

PressRelease

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AmInvestment Bank Issues four new Call Warrants

AmInvestment Bank Berhad ('AmInvestment Bank') is issuing four new European-style cash-settled Call Warrants ("CW") to be listed on 4 August 2010.

The launch of the 100 million each, 8-month CW are in line with the objective of AmInvestment's warrant programme to provide affordable and leveraged investment alternatives in light of renewed interest in the Malaysian equities.

The four new warrants CWs will be on Unisem, Gamuda, Telekom Malaysia and Mudajaya.

"AmInvestment Bank's warrant programme aims to provide something for everyone, to suit different investor profiles - in this tranche we have a blue-chip (Telekom Malaysia), a construction play (Gamuda), a small cap/semi-conductor industry play (Unisem) and an event-driven trading play (Mudajaya)."

The Gamuda call warrants are priced at 15 sen. Regarded as the proxy for Malaysia's construction sector, the company is earmarked for numerous big projects from the government, particularly the RM50 billion Mass Rapid Transit (MRT) project. The company is also involved in the tunneling job of the Light Rapid Transit System (LRT). According to Bloomberg, there are 15 Buys, five Holds and one Sell ratings on the stock. AmInvestment Bank's warrant has an effective gearing of 4.29 which simply means that a 10% increase in the underlying stock in the stock implies a potential 46.7% corresponding increase in the value of the Gamuda warrant. AmResearch currently has a call on this stock with a target price of 3.82. Gamuda closed at RM 3.32 on 30 July 2010.

The CW on Mudajaya is issued at 17.5 sen, on the back of news that the company is a candidate for the Ultra Mega Power Plant (UMPP) in India and positive outlook by the management. The company has four Buy calls on Bloomberg, with average target price of RM 7.02. Mudajaya has also indicated that it aims to achieve a RM1 billion increase in order book annually. This company has been the subject of much speculation of late and its stock price has retraced to RM 5.21 (as of closing on the 30 July 2010), down by 12.28% from the high of RM 5.94 on 22 July 2010 after the announcement of a Securities Commission inquiry into the company. Despite the recent sell-down, its valuation is compelling at 13x PE (as reported on the Edge Financial daily on 29 July 2010) compared to peer valuations of 15x PE. This retracement would provide an affordable entry level and potential upside to investors if the ambiguities concerning the complaint are cleared up and could be interesting to investors who have a bullish view on the stock based on its fundamentals and corporate actions and believe that the inquiry results will be positive.

Ng Ee Fang, Director/Head, Equity Derivatives, AmInvestment Bank Berhad said, "This recent sharp correction in Mudajaya's stock price highlights the advantages to investors of the direct listing method (all four call warrants are issued via direct listing) compared to the old placement method. In an issuance via placement, investors typically subscribe for the warrants at the published issue price four to five days before the warrants are listed. If share prices retrace in the interim, investors suffer a loss upon listing as the warrants trade lower in tandem with the underlying share. In contrast, in an issuance via direct listing, investors do not buy the warrants until they are listed. For example, with Mudajaya shares now

trading lower from RM5.88 on price fixing day, AmInvestment Bank's CW should list, and investors can buy lower based on the prevailing underlying share price rather than at the published issue price of 17.5 sen. In other active warrant markets like Hong Kong and Singapore, direct listing or issuance on "tap" is the typical method of issuance."

A blue-chip company, Telekom Malaysia recently launched a new product, Unifi, which is expected to provide the firm with the "growth factor." Industry watchers believe Unifi's subscriber rate is bound to easily surpass its target of one million households by 2011. AmResearch has a bullish call on the stock with a target price of RM 3.90, a 16% upside based on RM 3.36 (the closing price of the underlying on the 30 July 2010). The CW is priced at 15 sen with an effective gearing of 4.01 times.

AmInvestment Bank is also launching Malaysia's first structured warrant on Unisem and the semi-conductor industry. Having risen by more than 80% year-to-date, Unisem is projected for more growth, based on its capacity expansion plans in China. Semiconductor companies have revised upwards their earlier order projections, which augur well for the industry as a whole. Unisem's share price reached a high of RM 2.677 before adjustment for the recently announced rights and bonus issue. This rights/bonus issue, which went ex on 28 July 2010, allowed entitled-investors to purchase one (1) Unisem company warrant at the price of 10 sen with every four (4) Unisem shares held. The company warrant is a physically-settled instrument with a strike price of RM 2.18 and tenure of five years. Investors will have to pay a total of RM 2.28 (sum between issue price of the company warrant, RM 0.10 and the strike price of the Unisem warrant, RM 2.18) to obtain one new Unisem share. This is in comparison to our structured warrant which is a short term (eight months), cash-settled trading instrument. Structured warrants are often perceived to have more trading volume as the issuer is obligated to provide market-making (i.e. providing a competitive bid-offer pricing). The CW issued is cash-settled, which means it does not have a dilutive effect on the underlying as opposed to the physical-settled company warrant. Our structured warrant is priced at 15 sen, based on a reference price of RM 2.39 with a similar strike of RM 2.18. Views from other analysts via Bloomberg revealed nine Buys, one Hold and one Sell for the stock with an average target price of RM 3.79. The CW on Unisem is priced at 15 sen with an effective gearing of 2.66.

Given the market volatility, AmInvestment Bank has chosen these four stocks for their various profiles. There is one to suit different investor profiles whether it be for sound fundamentals and long term prospects or short term trading volatility. This offer is aimed at short-term sophisticated traders who are bullish on Gamuda, Mudajaya, Unisem and Telekom Malaysia. The four new CW have effective gearings ranging between 2.66 and 4.29 and is targeted at investors who want leveraged exposure to the underlying.

About AmInvestment Bank Group

AmInvestment Bank Group is one of Malaysia's leading investment banking groups. The Group has an enviable track record of over 30 years of experience, innovation, and market leadership. It has won an impressive stable of awards from the international financial press and major rating agencies.

AmInvestment Bank Group provides a full range of investment banking related services that include the areas of Corporate Finance, Debt Markets and Structured Finance, Islamic Markets, Equity Markets and Derivatives, Treasury and Derivatives, Stock and Futures Broking, Funds Management,

Trustee Services, Private Equity, and Private Banking.

AmInvestment Bank Group is part of the AmBank Group, which is committed to providing new and innovative products and services to its customers. Adding greater value to the one-stop financial hub is its partnership with Australia & New Zealand Banking Group (ANZ), one of Australia's leading banks. AmBank Group is now poised to take advantage of ANZ's wide network and regional presence as well as its international banking expertise.

For more information, please visit ambankgroup.com

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