



KDN PP 10551/10/2004
For Private Circulation Only

17 September 2004

Highlights

PE	04F	05F	06F
Market	14.9	13.0	11.6
OSK Universe	15.4	13.1	11.6

	Value	Chg	% chg
KLSE			
Composite	857.79	4.55	0.5%
Emas	203.89	1.02	0.5%
2nd Board	110.55	0.11	0.1%
Volume (m)	392.04	6.98	1.8%
Value (RM'm)	799.96	91.13	12.9%

World Indices

Dow Jones	10244.49	13.13	0.1%
Nasdaq	1904.08	7.56	0.4%
S&P500	1123.50	3.13	0.3%
FTSE	4556.50	8.10	0.2%
STI	1997.12	-6.87	-0.3%
Hang Seng	13209.84	125.44	1.0%
Nikkei	11139.36	-19.22	-0.2%
KOSPI	855.38	4.75	0.6%
TWSE	5891.05	19.98	0.3%
SET	662.39	0.11	0.0%

Futures

FKLI - Sep'04	859.00	10.00	1.2%
FKLI - Oct'04	857.50	9.50	1.1%
CPO - Dec'04	1462.00	-	-
Crude oil	40.75	0.40	1.0%

RINGGIT

US Dollar	3.8	UNCHG	UNCHG
Sterling	6.7591	-0.05	-0.8%
Euro	4.6176	-0.03	-0.7%
Jap Yen(100)	3.4578	-0.01	-0.1%
Spore Dollar	2.2489	0.00	0.0%

	Buy	Sell	NAV
OSK-UOB Unit Trust			
Equity	0.6058	0.6445	0.6058
SCOUT	0.6761	0.7192	0.6761
KidSave	0.5158	0.5487	0.5158
TRAKL	0.464200	0.473600	0.468900
TMT Focus	0.5168	0.5497	0.5168
Dana Islam	0.6129	0.6520	0.6129
Income Fund	1.0153	1.0153	1.0153
Cap Guaranteed	0.9986	0.0000	1.0295

- **Economic News:** Manufacturing Sales Rose 22.2% July , U.S. Inflation Rose Less Than Expected
- **Corporate News:** Power Sector, Air Transport Sector, PLUS
- **In Brief:** Construction Sector, Major Team, Sungai Bagan/Kluang, CCM, Esthetics International, Antah Holdings, Crest Builder Holdings
- **Off-The Market :** Southern Bank
- **Technical View :** Waiting For An Answer
- **Tracking Stock :** Golden Plus Holding

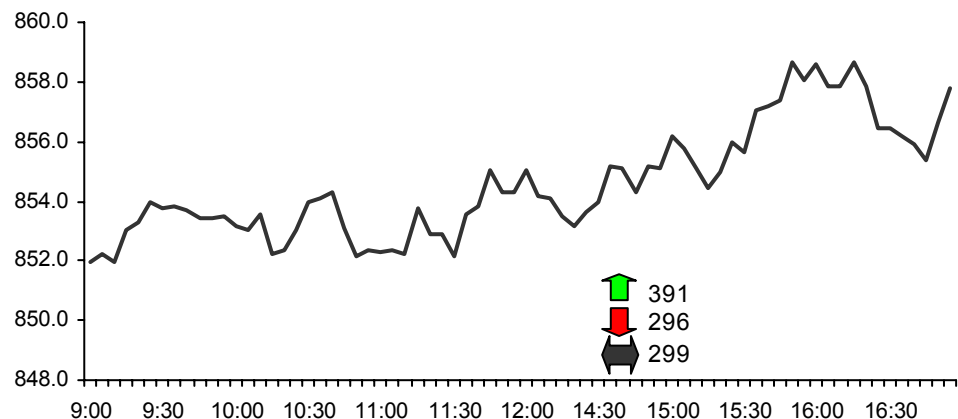
Today's Report :

- **Cymao Holdings :** A Potent Mix

Market Outlook

A Resilient Market. Although sellers dominated trading activities yesterday, strong buying support especially on key index linked stocks after the lunch break enabled the market to close on a firmer note. Overnight, major U.S. indices were a shade higher as major indices retreated from the day's highs following a spike in crude oil as well as mixed economic data. Not much economic or corporate news hit the headlines yesterday and today's market action will likely again focus on the technical aspects. The key barometer is again at a crossroad and a convincing breakout above the 858 pts level would likely mean a higher high in the days ahead. Support remains strong at the 851 pts mark.

KLCI Intraday Chart



Economic News

Manufacturing sales rose 22.2% in July Manufacturing sales expanded at 22.2% in July, marginally higher than the 22.1% registered a month ago. Month-on-month non-seasonally adjusted, manufacturing sales gained 1.5%. Wages gained 7.1% y-o-y but was only marginally higher by 0.03% m-o-m.

U.S. inflation rose less than expected, Philadelphia area manufacturing slows Despite higher price of crude oil, U.S. inflation rose less than expected in August. Inflation rose 2.7% y-o-y, down from 3.0% in the previous month. The index rose 0.1% m-o-m, both on the overall and core basis. The inflation take was better than expected as market had expected a 0/1% increase in the overall reading and a 0.2% increase in the core index. In a separate development, manufacturing activities in the Philadelphia area slowed in August. The Fed Bank of Philadelphia's manufacturing index had a bigger than expected dropped from 28.5 pts to 13.4 pts.

Corporate News

Power sector Tenaga Nasional Bhd and the nation's independent power producers (IPPs) will likely benefit from the judgement made the Federal Court yesterday. The judgement rules in favour of TNB and the IPPs as it now acknowledges power plants similar to a manufacturing article and machineries used to produce electricity should be excluded when assessing the gross annual rent value of a power plant. Following the ruling, TNB is only expected to pay RM0.25m instead of RM2m to the Seberang Prai Municipal Council and save 88% of the annual payable rate for the substation in Seberang Prai for 1996. An estimate to TNB's savings for the period of 1991 until last year for that particular substation came to RM23m. (*Source: The Star*)

Comment: This is indeed an important judgement for the power sector as it would mean that TNB and the IPPs will now pay a lower assessment rate for their respectively power plants and boost earnings along the way. We are not able to ascertain the level of savings but based on the Prai plant's savings alone, it can be said that the saving would indeed be substantial. (*Pankaj Kumar – pankaj@osk.com.my*)

Air Transport Sector Low-cost airlines in Malaysia and Singapore are eyeing the Kuala Lumpur-Singapore route but protectionist policies of both the Malaysian and Singaporean Governments are restricting competition on that route. (*Source: StarBiz*)

Reliance Pacific has recently launched its ticketing portal www.TicketWorld.com.my, increasing competition between airlines and travel agents to sell their tickets online. (*Source: StarBiz*)

Comment: The 'Cold War' between the airlines appears to be heating up rapidly. It is indeed true that the KL-Singapore route is one of the most lucrative in Malaysian Airline Systems (MAS) and Singapore Airlines (SIA) network. By the time the planes take off, there is hardly ever an empty seat on the planes. It is also a route where budget airlines can really make a difference given the short route and quick turnaround times between KL-Singapore. However, we do not believe either MAS or SIA will allow this route to be opened up soon, particularly since AirAsia does not have rights to fly into Singapore nor do Tiger Airways and Valair have rights to fly into KLIA. Nonetheless, if the Malaysian Government is keen on setting up a low cost carrier hub at KLIA, this is one of the routes it will have to consider opening up, lest the LCC hub become a purely AirAsia terminal.

As for the online ticketing competition, the target market should be the younger generation and budget travellers. With the cancellation of the Market Development Programme (MDP), MAS may gradually try to squeeze its travel agents on their margins and the launch of the ticketing portal by Reliance Pacific is indeed a good

action given the lower cost of selling tickets online. Reports have indicated that selling a ticket online in the US costs USD6 as compared to USD23 through travel agents. (Chris Eng ~ chris.eng@osk.com.my)

PLUS Expressways PLUS made an announcement on its latest traffic volume and also two other corporate developments: -

	Aug-03	Jul-04	Aug-04	Ytd Aug 03	Ytd Aug 04
Actual Traffic Volume (million PCU-km)	931.0	971.7	1,075.9	7,478.1	7,932.82
Y-o-y growth			16%		6%
M-o-m growth			11%		
OSK Traffic Forecasts			977.6		7,819.4
Variation with Actual			-9%		-1.4%

- i) PLUS surprised us with a strong y-o-y growth of 15.6% for August 2004, and this was attributable to strong growth in traffic for the NKVE (+23%) while the NSE was up 15.4%. Y-t-d, traffic volume grew by only 6% to 7,932.8m PCU-km against the corresponding period last year. In comparison with our forecasts, it was only a variation of 1.4% higher than our estimate of 7,819.4m PCU-km from Jan-Aug 2004. As such, we consider our forecast to-date to be in-line and thus we are maintaining our full year traffic forecast of 12,269m PCU-km for 2004, representing a growth rate of 5.1% y-o-y.
- ii) The Government has officially agreed that PLUS will be awarded the task to widen the Seremban-Ayer Keroh, Rawang-Tanjong Malim and Ipoh Selatan-Jelapang stretches from 4 lanes into 6 lanes, which is estimated to cost RM980m. The widening of the stretches are necessary in order to smoothen traffic flow during festive seasons. Furthermore, upgrade on the Ipoh-Jelapang stretch is crucial as the location of the Jelapang toll plaza is deemed to be dangerous, judging from numerous accidents that have occurred.

Meanwhile, PLUS will most likely raise a RM1bn bond issue to finance the upgrade works, however, the issue of shouldering the bulk of the cost between PLUS and the Government is still being negotiated. The possible outcome should PLUS bear the bulk of the cost could be in the form of an extension in the concession period.

- iii) PLUS has been officially given the green light to takeover the management of the Seremban-PD Highway (SPDH) as part of the RM331.7m compensation the Government has agreed in regards of the abolition of the Senai Toll Plaza, while the balance of it is still being negotiated and subject to the approvals of the Government, Bond Holders/Lenders and the Board of PLUS and PLUS Expressways. PLUS is believed to be taking over the SPDH without the debts which amounted to approximately RM250m and with an indicated Net Present Value of RM50m.

The Senai Toll Plaza attracts a daily traffic volume of 15,000 motorists, and based on our assumed growth rate of 3% to 5% annually. Without taking into account the maintenance of the toll plaza, this could well mean that PLUS would stand to collect RM1.1bn from the Senai toll until 2030. Thus, this translates into a Net Present Value (NPV) of RM268m from toll collection alone based on a discount rate of 9%.

Thus, PLUS will stand to gain from the compensation amount of RM331.7m, considering that the Net Present Value of Senai Toll is lower than the compensated amount. However, the net gain could not be estimated currently as this would depend on the mode of compensation PLUS would get from the remaining compensation amount of RM281.7m (after deducting SPDH's NPV of RM50m). The alternatives that

PLUS have could be in the form of an extension in toll concession, revised toll rates or a reimbursement of toll revenue from the Government.

Nevertheless, now given that PLUS is officially taking over the SPDH, it would have to incur additional expenditure to increase signages and make new connections to encourage higher road users. We are still maintaining our net earnings forecasts of RM836.6m and RM1.1bn for FY04 and FY05 until further details are obtained. We are also reiterating our call of Buy on PLUS with a target price of RM3.06 (based on a 15% discount to our DCF) as the impact of Senai Toll is not significant to our NPV valuation. (Tan Ei Leen – tan.eileen@osk.com.my)

- Construction sector** The PM announced that several mega projects including the RM1.1bn bridge to replace the Causeway in Johor Bahru, the RM9.7bn Ipoh-Penang-Padang Besar rail track, the RM5.5bn Seremban-Johor Bahru double tracking rail systems and the RM368m Monorail Line 1 Putrajaya project have been put on hold. (Source: *The Star*)
- Major Team** Kiara Emas' director Datuk Tan Hooi Chong was charged with 3 counts of criminal breach of trust amounting to RM17m. In a restructuring scheme last year, Major Team had taken over the listing status of Kiara Emas. (Source: *The Star*)
- Sungei Bagan/Kluang** The 2 companies have been given 6 months by Bursa Malaysia to meet the minimum public shareholding spread or face suspension. At the same time, the companies announced that they had until 13 March 2005 to comply with the minimum public spread. (Source: *Financial Daily*)
- Chemical Company of Malaysia (CCM)** The company has entered into an agreement to dispose Prima Health Pharmacy (Retail) SB and the retail division of Unique Pharmacy (Ipoh) SB to Guardian Pharmacy (M) SB, a member of Dairy Farm Group for RM9m.
- Esthetics International Group** Subsidiary Dermal Esthetica SB has awarded a contract of works worth RM10m to Mawar Abadi (M) SB for the proposed development a 6-storey factory cum office buildings and other related structures.
- Antah Holdings** The High Court of Malaya granted an order to permit Antah to convene meeting of its creditors pursuant to Section 176(1) of the Companies Act, 1965 for the purpose of approving the proposed debt restructuring.
- Crest Builder Holdings** The company's 5-year 1% - 9% Redeemable Convertible Unsecured Loan Stock 2003/08 (RCULS) will be compulsorily converted into new shares of RM1.00 each in the company on 15 October 2004 and the RCULS will be removed from the Bursa Securities on 18 October 2004.
- Leader Steel Holdings** The SC approved for its proposed share split into 2 shares of RM0.50 for every 1 existing share of RM1.00 and the proposed transfer of listing to the main board of Bursa Malaysia
- Acoustech** Bursa Malaysia has approved its proposed share split of 1 share of RM1.00 each into 2 new shares of RM0.50 each.
- Southern Bank** Additional 17.6m shares issued pursuant to the 280.2m special shares issue will be granted listing on 20 September 2004.

Off The Market

Share	Average Price	Volume	Value
Southern Bank	2.80	2,089,200	5,849,760

Technical View – Waiting For An Answer

KLCI DAILY CANDLESTICK PATTERN

16/09/04



Not much enthusiasm in the market, but the key index remains stable at above the 851 support line. While the U.S market has been impacted by earnings warnings, OPEC meeting and hurricane Ivan, the local market is still resilient. There were still more gainers than decliners, suggesting that the overall environment is still bullish. Really not much could be gleaned from yesterday's market action. Both the 858 pts level as well as the 851 pts level remain as crucial as it used to be, and we are prepared for either market direction from the current level. **Fundamental news will rule the market from now on.** Either a breakout or breakdown, market news is going to play a major role in determining the market direction going forward. However, as major indices in Wall Street closed marginally higher without any significant news items, our market would likely continue to trade sideways. Today, continue to watch out the above two parameters.

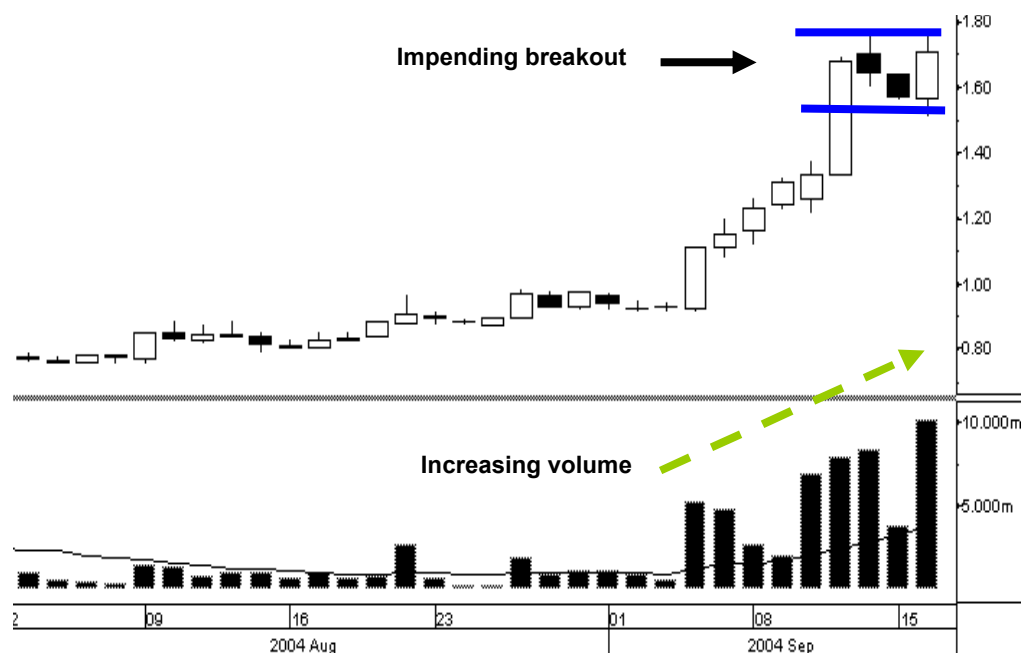
(Shin Kao Jack – shin.kaojack@osk.com.my)

Tracking Stock – Golden Plus Holding Bhd

RM1.71

GOLDEN PLUS DAILY CANDLESTICK PATTERN

16/09/04



After Golden Plus staged a strong rally on 13 of September, it is now undergoing a consolidation phase. Note that yesterday was the “T+3” day for the intra-day rally on Monday, but we did not see selling pressure on the stock. In fact, trading volume increased substantially yesterday while it was testing the high of RM1.77 level. In addition, its trading volume has been increasing since a couple of weeks ago. This type of technical development is conventionally viewed as a signal of an impending breakout or further upside ahead. Do not be surprised that the stock could carve out another new high from the current level. **Traders could position above the RM1.77 level** but cut loss below the same level as well. The stock has a chance to test the RM2.00 level after a breakout. From the current level, look for a strong support at the 1.50 level, which is also yesterday’s low.

(Shin Kao Jack – shin.kaojack@osk.com.my)

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