

## PressRelease

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### AmBank Issues Eight New Call Warrants

AmBank (M) Berhad ("AmBank") is issuing eight new European style cash-settled call warrants ("CW") on the back of a rallying Malaysian stock market and expected robust investor appetite for Malaysian equities for 2011. The CWs will be listed on 5th January 2011 with tenure of approximately 11 months and issue size of up to 100 million each. These CWs launched under AmBank's warrant programme aims to provide leveraged yet affordable equity investment alternatives to Malaysian investors.

The eight new CWs will be issued on the ordinary shares of SP Setia Berhad ("SP Setia"), IJM Corporation Berhad ("IJM"), Petronas Chemicals Group Berhad ("PCG"), Genting Berhad ("GENTING"), DRB-Hicom Berhad ("DRB"), CIMB Group Holdings Berhad ("CIMB"), AirAsia Berhad ("AirAsia") and Pos Malaysia Berhad ("POSM").

"The FBM KLCI has clocked in a sterling performance last year, closing out 2010 with a year-to-date return of nearly 20%. With local volumes picking up, foreign trading participation following suit (foreign ownership of Malaysian equities is about 21.7%, the highest level since September 2008), the upcoming seasonality effect and general global equities appetite for risk returning, we expect a continuation of this trend as we start the new year. We are kick-starting 2011 with a tranche of eight warrants of Malaysia's industry heavyweights. AmBank's warrant programme aims to provide leveraged market exposure to cater for different investor profiles. In this tranche investors will be spoilt for choice as we offer them exposure to various market and industry leaders in Malaysia. We have a leading Malaysian property developer (SP Setia), a Malaysian bank with regional presence (CIMB), a Malaysian gaming company with global operations and reach (GENTING), the largest integrated petrochemicals producer in Malaysia and one of the largest in South East Asia (PCG) and a leading low cost air carrier in the region (AirAsia). Besides that, investors will have the opportunity to gain exposure to a solid infrastructure and property player (IJM), a diversified conglomerate with potential corporate exercises to unlock its value (DRB) and one of the few Malaysian companies with a monopoly over its field of business (POSM)," said Ms Ng Ee Fang, Director/Head, Equity Derivatives, AmInvestment Bank Berhad.

For this issuance, there is a focus on Malaysian companies that are industry leaders. An obvious example is SP Setia, a leading property developer in the Malaysian market with an excellent track record and solid execution capabilities. For the coming year, SP Setia is expected to achieve a record high pre-sales of RM3 billion with sales driven by its upcoming two integrated commercial projects, KL ECO City and Setia City. As it is, SP Setia's latest sales figures for the month of November came in at a solid RM295 million, a 47% growth month-on-month. Current sales continue to be driven by its well-recognized township projects in the Klang Valley such as Setia Eco Park and Setia Alam. AmBank's CW on SP Setia is priced at 15.0 sen with a gearing of 4.69 times.

Another example of a market leader is CIMB, a leading Malaysian bank with a growing regional presence. According to AmResearch, CIMB stock remains undervalued considering its regional potential as it steadily improves its market rankings in the regional bourses of Singapore, Indonesia and Thailand. Some of the potential re-rating catalysts for the stock are better than expected non-interest income, reaffirmation of a higher ROE target of 18% for FY11 and confirmation of higher dividend payouts. AmBank's CW on CIMB is priced at 15.0 sen with a gearing of 4.77 times.

AmBank is also launching a CW on GENTING, a major gaming company in Malaysia that has over the years expanded its casino business overseas. It currently operates casinos in Singapore, Britain and the United States with potential expansion further abroad via its subsidiaries and related companies. The disposal of non-core non-gaming assets would also bode well for GENTING as it would turn the group into a purer gaming company and realize the value of the non-gaming assets. Being a purer gaming play would help narrow the valuation gap between GENTING and its larger international peers in the gaming industry such as Las Vegas Sands and Wynn Resorts. AmBank's CW on GENTING is priced at 15.0 sen with a gearing of 4.75 times.

The recent IPO of PCG attracted a lot of attention in the market due to its size. The listing

exercise raised RM12.8 billion making it the largest IPO ever in South East Asia with the institutional part of the offering oversubscribed by more than 20 times. This was not surprising considering that PCG is a subsidiary of Petronas, the national oil company, and PCG is the largest integrated petrochemicals producer in Malaysia and one of the largest in South East Asia. Revenue for the six month period ended 30 September came in at RM6.3 billion with operating profit increasing to RM1.44 billion, driven by higher realized prices and sales volume. AmBank's CW on PCG is priced at 15.0 sen with a gearing of 3.70 times.

AirAsia is another well-known Malaysian brand and the local pioneer in budget flights. AirAsia has been expanding its business model around the region with the latest addition being the Philippines as it recently announced that it will be setting up a low cost carrier in the country under a JV named AirAsia Inc. Other associate companies in neighboring countries such as Thai AirAsia and Indonesia AirAsia have turned in profits for the recent quarter with Thai AirAsia earning RM53 mil for 3Q10 while Indonesia AirAsia earned RM67 mil. The listing of associate companies is also likely to happen over the next 12 months. Financially, AirAsia is on track to achieve its target of RM1 bil cash by year end. AmBank's CW on AirAsia is priced at 15.0 sen with a gearing of 4.42 times.

Infrastructure and property player, IJM, is expected to emerge as the front-runner for several major EPF-led projects on the back of the proposed IJM Land-MRCB merger. However, the proposed merger was recently aborted but that does not necessarily mean IJM will be disadvantaged as EPF is still the largest shareholder in IJM with a 16% stake. Overall, IJM is expected to benefit in the coming years from the RM43 bil Klang Valley LRT/MRT system due to its strong track record as one of the main civil subcontractors for the existing Ampang/Kelana Jaya lines, via subsidiary RoadBuilder, and other rail-based projects. It was also recently awarded the Platinum Park building job worth RM431 mil while other potential projects in the pipeline for IJM are the proposed West Coast Expressway under the 10th Malaysia Plan, Pahang-Selangor interstate raw water transfer project, the new LCCT in Sepang and major highway construction jobs in India. Therefore, recent price weakness on the aborted merger may present a good entry point for investors. AmBank's CW on IJM is priced at 15.0 sen with a gearing of 7.19 times.

POSM and DRB have been mentioned together recently as DRB was reported to have put in a bid for Khazanah Nasional's 32% stake in POSM as it sees potential synergy in the partnership. Research reports indicate that Bank Muamalat, 70% owned by DRB, would be a strategic fit with POSM as the Islamic bank seeks to expand its presence by leveraging on POSM's extensive network throughout the country. Aside from that, DRB recently signed a license agreement with German automaker Volkswagen to assemble Volkswagen cars at the company's plant in Pekan, Pahang for the domestic and ASEAN markets. The collaboration is estimated to involve an investment of almost RM1 billion. As for POSM, there is potential upside revaluation of the company's land bank due to the proposed amendments to the Postal Land Act which is expected to be tabled in parliament in the near future. AmBank's CWs on DRB and POSM are priced at 15 sen each while the gearing of the CWs are 4.27 and 5.55 times respectively.

This offer is aimed at sophisticated traders who are bullish on SP Setia, IJM, PCG, GENTING, DRB, CIMB, AirAsia and POSM. The new CWs have gearings ranging between 3.70 and 7.19 and are targeted at investors who want leveraged exposure to the underlying.

### **About AmBank Group**

The AmBank Group is one of Malaysia's premier financial services group with leadership positions in the retail banking, commercial banking, investment banking and insurance sectors. With an established history and a track record of customer focus and innovation, the AmBank Group continues to serve its customers with a wide range of innovative products and services.

AmBank Group provides banking and financial services which include loans, advances and financing, deposit services, credit cards, remittance services, foreign exchange and (through our wholly-owned subsidiary, AmIslamic Bank) Islamic banking services.

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](http://ambankgroup.com)

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