

**Company Update**

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|   |                               |          |
|---|-------------------------------|----------|
| <b>Magna Prima</b>                        | <b>Price:</b>                 | RM0.985  |
| <b>Adjusting for 1-into-4 share split</b> | <b>Market Capitalisation:</b> | RM210.6m |
| <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) | 3.5   | 9.1   |
| P/E (x)           | 27.9  | 10.9  |

|                           |               |
|---------------------------|---------------|
| Dividend/Share (sen)      | 1.3           |
| NTA/Share (RM)            | 0.58          |
| Book Value/Share (RM)     | 0.58          |
| Issued Share Capital (m)  | 53.5          |
| 52-week Share Price Range | 0.985 - 0.443 |
| No of Warrants (m)        | 86.2          |

**Major Shareholders**

|                          |       |
|--------------------------|-------|
| Fantastic Realty Sdn Bhd | 15.4% |
|--------------------------|-------|

**Per Share Data**

| FYE Dec            | 2006   | 2007 | 2008   | 2009F | 2010F |
|--------------------|--------|------|--------|-------|-------|
| Book Value (RM)    | 0.29   | 0.41 | 0.53   | 0.43  | 0.50  |
| Cash Flow (sen)    | (7.1)  | 17.3 | (15.2) | 0.3   | 4.6   |
| Basic EPS (sen)    | 0.1    | 12.4 | 12.6   | 4.4   | 12.2  |
| Diluted EPS (sen)  | 0.5    | 9.2  | 9.3    | 3.5   | 9.1   |
| Dividend (sen)     | 0.0    | 1.8  | 1.3    | 1.3   | 1.3   |
| Payout Ratio (%)   | 0.0    | 56.3 | 39.8   | 112.6 | 40.9  |
| Diluted PER (x)    | 180.1  | 10.7 | 10.6   | 27.9  | 10.9  |
| P/Cash Flow (x)    | (13.9) | 5.7  | (6.5)  | 291.7 | 21.3  |
| P/Book Value (x)   | 3.4    | 2.4  | 1.8    | 2.3   | 2.0   |
| Dividend Yield (%) | 0.0    | 1.8  | 1.3    | 1.3   | 1.3   |
| ROE (%)            | 0.2    | 35.3 | 26.5   | 9.2   | 26.3  |
| Net Gearing (%)    | 59.4   | 69.5 | 49.5   | 71.7  | 53.3  |

**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**



**Adjusting per share data to 1-into-4 share split.**

With the implementation of the 1-into-4 share split and net profit forecasts unchanged, EPS forecast for FY09 and FY10 are now adjusted from 14.2 sen and 36.4 sen to 3.5 sen and 9.1 sen, respectively. DPS forecasts have also been adjusted to 1.25 sen for FY09 and FY10. The 213.8m subdivided shares pursuant to the share split and 86.3m new warrants will be listed today.

**Target price adjusted from RM2.55 to RM0.64.**

Following the proportionate EPS forecast adjustments, target price based on 7x CY10 EPS have also been adjusted from RM2.55 to RM0.64. At current share price of RM0.985, the stock falls into a SELL call under our rating system. However, we are maintaining our REDUCE call pending our long-delayed meeting with the new management later this week to clarify issues on the operations and prospects of the company, including the following land acquisition proposals:-

- all pieces of land measuring an aggregate area of approximately 10,587.5 sq m for a cash consideration of RM148.2m, with the condition of transferring a piece of freehold land measuring 22,280 sq m (Swapped Land) to Lai Meng Girl School Association for the purpose of relocating the existing Lai Meng Primary School and Lai Meng Kindergarten;

- a parcel of freehold land measuring 5.7 acres and all parcels of leasehold land measuring in aggregate 16.8 acres located in Daerah Gombak, Selangor for a total cash consideration of RM40.5m;
- 2 pieces of freehold land, measuring 180,736 sf and 122,260 sf respectively and located at Jalan 5/44, Petaling Garden, Petaling Jaya, together with a row of 15 single-storey lock-up shops erected thereon for a total cash consideration of RM48.5m;
- proposed acquisition for a cash consideration of RM3.5m of the entire issued and paid-up capital of Ibsul Development, which has entered into a SPA with PKNS for the purchase of a piece of land located in Section 16, Bandar Shah Alam, Selangor Darul Ehsan for a total cash purchase price of RM18.5m;
- a piece of vacant leasehold residential development land located off the west side of Jalan Ipoh in Selangor Darul Ehsan and measuring approximately 2.43 acres for a purchase consideration of RM16.5m to be satisfied by the issuance of 33.0m new Magna Prima Shares at an issue price of RM0.50 each; and
- a piece of freehold land measuring 22,280 sq m in Bandar Bukit Jalil for a cash consideration of RM10.7m.

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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<br/>(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<br/>(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   |
| <b>OVERWEIGHT</b>                 | Industry, as defined by the analyst's coverage universe, is expected to outperform the KLCI benchmark over the next 12 months   |
| <b>NEUTRAL</b>                    | Industry, as defined by the analyst's coverage universe, is expected to perform inline with the KLCI benchmark over the next 12 months  |
| <b>UNDERWEIGHT</b>                | 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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