

Company Update

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Magna Prima	Price:	RM1.77
Ho Hup withdrew resolution to sell land	Market Capitalisation:	RM94.5m
Board: Second Board		
Sector: Construction		
Stock Code: 7617		
Recommendation: ADD (Maintain)		
Index Component/Constituent: FBM Second Board		

Key Stock Statistics

FYE Dec	2009F	2010F
Diluted EPS (sen)	35.9	36.4
P/E (x)	4.9	4.9
Dividend/Share (sen)	5.0	
NTA/Share (RM)	2.18	
Book Value/Share (RM)	2.18	
Issued Share Capital (m)	53.4	
52-week Share Price Range	3.44 - 1.77	
No of Warrants (m)	23.4	

Major Shareholders

Fantastic Realty Sdn Bhd	10.6%
Tan Teong Han	7.0%

Per Share Data

FYE Dec	2005	2006	2007	2008	2009F	2010F
Book Value (RM)	0.97	1.20	1.72	2.22	2.63	3.09
Cash Flow (sen)	(56.6)	(29.4)	71.8	(63.3)	20.9	31.4
Basic EPS (sen)	(20.3)	0.2	51.6	52.2	50.1	50.8
Diluted EPS (sen)	n.m	2.2	37.0	37.4	35.9	36.4
Dividend (sen)	0.0	0.0	7.0	5.0	5.0	5.0
Payout Ratio (%)	0.0	0.0	13.6	9.6	10.0	9.8
Diluted PER (x)	n.m	80.8	4.8	4.7	4.9	4.9
P/Cash Flow (x)	(3.1)	(6.0)	2.5	(2.8)	8.5	5.6
P/Book Value (x)	1.8	1.5	1.0	0.8	0.7	0.6
Dividend Yield (%)	0.0	0.0	4.0	2.8	2.8	2.8
ROE (%)	(41.7)	0.2	35.3	26.5	20.6	17.7
Net Gearing (%)	72.5	59.4	69.5	49.5	26.7	8.3

P&L Analysis

FYE Dec (RM m)	2005	2006	2007	2008	2009F	2010F
Revenue	91.1	80.8	344.4	280.6	290.0	300.0
Operating Profit	(7.9)	5.4	38.3	37.1	35.7	36.3
Depreciation	(1.3)	(1.2)	(1.0)	(1.0)	(1.1)	(1.1)
Net Interest Inc/Exp	(1.6)	(0.6)	0.3	1.4	1.0	1.0
Pre-tax Profit	(10.3)	3.6	37.6	37.5	35.7	36.2
Net Profit	(10.4)	0.1	26.6	26.9	25.8	26.1
Core Net Profit	(10.4)	0.1	26.6	26.9	25.8	26.1
Operating Margin	(8.7%)	6.7%	11.1%	13.2%	12.3%	12.1%
Pre-tax Margin	(11.3%)	4.5%	10.9%	13.4%	12.3%	12.1%
Net Margin	(11.5%)	0.1%	7.7%	9.6%	8.9%	8.7%
Effective Tax Rate	(6.5%)	97.4%	28.6%	27.2%	27.0%	27.0%

Share Price Chart



Ho Hup withdrew resolution to sell Bukit Jalil land.

Ho Hup Construction announced last night that the resolution to sell a 4.3ha land in Bukit Jalil for RM19.4m to Permata Juang (M), a wholly-owned subsidiary of Magna Prima, had been withdrawn from its Extraordinary General Meeting. According to Ho Hup's new Managing Director, who was also a former executive director of Magna Prima, the resolution was withdrawn because "we did not have enough shareholders' support."

Said land was for relocation of Lai Meng Primary School and Lai Meng Kindergarten. The said Bukit Jalil land was referred to as the 'Swapped Land' under Magna Prima's proposal to acquire all pieces of land measuring an aggregate area of approximately 10,587.5 sq m along Jalan Ampang ('Lai Meng land acquisition') and where the Lai Primary School and Lai Meng Kindergarten is currently located. The Lai Meng land acquisition proposal includes a condition to transfer the 'Swapped Land' to Lai Meng Girl School Association for the purpose of relocating the existing Lai Meng Primary School and Lai Meng Kindergarten.

Lai Meng land acquisition in jeopardy? Magna Prima has yet to make an announcement on the status of the proposed acquisition of the Bukit Jalil land. Since transfer of the 'Swapped Land' is a condition, we are also awaiting clarifications from the company on whether the Land Meng land acquisition is in jeopardy or if an alternative land would be acceptable to Lai

Meng Girl Scholl Association. A meeting with the new management of Magna Prima to clarify any changes in the direction of the group as well as these new developments is still pending confirmation.

Enough jobs for next 2 years. In the meantime, the group will be working on the following outstanding projects:-

- Dataran Otomobil, where Phase 3 and 4 have yet to be launched;
- U1 Shah Alam, where sales is expected to pick up;
- the Jalan Kuching project, which has been scaled down and repositioned from a 5-in-1 to a shophouse-cum-serviced apartment development with a lower GDV of around RM500m.

1QFY09 was comparatively slower given the completion of the Avare project and delayed launch and weak initial sales of the U1 Shah Alam project last year. But revenue and profit contributions from the above projects are expected to improve in the next 3 quarters.

Maintain ADD pending clarifications from new management. Share price has pulled back sharply in recent weeks to a low of RM1.77. This is low compared to our target price of RM2.55, which is based on 7x CY10 EPS. However, pending clarifications from its new management on the direction of the group and the Bukit Jali land and Lai Meng land acquisitions, ADD rating is maintained.

Equity Rating Structure and Definitions

BUY	Total return is expected to exceed +15% over a 12-month period
TRADING BUY (TR BUY)	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
ADD	Total return is expected to be between 0% to +15% over a 12-month period
REDUCE	Total return is expected to be between 0% to -15% over a 12-month period
TRADING SELL (TR SELL)	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
SELL	Total return is expected to be below -15% over a 12-month period
NOT RATED	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
UNDERWEIGHT	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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