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Malaysia Property

Reuters YNHB.KL
Bloomberg YNHB MK

Priced on 19 July 2004
KLSE Comp @ 843.1

12M price target RM2.08
±% up/downside +58%
Target set on 19 Mar 04

Market cap US\$91m
Shares in issue 232.8m
Free float (est.) 45.0%

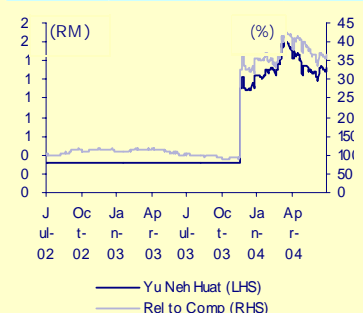
3M average daily volume
RM0.4m (US\$0.1m)

12M high/low
RM1.64/0.31

Foreign shareholding 2.0%
Major shareholder
Yu Family 55.0%

Stock performance (%)

	1M	3M	12M
Absolute	3.1	(13.2)	325.8
Relative	0.5	(11.9)	261.9
Abs (US\$)	3.1	(13.2)	325.8



Source: Bloomberg

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Going commercial

YNH's recent entry into commercial property development in the heart of KL city centre is decently priced and well timed. We believe the KL city office market is set to recover. Imminent launch of its maiden project in the Klang Valley and the soon to be issued new bumi shares are two key events. We believe both will likely be well absorbed and current Fd PER of 7.6x is cheap compared to its 43% 3-year cagr. Reiterate BUY.

Set for recovery

The commercial property sector, especially the office segment in KL city centre looks set for a recovery after years of limited new supply and a brisk economy. Occupancy rate for the office sector improved from 75% in 2001 to 78% in 2003 and is projected to improve further to 83% by 2006 according to Jones Lang Wootton.

Cheap entry

YNH paid RM481 per sq ft (psf) for a 3 acre commercial plot land located in the heart of the KL city centre recently. This is cheap compared to an earlier transaction of RM770psf for a flatter and smaller piece of land fronting the same road. This is also 42% cheaper than the RM825psf price transacted during the peak of the property cycle in 1997 (for exactly the same plot).

Adding 50% more GDV

The new land is estimated to have gross development value (GDV) of RM680m and a development period of 5-6 years. This will expand YNH's total future GDV by more than 50% to RM2.0bn and sustain its Klang Valley presence to beyond FY06. Given the size of the development, we do not discount the possibility of it tying up with a reputable partner to co-develop. Discounting the future development profit of RM238m, the acquisition adds 14 sen to its Fd NAV of RM2.14/share.

Waiting for catalysts

YNH's maiden property project in the Klang Valley, the RM180m service apartment in the KL City centre, is scheduled for soft launch in August. Strong take up rates will be a key re-rating catalyst as investors are still sceptical on its ability to penetrate the Klang Valley market. The imminent issuance of 85m new bumi shares (to meet FIC requirement) will help remove present share overhang once it is fully absorbed. Despite the shares dilution, YNH will be trading at decent PER of 7.6x against 3-year (FY03-06) EPS cagr of 43%. FY03 final dividend of 5.0 sen goes ex on August 6th.

Financials

Year to 31 Dec	03A	04CL	05CL	06CL	
Revenue (RMm)	-	91.16	143.82	216.92	327.37
Net profit (RMm)	-	0.05	36.46	57.47	90.56
EPS (sen)	-	9.0#	14.8	22.0	34.7
CLSA/consensus(4) (%)	-	-	123	137	157
EPS (% YoY)	-	-	nm	48.9	57.6
PEX (@RM1.32)	-	13.4/14.7*	8.9/11.7*	6.0/7.6*	3.8/5.0*
Dividend yield (%)	-	3.8	7.6	7.6	7.6
ROAE (%)	-	-	13.0	18.7	25.0
Price/book (x)	-	1.14	1.20	1.06	0.87
Net gearing (%)	-	11.6	12.8	10.1	5.3
EV/Op Ebitda (x)	-	8.74	6.99	4.51	2.82

Note: # before EI; *Fully diluted PER after 85m new bumi issue

Figure 1

Recent & pre-crisis land transactions in KL city

Date	Buyer	Location	Price (RMm)	Size (acres)	Price per sq ft (RM)
12-Jul-04	Yu Neh Huat	Jln Sultan Ismail & Lorong P Ramlee	63.0	3.01	480.8
25-Mar-04	Hup Seng	Jln P Ramlee & Jln Sultan Ismail	24.0	0.72	769.6
15-Mar-04	Glomac	Jln Stonor	43.0	2.06	479.4
14-Nov-03	Bandaraya	Jalan Binjai, KL	48.75	2.07	540.0
1-Jul-95	Berjaya Land	Jalan Ampang, KL	95.5	3.13	700.0
4-Aug-95	Mulpha	Jln Sultan Ismail	14.4	0.34	959.2

Source: CLSA Asia-Pacific Markets

Figure 2

KL office space supply and occupancy

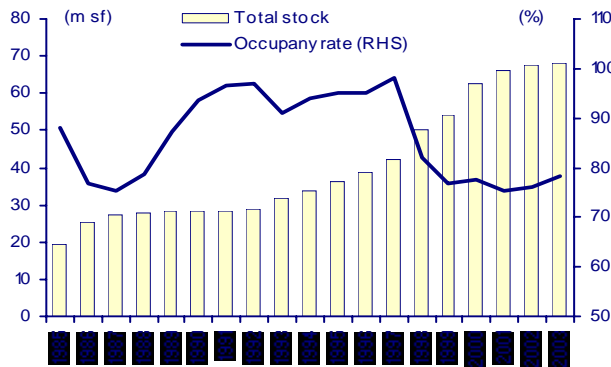
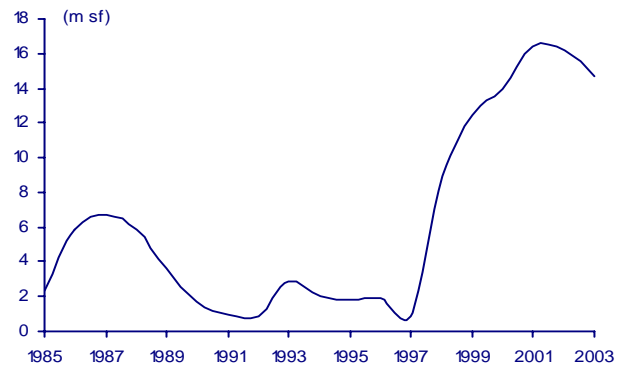


Figure 3

KL office space vacancy



Source: CLSA Asia-Pacific Markets; Malaysia Property Market Reports, JLW Quarterly Report

Figure 4

KL office space new supply

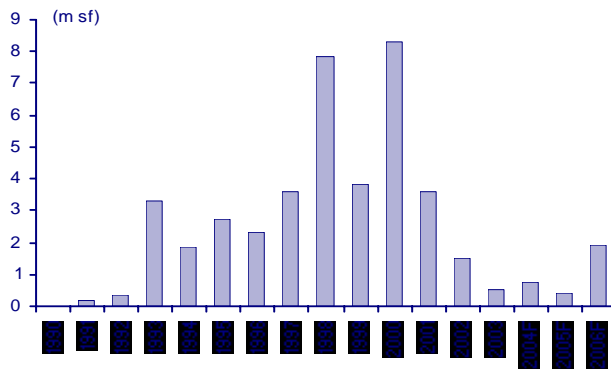
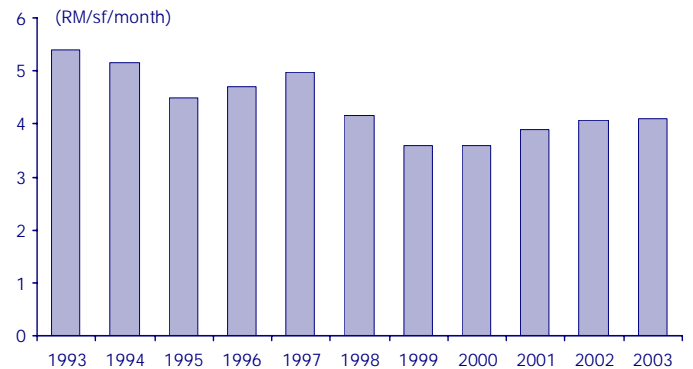


Figure 5

KL office rent – has yet to fully recover



Source: CLSA Asia-Pacific Markets; Malaysia Property Market Reports, JLW Quarterly Report

Note: In the interests of timeliness, this document was not edited.

Key to investment rankings: BUY = Expected to outperform the local market by >10%; O-PF = outperform by 0-10%; U-PF = underperform by 0-10%; SELL = underperform by >10%. Performance is defined as 12-month total return (including dividends).

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