

Daily Review  
28 June 2010

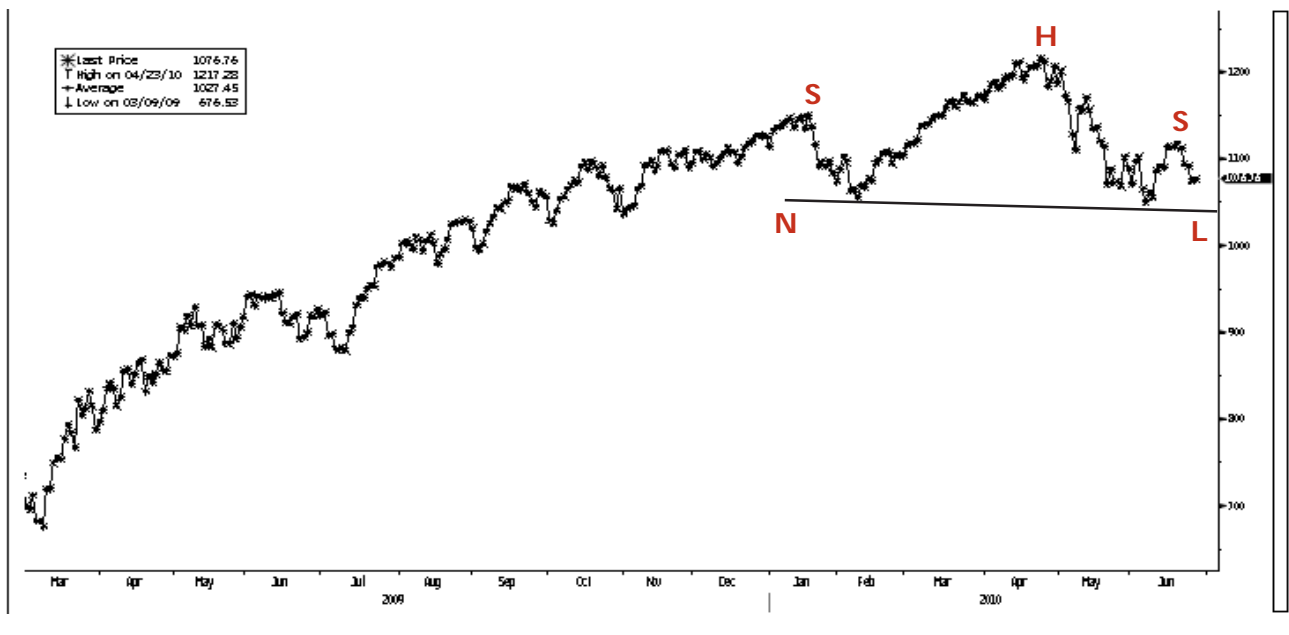
## FINANCIAL SECTOR

### *Reform, Consolidation & World's Largest IPO*

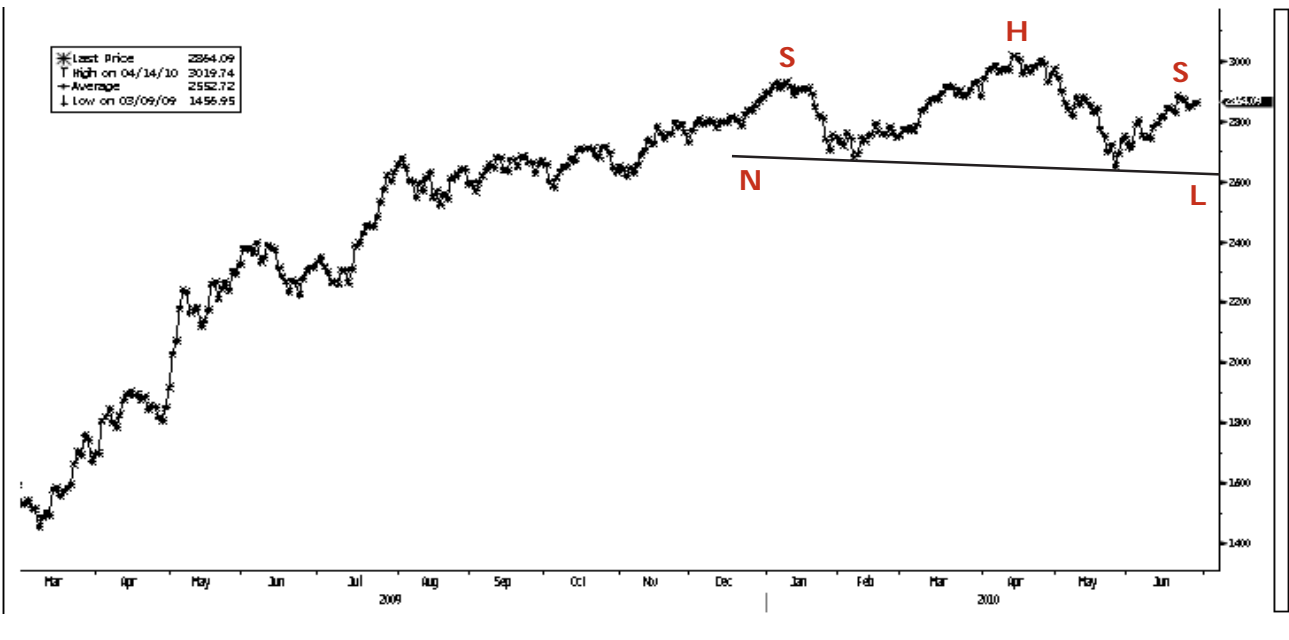
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- The **US finance sector** was relieved that the new **financial reform bill**, expected to be passed by the Congress this week, was a much watered down version, with financial institutions **no longer** required to spin off their lucrative swaps trading business to a separately capitalized affiliate, and able to invest up to 3% of their *tangible* equity in *hedge funds* and *private equity funds*. (Former Fed Chairman Volcker had proposed a complete ban.) Bank stocks were traded higher as a result, lifting **S&P500** 3 points or 0.3% higher.
- Reform of the financial sector was also a subject at the **G20 Summit** last weekend, with calls for tough capital rules to force banks to hold "significantly higher amount and quality of capital to guard against a future crisis".
- **Mentor Minister Lee** assured there **will not** be a **special tax on banks** in Singapore as has been proposed by UK, France and Germany last week. Under the proposed finance bill in the US, there will be a special US\$19 bln tax on financial institutions. **This is reassuring.**
- MM Lee also expressed his "personal" wish that there will be **further consolidation of the Singapore banking sector**, although moving from 3 banks to 2 may take some time, given "neither **OCBC** nor **UOB** have any desire to merge, or be taken over by **DBS**". (The market cap of the 3 banks is as follows: DBS at \$31.2 bln; UOB at \$29.8 bln and OCBC at \$28.5 bln).
- The imminent IPO of **Agricultural Bank of China** (ABC) is said to be going well, with small-to-mid-size institutional fund managers complaining about being "left out". Pricing is expected on July 7<sup>th</sup>.
- ABC's *IPO* is being watched with great interest around the world, Singapore included. For instance, there are many similarities with **POSB**, which had, at the time of it being acquired by **DBS** in 1998, the most number of accounts of >5 mln when Singapore's population, including PRs, was <4 mln. Its *cost-income* ratio was an astonishing 0.97x then, illustrating how "expensive" it was to service all those accounts. ABC, founded by the late Chinese leader **Mao Zedong**, to service the huge rural sector in China, has 350 mln accounts today, the most among the Chinese banks. (We are unsure what its *cost-income* ratio is.)
- Latest *hot* "technical" subject: are indices doing a **head-&-shoulders** formation? See Exhibit 1 & 2.

**Exhibit 1: S&P500 Index Daily Closing Since March 2009**



**Exhibit 2: STI Index Daily Closing Since March 2009**



**S : Shoulder**  
**H : Head**  
**NL : Neckline**

## PARKWAY HOLDINGS

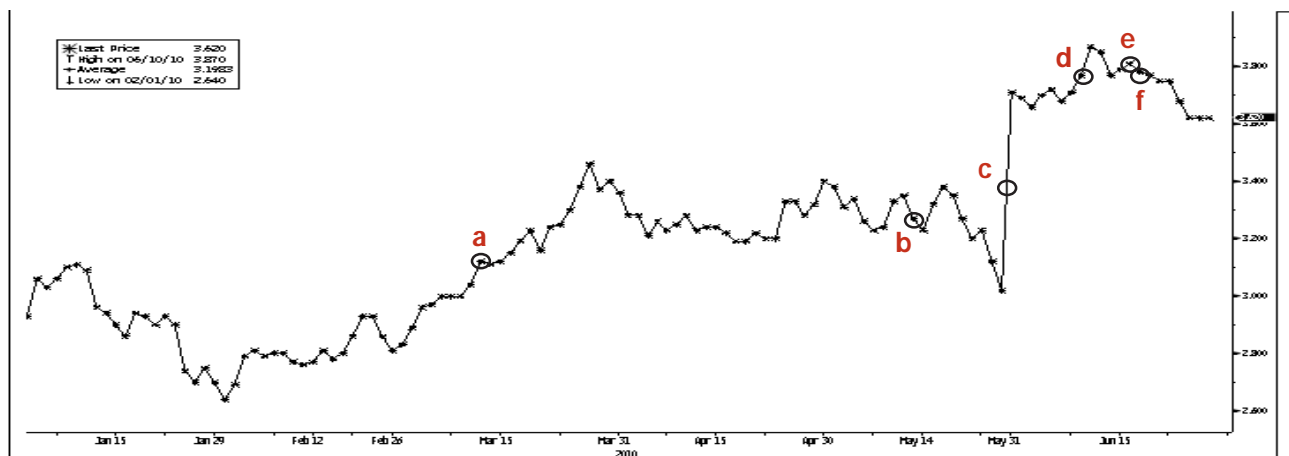
What May GIC Be Up To?

S\$3.62-PWAY.SI

- **Fortis Healthcare** announced that **GIC** has decided to defer a 3.8 bln rupees / S\$114 mln additional “preferential” investment in Fortis, as it “would like to consider participating in a larger fund raising” by Fortis. (GIC presently holds convertible bonds issued by Fortis, which if converted, would give it a stake of >6%.)
- This has led to different interpretations, some thinking GIC is no longer interested in additional investment in Fortis, while others think GIC is merely getting ready to participate in an even bigger capital raising exercise that Fortis could be planning in order to take on **Khazanah Nasional** in the battle for control of Parkway.
- We are inclined to go with the latter interpretation, also taking into account the “current” state of bilateral relations between Singapore and Malaysia.
- We had recently postulated that Khazanah, a **sovereign wealth fund**, could have launched its **partial offer** in order to get Fortis to counter with a **full general offer** that allows them to make a “gracious” exit.
- Khazanah bought a 16% stake in Parkway from **Anil Thadani** 's fund on 29-04-08 at \$3.56 a share (126.55 mln shares at \$4.20 each or S\$531.51 mln). Ringgit was then at RM 2.314 against the S\$2.329 vs currently. (Through a series of open market purchases, Khazanah now owns 24% of Parkway, including shares held by interested parties.)
- Parkway's issued capital is now 1,136,104,092 shares after the recent exercise of executives' options. Fortis' 287,118,995 shares represent 25.27% of the total, while Khazanah's 272,370,802 shares represent 23.97%.

(Fortis has a market cap of 48.74 bln rupees / S\$1.46 bln as at Friday Jun 25<sup>th</sup>: 317.332 mln shares at 153.6 rupees. Current exchange rate: S\$1=33.313 rupees. Based on Parkway's market cap of S\$4,257.3 bln, Fortis would need financial resources of S\$3.2 bln to launch a **full general offer** at say, \$3.78 a share.)

### Exhibit 3: Parkway Holdings Daily Closing Since January 2010



- a. Mar 11:** Fortis buys 23.9% of Parkway
- b. May 13:** GIC buys 6.58% stake in Fortis
- c. May 27:** Khazanah launches partial offer for Parkway
- d. Jun 09:** Fortis raising capital / borrowing limits
- e. Jun 16:** SIC ruling
- f. Jun 17:** Media report of US\$1 bln loan / Reliance's interest in Fortis

## SHARE TRANSACTIONS - Note Sound Global

June 21 - 24

Stock	Party	BUY	SELL	Transacted Price (\$)	Market Price (\$)	New Balance	Stake (%)
<b>Stake Falls Below 5%</b>							
Sound Global	Pictet Asset	-	4,438,000	ND	0.90	61,094,000	4.74
<b>On-Going</b>							
United Fiber	Lee Rubber	75,000,000	-	ND	0.055	288,000,000	8.75
Venture	Credit Suisse AG	630,000	-	ND	8.61	52,153,295	19.02
WBL Corp	Aberdeen Asset	56,000	-	4.706	-	12,493,000	5.01
GuocoLand	Quek Leng Chan	-	2,000,000	1.01	-	46,600,000	0
Hotung	Huang Tsui-Hui	-	500,000	0.11	-	170,295,979	15.58
Starhub	Steven Clontz	-	110,000	2.30	-	6,278,710	0.36
* Market average on the date of transactions ND Not disclosed							
<b>Share Buyback</b>							
Stock	No Of Shares	Price (\$)	Cumulative Purchases	% Of Maximum			
Chuan Hup	205,000	0.27	54,580,000	55.2			
Hi-P	377,000	0.60	477,000	0.6			
LMA	178,000	0.27	3,095,000	5.5			
Osim	400,000	0.91	28,900,000	43.0			
<b>New Shares Arising From Exercise Of Warrants</b>							
Company	No Of New Shares	Warrant Expiry Date	Exercise Price (\$)				
Bukit Sembawang	53,808	8 Apr 2011	2.30				
Goodpack	385,000	30 Nov 2012	0.00				
Hosen	763,447	25 Jun 2010	0.03				
Osim	580,000	23 Jun 2011	0.35				
Note: The above list is not comprehensive, with transactions amounting to <\$20,000 excluded							

## WHAT'S AHEAD

### RESULTS

Company	When
Popular <sup>^</sup>	Jun 28
Osim <sup>@</sup>	Jul 20
<sup>^</sup>	Q4 Ended Apr '10
<sup>@</sup>	Q2 Ended Jun '10

### BONUS

Company	Ratio	Last Day Cum-Entitlement	First Day X-Entitlement
Best World	1 WRT : 5 Shares	Jun 30	Jul 1

### FOMC MEETING

#### 2010

August 10  
September 21  
November 2 - 3  
December 14

#### 2011

January 25 - 26

### DIVIDEND (LIST IS NOT EXHAUSTIVE)

Company	Amount	Last Day Cum-Dividend	First Day EX-Dividend
Singapore Post	2.5¢ final	Jul 1	Jul 2
Engro	3¢ final / 2¢ special	Jul 5	Jul 6
C & O Pharmaceutical	0.5¢ interim + 3.5¢ special	Jul 7	Jul 8
WBL	5¢ interim	Jul 8	Jul 9
SMRT	6.75¢ final	Jul 20	Jul 21
SIA Engineering	13¢ final	Jul 26	Jul 27
SIA	12¢ final	Jul 29	Jul 30
Global Yellow Pages	2¢ final	Jul 30	Aug 2
SATS	8¢ final	Aug 2	Aug 3
Boustead	2.5¢ final / 1.5¢ Special	Aug 3	Aug 4
Singapore Telecom	8¢ final	Aug 6	Aug 6
GP Batteries	8¢ final	Aug 11	Aug 12
C & O Pharmaceutical	2.8¢ Second Special	Aug 25	Aug 26

#### Reit / Biz Trust - Period from 1 Jan 2010 - 22 Jun 2010

CDL Hospitality	4.8¢ <sup>*</sup>	Jun 25	Jun 28
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<sup>\*</sup> Estimated

## TAKEOVER / VOLUNTARY DELISTINGS

Company	Offeror	Offer	Nature Of Offer	Offeror's Stake (%)	Price Of Offeree	Closing Date
1. <b>PARKWAY HOLDINGS</b>	Khazanah Nasional	\$3.78	Voluntary Partial	24.1	3.62	5.30pm 8 July 2010
2. <b>RADIANCE</b>	Global Invacom	7.618¢	Mandatory Conditional <sup>+</sup>	52.41	8¢	NA

<sup>+</sup> *The offeror intend to maintain the listing status of the company and would seek to meet the minimum free float by placing out shares in the event that the free float falls below the minimum requirement. Offer is conditional on independent advisers & SGX approval*

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