

Date: 15 September 2005
Initiating Coverage

YHH PROPERTY BERHAD (YNHPROP)		Price:	RM 1.28
		Market Capitalisation:	RM 443m
		Board:	Main
		Sector:	Properties
Stock Code:	3158	Recommendation:	BUY

Key Stock Statistics

	2004	2005F
EPS (sen)	14.9	16.4
P/E (x)	8.6	7.9
Dividend/Share (sen, gross)		10.5
NTA/Share (RM)		1.13
Book Value/Share (RM)		1.18
Issued Capital (mil shares)		346.3
52-weeks Share Price Range	RM1.40 (H) - RM1.25 (L)	
Major Shareholders:	%	
Dato' Dr Yu Kuan Chon	22.4	

Per Share Data

Year-end Dec 31	2002	2003	2004	2005F
Book Value (RM)	na	1.11	1.16	1.19
Cash Flow (sen)	na	(0.1)	15.2	16.6
Earnings (sen)	na	(0.8)	14.9	16.4
Dividend (sen)	na	5.0	10.5	11.0
Payout Ratio (%)	na	>100	51.5	51.0
PER (x)	na	>100	8.6	7.8
P/Cash Flow (x)	na	>100	8.4	7.7
P/Book Value (x)	na	1.2	1.2	1.2
Dividend Yield (%)	na	3.9	8.2	8.6
ROE (%)	na	(0.2)	12.6	13.1
Net Gearing (%)	na	23.1	20.3	21.1

P&L Analysis (RM mil)

Year-end Dec 31	2002	2003	2004	2005F
Revenue	na	72.4	99.7	171.9
Operating Profit	na	35.5	53.5	79.1
Depreciation	na	(0.5)	(0.7)	(0.8)
Interest Expenses	na	(5.1)	(3.2)	(4.7)
Pre-tax Profit	na	8.1	51.0	74.7
Effective Tax Rate (%)	na	106.6	24.9	28.0
Net Profit	na	(0.5)	38.3	53.8
Operating Margin (%)	na	49.1	53.6	46.0
Pre-tax Margin (%)	na	11.2	51.2	43.4
Net-Margin (%)	na	(0.7)	38.4	31.3

Share Price Chart



- YNH Property Berhad (YNH) is one of the smaller property developers that started its property activities in Manjung district in Perak. It has since expanded into high-end residential and commercial projects in the Klang Valley in recent years. It currently has 3 property projects in Kuala Lumpur, namely Lot 163 suites, Radiant Mont' Kiara and Wisma YNH.
- The Group should register EPS growth of 10-15% p.a. in FY2005 and FY2006. In 2005, projects in Perak will be still be the key contributors but projects in Kuala Lumpur will takeover the driver seat in FY2006, contributing as much as 80% of its profits.
- YNH's move into high-end residential and commercial developments in the Klang Valley is not without risks. Its projects are much bigger than its normal undertakings and would not enjoy the privilege of a captive market, which its projects in Manjung flourish on. The mitigating factor is obviously the lower land cost, as YNH bought the land from Danaharta.
- YNH is a BUY on its attractive dividend yields, even though its PERs and price/book are at a slight premium to peers.

Profile

YNH Property Berhad (YNH) took over the listing status of Techno Asia Holdings Bhd (Techno Asia) in a special scheme of arrangement with Danaharta Bhd. It was listed on 9 Dec 2003. The whole corporate exercise involved, amongst others, the following:

- capital reduction and consolidation in Techno Asia,
- share swap of Techno Asia shares with YNH shares on the basis of 1 new YNH share for every 1 consolidated Techno Asia share. This involved issuance of 5.2m new YNH shares,
- acquisitions of 2 major subsidiaries Kar Sin Sdn Bhd and Yu & Sons Sdn Bhd from vendors in return for shares and ICULS of YNH,
- restricted issue of 15m new YNH shares to the Yu family to facilitate payment of RM15m to Techno Asia for the transfer of listing status to YNH,
- sale of Techno Asia to a special purpose vehicle for a nominal value of RM1,
- Offer for sale of by vendors of existing YNH shares to the public and via placement to selected investors

YNH started its property activities in Manjung district in Perak, but has since expanded into Ipoh and Klang Valley in recent years. Since its inception in 1982, it has delivered more than 8,600 units of properties with gross development value of RM800m.

Substantial Shareholders

The Yu family, the major shareholder, is active in the management of YNH. Dato' Dr. Yu Kuan Chon is the Chairman while his brother Yu Kuan Huat is the Managing Director. Mr Yu Kuan Huat has over 15 years of experience in property development, construction, money lending and aquaculture.

Recent Developments

In 2Q 2005, YNH successfully issued 85m shares at RM1.22 per share to Bumiputera investors, raising its share capital from 261.28m to 346.3m shares @ RM1 par. The proceeds of RM103m have been earmarked for working capital requirements at selected projects, of which RM71m were utilised for Lot 163 Suites, Medan Ipoh, Radiant Kiara (Lot 1889), Medan Bercham and Medan Sejahtara.

Earning Outlook

YNH's pretax profit jumped 61% in 1H05 on a 60% rise in turnover, but EPS grew by a slower 21% due to a larger share base.

YNH should be on track to register EPS growth of 10-15% p.a. in FY2005 and FY2006. In 2005, projects in Perak will still be the key contributors but projects in Kuala Lumpur will takeover the driver seat in FY2006, as they are projected to contribute as much as 80% of group profits with the balance 20% from Perak projects. Unbilled sales for the Group were RM280m as of 30 Jun 2005, mostly from the Perak projects and Lot 163 Suites.

Projects in Perak should generate steady revenues of RM80-100m revenues and RM25m pretax profit per annum. They are mainly in Sitiawan-Manjung-Lumut, Ipoh and Telok Intan.

- ◆ **Sitiawan-Manjung-Lumut** – YNH is the largest property developer in the Manjung district, with an estimated market share of 65%-70%. Annual output is about 500 residential units and shop offices, with average selling prices of RM100,000 and RM350,000 per unit. The main project is Manjung Point which is an integrated township comprising more than 10,000 units of residential, commercial, industrial and recreational units worth RM1.5bn over a land area of 782 acres to be developed over 20 years. More than 60% of its buyers are civil servants, mainly from the navy personnel at the nearby Lumut Naval Base. This project clearly enjoys the benefits of a captive market.
- ◆ **Ipoh** – This is a commercial development of 450 units of shop offices in Ipoh which is near to the Jaya Jusco, Makro and Tesco malls. The gross development value is approximately RM160m.
- **Telok Intan** – This project consists of 36 shop lots with gross development value of RM18m.

YNH currently has 3 property projects in Kuala Lumpur, namely Lot 163 suites, Radiant Mont' Kiara and Wisma YNH.

- **Lot 163 Suites** - It is located in Jalan Perak (next to Wisma Hong Leong) with a gross development value of RM218m and was launched in 3Q 2004. It comprises 310 units of service apartments (450 sf with average selling price of RM800 psf), a retail arcade and a 14-storey office tower. Take-up rate has been an encouraging 70% for the service apartments. The office tower is for sale on an ebloc basis.
- **Radiant Mont Kiara** – This is in the affluent Mont' Kiara area and the project will have 238 units of high-end condominiums with a gross development value of RM140m (or an average selling price of RM330 psf). The project is slated for launching in 2006, and will add to earnings in the next 3 years.

- **Wisma YNH** – This is located next to Shangri-La Hotel Kuala Lumpur and consists of 2 blocks of service apartments as well as a Grade A office block with a gross development value of RM880m. The project is expected to be launched in 2006 and will contribute to profits in the next 7 years.

Table 1: Property projects

	GDV (RMm)	Type
Projects in Kuala Lumpur	1238	
◆ Lot 163 Suites, Jalan Perak	218	Service apartments, offices, retail mall
◆ Radiant Kiara, Mont' Kiara	140	High-end condominium
◆ Wisma YNH	880	Service apartments, offices
Projects in Perak	1678	
◆ Ipoh projects	160	Shop-offices
◆ Telok Intan	18	Shop-lots
◆ Manjung	1500	Township development

Landbank

YNH Group currently has undeveloped landbank of about 1,100 acres. Most of the land parcels were acquired at relatively low cost, especially the land in Kuala Lumpur and Ipoh that were acquired from Danaharta. Consequently, YNH is able to generate higher margins than other developers who have bought their land at market prices. This low land book cost results in our revalued net tangible asset of RM1.69 per share, which is higher than the book NTA of RM1.13 in Jun 2005.

Table 2: Landbank

(RM psf)	Area (acres)	Acquisition price (RMpsf)	Current price (RMpsf)
Manjung, Sitiawan	1,000	0.50-1.00	4.00-5.00
Ipoh	30.8	18	45-50
163 Suites	1.04	444	800
Radiant Kiara	3.06	66	100
Wisma YNH	3.0	480	550-600

Source: YNH

Financials

As at 30 Jun 2005, YNH Group had total borrowings of RM108m and cash of RM43m, translating to net gearing of 16%. It is its intention to cap its net gearing at 30%.

Balance Sheet

Y/E Dec 31	2002	2003	2004
Total Assets (RMm)	na	447.5	461.1
Fixed Assets (RMm)	na	117.5	114.5
Current Assets (RMm)	na	151.8	166.9
L T Assets (RMm)	na	178.2	179.7
Current Liabilities (RMm)	na	107.1	111.4
L T Liabilities (RMm)	na	81.9	46.1
Share Capital (RMm)	na	232.8	261.3
Shareholders Funds (RMm)	na	258.4	303.6

Dividends

YNH already declared an interim gross dividend of 6 sen in 1H05, translating to a net payout of 56%. The guidance is for a net payout of 50%, translating to a projected gross dividend of 11 sen in FY2005. This will give an attractive gross dividend yield of 8.5%.

Share buyback

Approval was obtained to buy back up to 10% of its share capital in the annual general meeting on 10 Jun 2005. The maximum amount of funds to be allocated for share buyback shall not exceed the sum of retained profits and/or share premium based on last audited financial statements. As at 31 Dec 2004, the audited retained profits were RM18.1m respectively.

Risk

YNH's move into high-end residential and commercial developments in the Klang Valley is not without risks. These new projects are a lot bigger and do not enjoy the privilege of a captive market which its projects in Manjung district flourish on. The mitigating factor is obviously its lower land cost, as YNH bought these parcels of land from Danaharta.

Valuations

YNH is one of the smaller property developers listed on Bursa Malaysia. Although it is trading at higher PERs and price/NTA vis-à-vis other developers, its dividend yield is the highest. We rate YNH a BUY as we believe the stock's attractive dividend yield will lend strong support to the share price.

Table 3: Valuations

	YNH	Asas Dunia	Glomac
Price (RM)	1.28	0.71	1.32
Shares (m)	346.3	191.6	216.9
Market cap (RMm)	443	136	286
EPS (sen)	16.4	5.4	21.0
PER (x)	7.8	13.1	6.3
Dividend (sen)	11.0	4.0	9.0
Dividend yield (%)	8.6	5.6	6.8
Book NTA (RM/s)	1.13	1.72	1.60
Price/NTA (x)	1.13	0.41	0.83
Revalued NTA (RM/s)	1.69	2.25	2.18
Price/RNTA (x)	0.76	0.32	0.61
Net debt (RMm)	65.1	-13.6	95.5
Net gearing (%)	17%	-4%	27%

Disclaimer

The information, tools and material presented herein are provided for informational purposes only and are not to be used or considered as an offer or a solicitation to sell or an offer or solicitation to buy or subscribe for securities, investment products or other financial instruments, nor to constitute any advice or recommendation with respect to such securities, investment products or other financial instruments. This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. You should independently evaluate particular investments and you should consult an independent financial adviser before making any investments or entering into any transaction in relation to any securities mentioned in this report.

The information, tools and material presented herein are not directed at, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication, availability or use would be contrary to applicable law or regulation or which would subject Kim Eng Holdings Limited and its subsidiaries (the "Kim Eng Group") of companies and/or its subsidiaries or affiliates (collectively "Kim Eng") to any registration or licensing requirement within such jurisdiction.

Information and opinions presented in this report have been obtained or derived from sources believed by Kim Eng to be reliable, but Kim Eng makes no representation as to their accuracy or completeness and Kim Eng accepts no liability for loss arising from the use of the material presented in this report where permitted by law and/or regulation. This report is not to be relied upon in substitution for the exercise of independent judgement. Kim Eng may have issued other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance.

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own investigation and analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

General Disclosure

Kim Eng may, to the extent permitted by law, participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. Kim Eng may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. Kim Eng may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

This research report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. The information contained herein is believed to be reliable, its completeness and accuracy is however not guaranteed. Opinions expressed in this report are subject to change without notice, and no part of this publication is to be construed as an offer, or solicitation of an offer to buy or sell any securities or financial instruments whether referred therein or otherwise. We do not accept any liability whatsoever whether direct or indirect that may arise from the use of information contained in this report. Any transactions by US persons in any security discussed in this report must be carried out through Kim Eng Securities (USA) Inc which has distributed this report in the USA. In addition, this document has been distributed in the UK for information only and circulated only to existing customers of Kim Eng, who are not private customers as classified under FSA's Rules.

Kim Eng Research Sdn Bhd is a participant in the CMDF-Bursa Research Scheme for this stock. We receive RM15,000 in remuneration per company per year for the coverage of stocks participating in this scheme.

<p>Singapore Kim Eng Securities Pte Ltd Kim Eng Research Pte Ltd 9 Temasek Boulevard #39-00 Suntec Tower 2 Singapore 038989</p> <p>Tel: +65 6336 9090 Fax: +65 6339 6003</p> <p>LAU Wai Kwok (sales) lauwk@kimeng.com</p> <p>SEAH Hiang Hong (research) seahhh@kimeng.com</p>	<p>London Kim Eng Securities (London) Ltd 6/F, 20 St. Dunstan's Hill London EC3R 8HY, UK</p> <p>Tel: +44 20 7621 9298 Dealers' Tel: +44 20 7626 2828 Fax: +44 20 7283 6674</p> <p>David PIRKIS (sales) dpirkis@kimeng.co.uk</p> <p>Geoff HO (sales) gho@kimeng.co.uk</p> <p>James JOHNSTONE (sales) jjohnstone@kimeng.co.uk</p>	<p>New York Kim Eng Securities USA Inc 406, East 50th Street New York, NY 10022, U.S.A.</p> <p>Tel: +1 212 688 8886 Fax: +1 212 688 3500</p> <p>Sunny Yoon Syoon@kesusa.com</p> <p>Paul Shin Pshin@kesusa.com</p> <p>Lucy Chuah Lchuah@kesusa.com</p> <p>Lynda Kommel-Browne Lkommel@kesusa.com</p> <p>Jonathan Nasser Jnasser@kesusa.com</p>	<p>Taiwan Yuanta Core Pacific Securities 11/F, No 225, Nanking East Rd Section 3 Taipei, Taiwan</p> <p>Tel: +886 2 2717 6391 Fax: +886 2 2545 6394</p> <p>Gary CHIA (sales) Gary.chia@yuanta.com.tw</p> <p>Matthew SUTHERLAND (research) matthew.sutherland@yuanta.com.tw</p>	
<p>Hong Kong Kim Eng Securities (HK) Ltd Room 1901, Bank of America Tower 12 Harcourt Road Central, Hong Kong</p> <p>Tel: +852 2268 0800 Fax: +852 2877 0104</p> <p>Ray LUK (sales) rluk@kimeng.com.hk</p> <p>Eva CHU (research) echu@kimeng.com.hk</p>	<p>Thailand Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road, Pathumwan, Bangkok 10330, Thailand</p> <p>Tel: +66 2 658 6300 Fax: +66 2 658 6384</p> <p>Vikas KAWATRA (sales) vkawatra@kimeng.co.th</p> <p>Jason YORK (sales) jason@kimeng.co.th</p>	<p>Indonesia PT Kim Eng Securities 9/F, Deutsche Bank Bldg Jl. Imam Bonjol 80 Jakarta 10310, Indonesia</p> <p>Tel: +62 21 3983 1360 Fax: +62 21 3983 1361</p> <p>Kurnia SALIM (sales) ksalim@kimeng.co.id</p> <p>Katarina SETIAWAN (research) ksetiawan@kimeng.co.id</p>	<p>Philippines ATR-Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200</p> <p>Tel: +63 2 849 8888 Fax: +63 2 848 5738</p> <p>Lorenzo ROXAS (sales) lorenzo_roxas@atr.com.ph</p> <p>Luz LORENZO (research) luz_lorenzo@atr.com.ph</p>	
<p>Malaysia Kim Eng Research Sdn Bhd 16/F, Kompleks Antarabangsa Jalan Sultan Ismail 50250 Kuala Lumpur, Malaysia</p> <p>Tel: +603 2141 1555 Fax: +603 2141 1045</p> <p>YEW Chee Yoon (research) cheeyoon@kimengkl.com</p>	<p>South Korea Kim Eng Research Pte Ltd Korea Liaison Office 17th Floor Kyobo Securities Building 26-4 (Uisadangno 93) Youido-Dung, Yongdungpo-Gu Seoul, Korea 150-737</p> <p>Tel: +82 2 3775 2268 Fax: +82 2 3775 2309</p> <p>Woo-Kyun CHANG (research) wkchang@kimeng.co.kr</p>			
<p>South Asia Sales Trading Viren SHAH shahvp@kimeng.com Tel: +65 6333 5775 US Toll Free: +1 866 406 7447</p>		<p>North Asia Sales Trading Vivian LAU vivianlau@kimeng.com.hk Tel: +852 2268 0225 US Toll Free: +1 866 598 2267</p>		<p>North America Sales Trading Howard KEUM Hkeum@kesusa.com Tel: +1 212 688-8886</p>

Our reports are available at www.research.kimeng.com, Bloomberg, Reuters, First Call and Multex.