collapsed less than expected: -28% vs 39% consensus. Also, trade balance was a better 2bn \$ surplus (1.2 bn \$ in February).

Consumer confidence increased to 102 in April (98 in March). Bank Indonesia decreased rates by 0.25% to 7.25%. Foreign reserves increased to 56bn \$ (54.8 in March). M2 also showed some improvement, growing 20.3% in March; accelerating from 18.5% in February. Eventually, GDP was a pleasant surprise: Q1 GDP growth was 4.4% (4.2% was expected; 5.20% Q4 GDP in 2008. Auto sales showed strength: 34 611 units sold in April (34 000 in March); as well as cement consumption 3.15mn tons versus 2.95mn in March.

Corporate news:

- Aneka Tambang (Antam) said 1Q09 profit fell 87% because of declining nickel and bauxite sales and prices. Unaudited consolidated net income was Rp90bn (US\$8.5m) in the three months ended 31 Mar 09, from Rp675bn a year earlier
- Adaro Energy, owner of Indonesia's second-biggest coal producer, swung to a profit in 1Q09 from a loss a year earlier on higher prices of the fuel. The company posted a net income of Rp1.14tr (US\$107m) in the three months ended 31 Mar 09 from a Rp12.5bn loss a year earlier, Adaro said today. Sales jumped 91% to Rp6.53tr.

- Perusahaan Gas Negara posted a record quarterly profit in 3M09 as sales volume rose after the completion of a pipeline project. Net income rose to Rp1.22tr (US\$115m) in the three months to 31 Mar 09, from Rp570bn a year earlier, the company said. Sales climbed to Rp4.48tr, from Rp2.77tr. Gas Negara completed a 1,035km (643 mile) pipeline in the second half of last year linking gas-rich Sumatra to Java, the country's most populous island. The company said in Jan 09 it expects to sell between 700m and 800m cubic feet of gas a day this year, compared with an estimated 600m a day last year and 422m in FY07. Total net income in FY08 dropped 45% from a year earlier to Rp633.9bn as it booked a Rp2.5tr foreign exchange loss. Sales gained 45% to Rp12.79tr.
- Timah said profit plunged 97% in 1Q-0 on lower prices of the metal and higher costs. Net income at the company fell to Rp14.4bn (US\$1.36m) from Rp487.3bn, it said yesterday. Sales declined to Rp1.59tr from Rp1.81tr, while the cost of goods sold surged 55% to Rp1.46tr. It sold 11,014 metric tons of refined tin in 1Q09, compared with 10,176 tons the same period last year. The company sold its tin at an average of US\$11,221 a ton, 35% lower than the previous year, while the cost per delivered ton rose 19% to US\$11,045, the statement said.
- Gudang Garam profit more than doubled to a record in 1Q09, helped by cost saving measures. Net income in the three months ended 31 Mar 09 rose to Rp781bn (US\$74m) from Rp336bn, the company said. Sales rose 11% to Rp7.65tr while cost of sales rose slower at 2.2% to Rp5.97tr, it said. The company said in Nov 08 it expected raw material prices in FY09 not to increase significantly, and it cut marketing expenses from FY07 levels as it slashed programs that "weren't effective."
- Indocement Tunggal Prakarsa 1Q09 profit rose 33% as sales increased. Net income rose to Rp502.7bn (US\$47m) in the three months to 31 Mar 09, from Rp378.9bn a year earlier. Sales rose to Rp2.19tr from Rp2.05tr
- Bumi Resources 1Q09 profit rose 21% after it earned higher prices for the fuel and as production costs fell. Net income rose to US\$124.5m from US\$103.3m a year earlier. Sales advanced 14% to US\$752.9m, it said. Bumi's coal selling price in 1Q09 gained 30% to US\$75.4 a ton on average while production costs fell 11%. That helped to more than offset a 1.2m ton drop in output volume. Bumi should meet its output and sales growth target of more than 10% this year.
- International Nickel Indonesia (Inco), the nation's largest producer, said a plan to build a US\$1.2bn ore-processing factory in Sulawesi island may not be feasible because of declining metal prices. It plans to build the plant at Pomalaa. The factory would have a capacity of 30,000 metric tons and start in 2014. 1Q09 net profits fell 88% as prices tumbled and it sold less of the metal. Net income dropped to US\$17.2m in the three months ended 31 Mar 09 from US\$139.6m a year earlier
- Bank Mandiri shareholders approved a dividend payment of 35% of last year's profit compared with a 50% payout in FY08. The dividend amounts to Rp1.85tr (US\$176m), or Rp88.55 a share.
- Tambang Batubara Bukit Asam (PTBA) is aiming to achieve more than 20% growth in revenue this year, forecasting higher sales volume and improved prices. The company is targeting more than Rp8.64tr (US\$838m) in revenue this year, compared to Rp7.2tr earned in FY08. The target was realistic enough given the remarkable results showed by the company in 1Q09, when it posted a 221%-jump in net profits, as the company produced more coal and sold its increased output at higher prices.
- Energi Mega Persada said it will bid for BP Plc's 46% stake in a West Java oil, gas field, President Director Imam Agustino said. The company also plans to spend US\$300m in expanding this year
- Astra International hopes to do better on full-year figures after a 1Q09 drop in growth on weak results from vehicles and agriculture overshadowing the feisty figures from its mining equipment unit. It had revised downward the full-year growth projection from its automotive division from between 5% and 10% to zero, on weaker demand, reflecting negative impacts from the global downturn. Astra's automotive unit contributed around 50% of the group's total revenue last year.
- United Tractors posted a 57% growth in its net profits to Rp812bn, from a year earlier. Still, the group is hopeful the figures will pick-up in subsequent quarters with Indonesia's economy doing much better than that of most of its regional peers
- Bank Negara Indonesia has delayed fund-raising plans after shareholders agreed to retain 65.7% of last year's profit to bolster its capital. Bank Negara had planned to sell bonds, subordinated debt, or new shares in a rights offer to raise capita. Shareholders agreed to pay 10% of last year's profit as dividend
- Bakrieland Development may sell a 49% stake in Bakrie Toll Road next year. The company is in talks with investors from the Middle East and Southeast Asia on the stake sale. Bakrieland currently owns 100% of Bakrie Toll Road. Money from the sale will be used to partly fund toll-road projects, Thaib added. He said Bakrieland expects sales to climb 25% to 30% this year, after revenue rose 35% to Rp1.05tr (US\$100m) last year. The company decided to skip paying dividends from last year's Rp272.1bn net profit. Bakrie Toll Road has five road concessions totaling 300km, one of which will start operating in Oct 09. The projects may cost the company Rp15tr
- Jasa Marga, Indonesia's biggest highway operator, expects to start operating a toll road linking Bogor in West Java province with housing estates on the town's outskirts by the end of Sep 09. The 3.8-km (2.4 miles) highway will connect Bogor with the southern part of Sentul, Okke Merlina, corporate secretary at the company. Jasa Marga has a 55% stake in the Rp500bn (US\$49m) project. Jasa Sarana, owned by West Java administration, holds the rest. Jasa Marga may spend Rp1.56tr (US\$151m) this year to increase its stake in three toll-road companies, President Director Frans Sunito said yesterday. Jasa Marga may spend Rp629bn to raise its stake in Marga Kunciran Cengkareng to 75% from 20%, and Rp406.3bn to increase its stake in Marga Trans Nusantara to 60% from 30%. The company may also spend Rp527bn to add shares in Marga Nujuasumo Agung to 55% from 1.7%.
- Axiata Group Bhd., the mobile-phone operator controlled by the Malaysian government, said its Indonesian unit may raise between US\$300m and US\$600m by selling new shares this year to help fund expansion. Excelcomindo Pratama, 84%-owned by Axiata, needs to "repair" its capital structure after taking up loans for expansion. The company expects to decide how much to raise in Jun 09. Excelcomindo needs about US\$600m for capital spending this year to improve the network, and boost data speeds and connection quality. The company aims to encourage usage after losing customers to local rivals including Telekomunikasi Selular, the country's largest wireless carrier.
- Bank Rakyat Indonesia said it expects profit to increase as much as 15% this year. The bank also targets lending growth of up to 22% this year

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
LQ 45	BAYAN RESOURCES	314.89	INDOSAT TBK PT	-7.83
	ELNUSA	233.33	LIPPO KARAWACI	-6.25
	CIPUTRA DEVELOPM	198.91	BISI INTERNATION	-3.85

MALAYSIA

The KLCi put out a bad performance in May as macro figures were particularly poor. As in many economies, March exports decreased less than expected -15% (-17% consensus), imports were slightly worse at -29% therefore March surplus was stronger at 12bn ringit.

Industrial production for March was as bad as expected; contracting by 14% and manufacturing sales collapsed 25% yoy. Cpi was slightly lower at 3% for April (3.5% in March). The Central Bank kept rates unchanged at 2%. End of the month, the GDP was a major disappointment. Q1 GDP was -6.2% almost contracting twice as much as was expected (Q4 2008 was +0.1%)

Corporate news:

- Sime Darby's 9MFY6/09 results were below our expectations The poorer results resulted mainly from lower-than-expected contributions from the plantation and the oil & gas divisions.
- Star Publication's revenue fell 16% yoy, reflecting the depressed newspaper ad volume. Core profit tumbled 57%, pulled down by a slump in EBITDA margin.
- AirAsia 1Q core net profit of RM166m also saw stronger-than-expected revenue. Although load fell 2.4% pts yoy, it was more than offset by a 16% rise in yield. Another boost to the bottomline was the 44% yoy drop in average jet fuel price to US\$61.60/bbl.
- Telekom Malaysia has joined a consortium to plan and develop a proposal to build an international undersea cable system, Asia Pacific Gateway.
- MRCB will build two office projects valued at RM1.8bn, gauging that property markets will revive as the global recession eases.
- Hap Seng Plantations is looking at expanding its oil palm planted area by at least 50% in the next two to three years as part of its strategy to enhance profitability.
- Ann Joo Resources is investing another RM350m-400m to build a blast furnace in Prai, Penang.
- Tenaga Nasional (TNB) is expected to issue the tender document for the submarine transmission line by year-end. Tenaga finance chief Datuk Mohd Izzaddin Idris has been named CEO for UEM from July 1 as Khazanah kicked off a reshuffle of top executives in its stable of companies. Tenaga Nasional will invite bids next month for the construction of two hydroelectric plants valued at RM2.8bn (US\$795m).
- Maybank's 9MFY6/09 net profit fell by 18.7% to RM1.81bn because of lower-than-expected loan loss provisioning. Loan growth was strong at 21.9% yoy in Mar 09 due to the inclusion of Bank Internasional Indonesia. Domestic loan growth also strengthened from 12.1% in Dec 08 to 13.6% in Mar 09. Net NPL ratio fell from 1.92% to 1.73% in 9MFY09.
- TM's 1Q09 core net profit to be in line with expectations. Margins and interest income to drop after Axiata repays its RM4bn loan to TM. The results were characterised by a sharp qoq jump in EBITDA margin due to lower opex provisions, and weaker broadband growth and ARPUs due to competition.
- CIMB Group has no plan for more acquisitions in the region in the near future. Group chief executive Dato' Sri Nazir Razak said the group would busy with the integration of its operations in Malaysia, Singapore, Indonesia and its latest acquisition, CIMB Thai.
- In separate announcements, Genting Bhd and Resorts World announced the completion of their respective subscriptions of US\$50m (RM176m) senior secured notes issued by MGM Mirage comprising i) US\$25m 10.375% notes due May 2014 and ii) US\$25m 11.125% notes due Nov 2017.
- Dialog's 3QFY6/09 net profit was disappointing. Margin pressure due to higher overseas operating costs and a slowdown at Kertih Terminal.
- MAS Aerospace Engineering Sdn Bhd, a wholly-owned subsidiary of MAS, will team up with EADS Group subsidiary EADS SECA to create a world-class PW100 series engine maintenance and repair organisation (MRO) facility in Subang.
- MISC has entered into a shareholders agreement dated April 30 with Petronas International Corp and Mustang Engineering Ltd to establish a joint venture company to provide floating LNG solutions and services worldwide.
- The planned expansion by Cement Industries of Malaysia (CIMA) of its production line at its Negeri Sembilan plant could backfire if its timing and reading of the market is not right as demand is uncertain and the domestic market is highly controlled.
- Sime Darby borrowed US\$280m from a group of four banks that it will use for working capital, according to two people with direct knowledge of the transaction.
- IOI Corp said palm oil yields would fall by 5% due to a current warm spell and that might push prices to RM3,000 in the near term if there was an uptick in overseas demand.
- Mudajaya Group said its associated company in India, RKM Powergen Private Ltd (RKM) has entered into another power purchase agreement (PPA) with PTC India (PTC) for the supply of 700MW round-the-clock electricity from phase two of the independent power plant project in Chhattisgarh, India.

INDEX	TOP GAINERS	% MOM	TOP LOSERS	% MOM
KLCI	MK LAND HLDGS	125.00	PELIKAN INTERNAT	-19.42
	KNM GROUP BHD	120.99	MALAYSIAN PAC IN	-11.97
	KINSTEEL BHD	110.59	KFC HLDGS MALAYS	-738

PHILIPPINES

The Philippines market performed in line with the MSCI. On the macro side, inflation was in line with April CPI at 4.8% (6.4% in March). Foreign reserves reached 39bn \$ (38.87bn \$ in March). Bank lending grew 19% in March (+22% in February). Total exports contracted 31% in March, less than the 34% expected (-39% in February). Overseas remittance slowed somewhat in March +3.1% (+4.9% in February) to reach 1.47bn \$ (1.3bn \$ in February). The budget balance was a surplus in April; 7.9bn pesos (-52bn pesos in February). Trade balance was slightly better 363mn \$ deficit after 552mn \$ deficit in February. End of the month, the GDP Q1 was a big disappointment, +0.4% when 2.4% was expected (+4.5% in Q4) and Central Bank decreased lending rates by 0.25% to 4.25%.

Corporate news:

- Bank of Philippines Islands 1Q09 income soars above expectations BPI reported a net income of P2.9 bn in the 1Q09, an 86% improvement Yoy.
- PILTEL Core earnings soar 36% in 1Q09, will require earnings upgrade.
- PLDT beat market expectations after it reported a 1Q09 CORE net profit of P10.22 bn.
- SM Prime announced a 7% increase in net income to P1.7bn. This figure is higher than last year's P1.6 billion and is within consensus
- Manila Water posts 13.5% increase in 1Q09 profits. 1Q09 profits reached P622mn, up 13.5% in Yoy. While it is merely 22% of full year consensus forecasts, we expect MWC's net income to hit P3.0 bn. We expect earnings to accelerate in the next 9 months as financials reflect the full year impact of the 12% rate hike granted only last February
- Ayala Land headline income down 50%; within expectations (TP at P8.00). As expected, 1Q09 income fell 50% to P907mn. The glaring decline in income is expected to cut short ALI's rally as investors digest the details. We noted however before there was a P685mn after tax gain reported last year from sale of Valero lot. Taking this out, ALI earnings still down by 20%, within expectations of P950mn.
- Security Bank profit at P750 mn in 1Q09; PBV at 1.31x. This is 10% lower than the P836 mn recorded in 1Q08. Despite the decline, 1Q09 is within expectations, and is 36% of FY expectations of P2.2 bn. Core business is doing well, highlighted by loan growth of 38% in 1Q09
- Philippine National Bank posts P728M profit, UP 59% (PBV at 0.63x). Reported post tax income of P728 million, higher by 59% from the same period last year. Translates to 65% of its full year income in 2008. Net interest income was up 61% yoy from P1.3B to P2.1B
- SMC income down 76% Yoy due to 2008 windfall. Reported CORE income of P2.3 bn, UP 25% YOY (excludes forex, hedging losses). This is higher than expectation of P2.5 bn for the period and is 29% of full year forecast of P8 bn. Headline income is at P2.7 bn, down 76pct Yoy as the company realized windfall gains from sale of JBoag in 1Q08. 1Q09 headline income already includes equity earnings from its 27% stake in Meralco SMC's share price overhang caused by uncertainty in plans to swap common shares to preferred. Expect earnings to balloon again in the 2Q09 given booking of the sale of its SMB stake to Kirin
- Ayala Corporation meets expectations despite challenges. AC 1Q09 earnings reached P2.157 bn, 18% lower Yoy. Earnings are within full year consensus estimates of P8.1 bn. 1Q09 results were partially saved by the Banking (+86%) and Telecom (+7%) segments' higher contributions. The property (-51%) and its AC Capital unit (-131%) weighed down on the conglomerates performance. Prudent financial management also resulted in higher Interest income (+100%) and lowered financial charges (-6%) also helped mitigate the earnings drop.
- Meralco earnings flat; PBR to lift earnings 2H09. MER's net income was unchanged versus last year at P653 mn. 1Q09 result is merely 11% of full year expectation (P5.9bn) as the first quarter does not capture the approved tariff adjustments from PBR last month.
- EDC's 1Q09 CORE income slightly below market expectations
- Jollibee Foods Corp's net income up 17.2%; below expectations. Earnings slightly lower than expected of P600 to P650 mn for the quarter. Generated system wide sales of P15.1B, 13.8% higher than the same period last year. Total revenues grew by 13.5%, net operating income by 17.1% and net income 17.2%.
- URC 1H09 Core earnings before tax up 7%. Headline net income for the period amounted to P481 million, lower by 3.2% Yoy. This was due to higher mark-to-market loss in bond and equity holdings. Results were partially offset by lower foreign exchange loss and lower taxable income. URC's CORE earnings before tax grew 7% to P1.917 billion.
- International Container posts 44% decrease in profit. Reported 16% drop in consolidated gross revenues for 1Q09. Consolidated gross revenues from port operations decreased from US\$110.04M in 1Q08 to US\$92.80M in the same period in 2009. 1Q09 Net income attributable to equity holders amounted to US\$11M, 44% drop from US\$19.51M in the same period last year. Total consolidated capex is \$146.90M
- Megaworld income ahead of expectations
- FILINVEST Land Inc. (FLI) income defies gravity, expectations. 1Q09 Net income still grew 11% over last year to P476 m. Earnings are ahead of expectations, already hitting 29% of consensus. Total revenues increased by 7% y-o-y. Core real

estate development revenues were flat; the company uses percentage of completion method for recognizing revenues from mid-rise building (MRB) projects. Rental income was 16% higher y-o-y due to higher lease rates for mall and office buildings, and contribution from additional BPO buildings GPM lower at 54% due to lower margins for MRBs versus house and lot developments which fetch 55% to 65% margins.

- Robinson's records P1.62 bn 1H09 profits

- ABS- CBN's net income fell 21%

- First Phil Hlds (FPH) income drops 33% to P178mn in 1Q09. FPH reported P178 mn in 1Q09, a 33% decline in profits. This was due to the absence of the tollroad business that was sold last year. On the positive side, the sale boosted consolidated cash by 66% to P26 bn as of 1Q09. Cash level should further be enhanced as they receive the P20 bn proceeds from the Meralco stake sale in the 3Q09

- TEL subsidiary acquires stake in Primeworld. Smart Communications, subsidiary of PLDT, acquired 40% of the issued common shares of Primeworld Digital Systems, Inc (PDSI). Smart intends to increase its stake in Primeworld to 100 within the year. Subject to various regulatory and other approvals. PDSI is one of the pioneering Internet Service Providers in the Philippines.

29th May 2009