

**Flash Note**

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<b>Magna Prima</b>	<b>Price:</b>	RM2.95
<b>Acquiring another piece of land in Bukit Jalil</b>	<b>Market Capitalisation:</b>	RM157.8m
<b>Board:</b> Main Board		
<b>Sector:</b> Construction		
<b>Stock Code:</b> 7617		
<b>Recommendation:</b> REDUCE (maintain)		
<b>Index Component/Constituent:</b> -		

**Key Stock Statistics**

FYE Dec	2009F	2010F
Diluted EPS (sen)	14.2	36.4
P/E (x)	20.8	8.1
Dividend/Share (sen)	5.0	
NTA/Share (RM)	2.30	
Book Value/Share (RM)	2.30	
Issued Share Capital (m)	53.5	
52-week Share Price Range	3.30 - 1.77	
No of Warrants (m)	21.6	
<b>Major Shareholders</b>		
Fantastic Realty Sdn Bhd	15.4%	

**Per Share Data**

FYE Dec	2006	2007	2008	2009F	2010F
Book Value (RM)	1.20	1.72	2.22	2.32	2.77
Cash Flow (sen)	(29.4)	71.8	(63.3)	1.4	19.2
Basic EPS (sen)	0.2	51.6	52.2	18.4	50.8
Diluted EPS (sen)	2.2	37.0	37.4	14.2	36.4
Dividend (sen)	0.0	7.0	5.0	5.0	5.0
Payout Ratio (%)	0.0	13.6	9.6	27.1	9.8
Diluted PER (x)	134.6	8.0	7.9	20.8	8.1
P/Cash Flow (x)	(10.0)	4.1	(4.7)	210.3	15.3
P/Book Value (x)	2.5	1.7	1.3	1.3	1.1
Dividend Yield (%)	0.0	2.4	1.7	1.7	1.7
ROE (%)	0.2	35.3	26.5	8.1	20.0
Net Gearing (%)	59.4	69.5	49.5	38.8	20.7

**P&L Analysis**

FYE Dec (RM m)	2006	2007	2008	2009F	2010F
Revenue	80.8	344.4	280.6	230.0	300.0
Operating Profit	5.4	38.3	37.1	13.4	36.3
Depreciation	(1.2)	(1.0)	(1.0)	(1.1)	(1.1)
Net Interest Inc/Exp	(0.6)	0.3	1.4	1.0	1.0
Pre-tax Profit	3.6	37.6	37.5	13.4	36.2
Net Profit	0.1	26.6	26.9	9.5	26.1
Core Net Profit	0.1	26.6	26.9	9.5	26.1
Operating Margin	6.7%	11.1%	13.2%	5.8%	12.1%
Pre-tax Margin	4.5%	10.9%	13.4%	5.8%	12.1%
Net Margin	0.1%	7.7%	9.6%	4.1%	8.7%
Effective Tax Rate	97.4%	28.6%	27.2%	27.0%	27.0%

**Share Price Chart**



**Acquiring Bukit Jalil land for RM10.7m cash for relocation of Lai Meng primary school and kindergarten.** Magna announced that wholly-owned subsidiary Twinicon had on 10 December 2009 entered into a sales and purchase agreement with Santari to acquire a piece of freehold land (Geran 55267, Lot 38474) measuring 22,280 sq m in Bandar Bukit Jalil for a cash consideration of RM10.7m. This acquisition is pursuant to Twinicon's proposed acquisition of all pieces of land measuring an aggregate area of approximately 10,587.5 sq m from Lai Meng Girls' School Association (LMGSA), which is conditional upon Twinicon causing the transfer of a piece of land measuring 22,280 sq m in favour of LMGSA for the purpose of relocating the existing Lai Meng Primary School and Lai Meng Kindergarten currently located along Jalan Ampang. This acquisition is expected to be completed by 1Q2010. The company secretary of Santari, Tan San Li, is also a major shareholder of Fantastic Realty, which in turn is a major shareholder of Magna Prima.

**Acquisition of another Bukit Jalil land in March 2009 still under litigation.** In March this year, another wholly-owned subsidiary Permata Juang had proposed the acquisition of a piece of land (Lot 38476) measuring 43,970 sq m from a Ho Hup subsidiary for RM19.4m cash. Part of this land was believed to be for the purpose of relocating the Lai Meng primary school and kindergarten. However, the proposed acquisition is now the subject of a litigation and on 1 December 2009, "the Court has extended the Ad-Interim

Injunction and fixed the matter for decision on 14 December 2009 for inter-parte injunction."

**New acquisition is a step towards the acquisition and development of the Lai Meng land along Jalan Ampang.** With the earlier proposed acquisition still caught in litigation, the new acquisition is a step in the right direction. Relocation of the Lai Meng primary school and kindergarten is one of the key conditions for the acquisition of the Lai Meng land along Jalan Ampang for RM148.2m cash and which Magna intended to develop high-end commercial and residential properties worth an estimated RM1.3bn.

**Maintain target price and REDUCE.** We like the development potential of the Lai Meng land, given its proximity to the KLCC vicinity as well as Magna's success in developing The Avare. However, pending completion of the latest Bukit Jalil land and the series of other acquisitions, we are keeping our forecasts unchanged. Share price has done well in recent weeks and has exceeded our target price of RM2.55 (CY10 PE 7x). We are also concerned that the series of acquisition would push gearing past 2x. REDUCE maintained.

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#### Equity Rating Structure and Definitions

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<b>BUY</b>	Total return is expected to exceed +15% over a 12-month period
<b>TRADING BUY (TR BUY)</b>	Total return is expected to exceed +15% over a 3-month period due to short-term positive development, but fundamentals are not strong enough to warrant a Buy call. This is to cater to investors who are willing to take on higher risks
<b>ADD</b>	Total return is expected to be between 0% to +15% over a 12-month period
<b>REDUCE</b>	Total return is expected to be between 0% to -15% over a 12-month period
<b>TRADING SELL (TR SELL)</b>	Total return is expected to exceed -15% over a 3-month period due to short-term negative development, but fundamentals are strong enough to avoid a Sell call. This is to cater to investors who are willing to take on higher risks
<b>SELL</b>	Total return is expected to be below -15% over a 12-month period
<b>NOT RATED</b>	Affin Investment Bank does not provide research coverage or rating for this company. Report is intended as information only and not as a recommendation

**OVERWEIGHT** Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months

**NEUTRAL** Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months

**UNDERWEIGH** Industry, as defined by the analyst's coverage universe is expected to under-perform the KLCI benchmark over the next 12 months

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