

February MPOB statistics

- Production continues decline**

Malaysia production for February declined 11.6% m-o-m as the low production cycle continued. On a cumulative basis, production for 2MCY10 is so far 1.5% below 2MCY09. February is typically a dry month but this year around, the dryness was exacerbated by the El Nino which picked up strength during the period. Whether or not the drought will persist into March and April still remains a question for now but we do expect that yields will be lacklustre into March as well.

- Exports decline after January's jump**

As had been indicated by cargo surveyors, exports saw a decline during the month by 12.4% m-o-m. On a cumulative y-o-y basis however, numbers are up by 5.4%. We view the driver so far to be the US, EU and Egypt on the upside while Indian and Pakistan numbers have been coming in softer. This is likely due to high stock levels in those markets. Another point to consider is that India and Pakistan can be viewed to be price sensitive markets. CPO prices trading up to the RM3000 level could deter consumption and a narrowing discount to soy oil may induce some level of switching.

- Stock levels come off to 1.8m mt**

Stock levels fell as expected by 10.9% from January. Compared to February last year, stocks are 14% higher hence indicating still some balance in the industry. Should production in March continue to be lacklustre, we should see stock levels coming off further to the 1.5m mt level.

- Maintain Neutral**

We continue to be neutral for now and keep our price average expectations for the year at RM2,400. We believe that once the industry comes out of the production down-cycle, CPO prices will adjust down accordingly. Of course, this assumption does not take into account any supply shocks that would be likely caused by the weather. The El Nino is certainly a factor to watch for now and it will keep prices buoyant but not exuberant. In the soy market, ample supplies from South America will keep prices in check. Besides commodity fundamentals, we also view valuations expensive at this point.

Stock Coverage

Company	Bloomberg Ticker	Call	TP (RM)
Sime Darby	SIME MK	Hold	8.30
IOI Corp	IOI MK	Hold	5.21
IJM Plant	IJMP MK	Hold	2.40
KL Kepong	KLK MK	Hold	16.20
GentingPlant	GENP MK	Hold	6.60
Boustead	BOUS MK	Hold	3.30
TSH Res	TSH MK	Hold	2.00

Bernard Ching

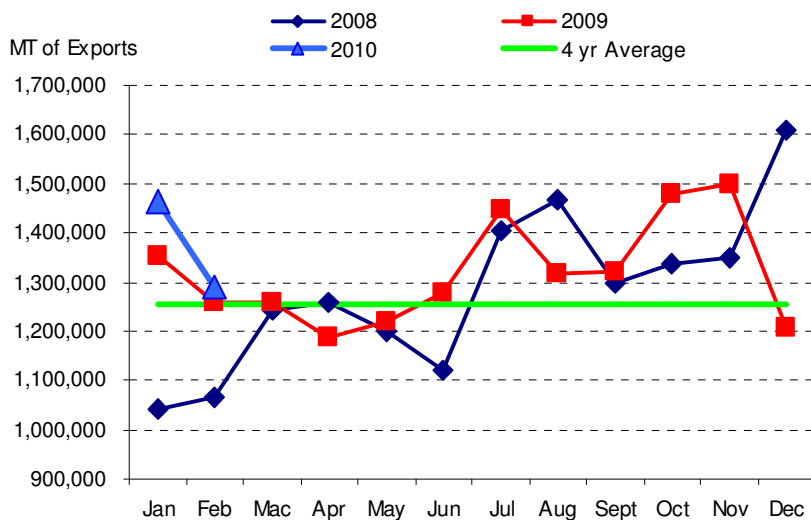
hyching@ecmlibra.com
+603 2178 1209

Figure 1 : Financial summary of stocks under coverage

Company	Price (RM) @ 10 Mar	Mkt Cap (RM m)	EPS (sen)		EPS Growth (%)		P/E (x)		P/BV (x)		ROE (%)		Dividend Yield (%)	
			2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F	2010F	2011F
Sime Darby	8.82	53,003.5	45.2	49.8	19.0	10.3	19.5	17.7	2.3	2.2	12.1	12.7	2.6	2.6
IOI Corporation	5.54	36,968.5	22.3	23.9	-1.9	7.2	24.8	23.2	4.0	3.5	15.9	15.0	0.8	0.9
KL Kepong	17.02	18,168.9	80.5	83.7	40.3	4.0	21.1	20.3	5.5	5.1	14.1	13.9	2.9	2.9
Genting Plant	6.68	5,063.6	44.1	51.1	42.0	15.8	15.1	13.1	1.8	1.6	12.1	12.5	0.6	0.6
Boustead	3.60	3,355.0	50.3	53.4	34.2	6.2	7.2	6.7	1.0	0.9	10.5	10.6	6.2	6.2
IJM Plantations	2.55	2,043.4	9.6	12.0	-45.4	25.5	26.6	21.2	1.7	1.7	4.8	4.7	1.2	1.2
TSH Resources	2.05	848.3	18.3	19.9	35.3	9.2	11.2	10.3	1.2	1.1	10.6	10.7	1.8	1.8

Focus Charts

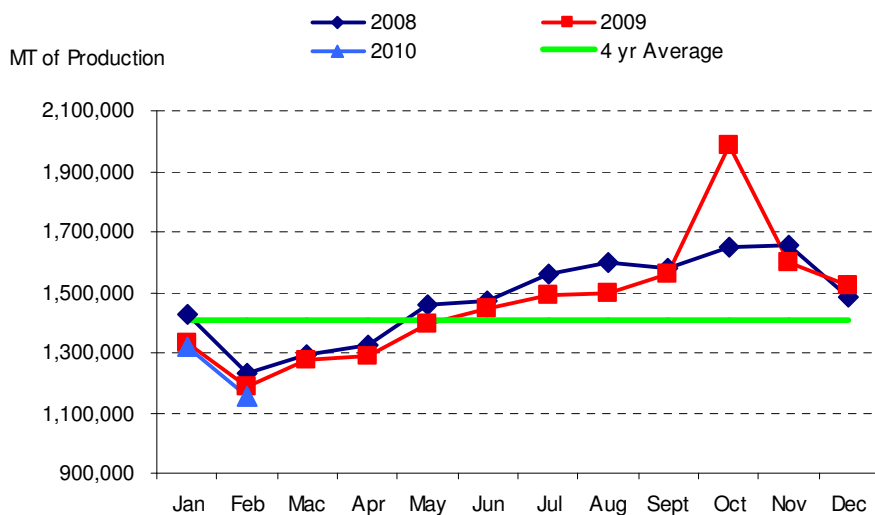
Figure 2 : Steep decline in exports from January into February



The m-o-m decline in exports was led by China, India and Pakistan.

Source: MPOB, ECM Libra

Figure 3 : Production for 2009 1% lower than 2008



Production behaving as per seasonality.

Feb decline exacerbated by the El Nino

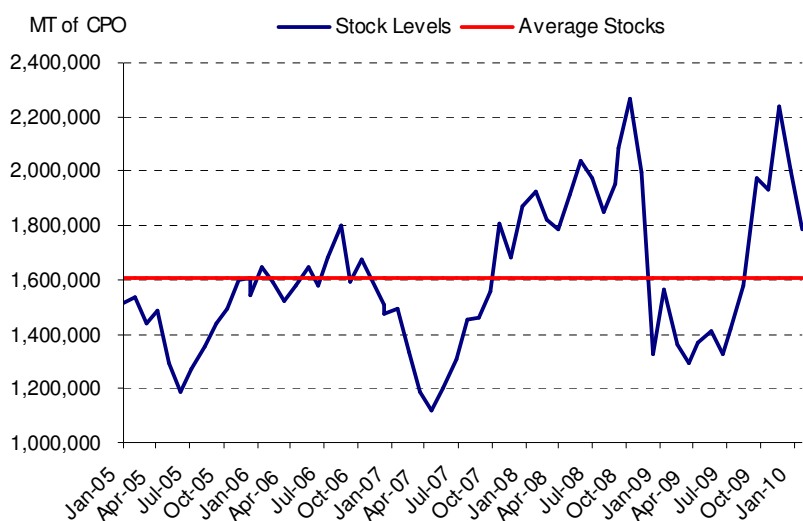
Source: MPOB, ECM Libra

Figure 4 : Decline in exports generally across the board this month

MT	China	India	Japan	Pakistan	US	Total EU	Egypt
Jan	396,796	102,546	55,969	224,278	83,666	167,395	44,862
Feb	315,355	122,570	44,030	127,176	59,437	192,436	70,066
% Change m-o-m	-20.5	19.5	-21.3	-43.3	-29.0	15.0	56.2
% Change y-o-y	2.5	-2.1	1.0	-31.0	18.2	67.3	101.0

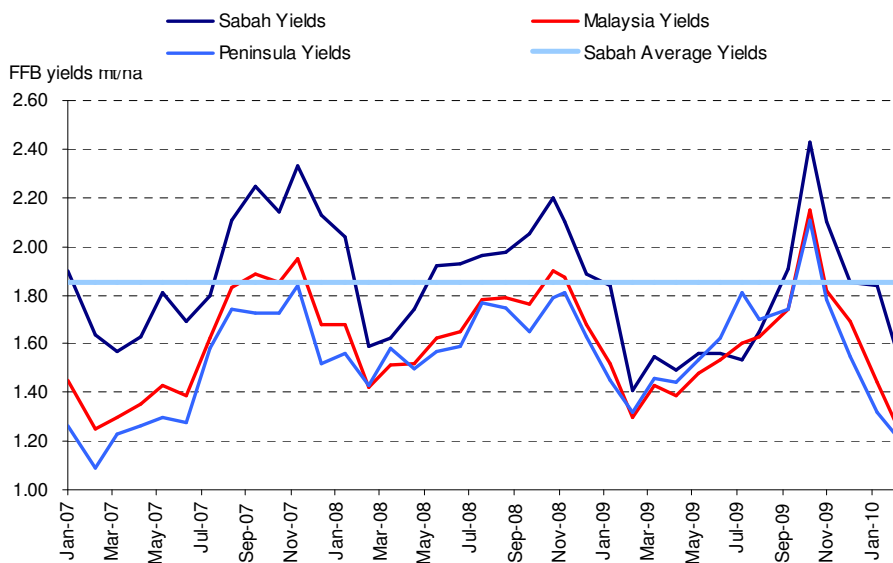
Source: MPOB, ECM Libra

Figure 5 : Stock levels coming off progressively as per seasonality



Source: MPOB, ECM Libra

Figure 6 : FFB yields have taken a sharp plunge



Source: MPOB, ECM Libra

Key to stock recommendations:

Buy = Share price is expected to appreciate by >10% over the next 12 months

Hold = Share price is expected to move by less than +/-10% over the next 12 months

Sell = Share price is expected to decline by >10% over the next 12 months

Key to sector recommendations:

Overweight = Industry expected to outperform the market over the next 12 months

Neutral = Industry expected to perform in-line with the market over the next 12 months

Underweight = Industry expected to underperform the market over the next 12 months

This report is for information purposes only and general in nature. The information contained in this report is based on data and obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, is made with respect to the accuracy, completeness or reliability of the information or opinions in this report. Accordingly, neither we nor any of our related companies and associates nor persons related to us accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use of or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice.

It is not possible to have regard to the specific investment objectives, the financial situation and the particular needs of each person who may receive or read this report. As such, investors should seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

Under no circumstances should this report be considered as an offer to sell or a solicitation of an offer to buy any securities referred to herein. This company and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further deal with such securities and provide advisory, investment or other services for any company or entity mentioned in this report. In reviewing this report, investors should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflict of interests.

For ECM Libra Capital Sdn Bhd (579116-A) (PP 13693/04/2010/023879)

Published and Printed by:

ECM Libra Capital Sdn Bhd (579116-A)

8A Floor, Wisma Genting
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel: (603) 2178 1888
Fax: (603) 2161 8818