



(Reissued Report)

MALAYSIA EQUITY
Investment Research
Daily News

PROPERTY

Mervin Chow Yan Hoong
+60 (3) 2333 8203
mervin.chow@osk.com.my

Company Update

Private Circulation Only

YNH Property

TRADING BUY Upgrade
Price RM2.70
Target RM3.43

A Clearer Picture Now

Stock Profile/Statistics

	YNHB MK
Bloomberg Ticker	Equity
KLCI	1,350.72
Issued Share Capital (m)	392.50
Market Capitalisation (RMm)	1059.76
52 week H L Price (RM)	3.52 3.52
Average Volume (3m) '000	2861.60
YTD Returns (%)	0.63
Net gearing (x)	0.17
Altman Z-Score	3.97
ROCE/WACC	0.89
Beta (x)	1.06
Book Value/share (RM)	1.33

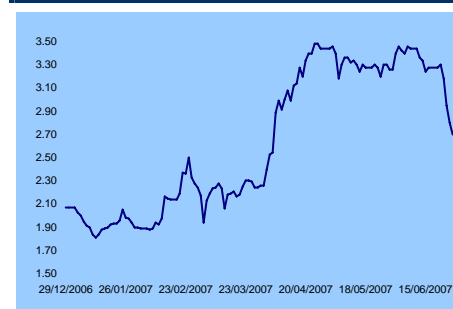
Major Shareholders (%)

Dato' Dr. Yu Kuan Chon	14.3
Yu Kuan Huat	13.8
Yu Kuan Seng	13.2

Share Performance (%)

Month	Absolute	Relative
1m	(18.18)	(18.65)
3m	20.54	10.29
6m	33.66	5.86
12m	129.56	42.20

6-month Share Price Performance



Due to concerns that certain statement in our previous report may be misinterpreted, we are re-issuing a new update.

As announced, the MOU between CapitaLand and YNH to form a JV to develop the RM1.0bn Wisma YNH had lapsed. Due to the current uncertainty on whether YNH will be able to rope in another prominent JV partner soon so that it could command the same pricing premium, we are applying a 30.0% discount on the DCF valuation to factor in the risk, hence arriving at a fully-diluted RNAV/share of RM3.43. In light of the clarification and its fundamentals, we are upgrading the stock to a Trading Buy for now with potential of further upgrading, pending on more concrete positive news flow (Fig. 1).

Investors over-reacted. Amidst the uncertainty hovering around the company recently, it is worthwhile to note that YNH still owns the land and the company would still be able to proceed with the development project on its own. In any case, we have conducted a hypothesis on a worst case scenario analysis concluding that **even assuming that the project would not take off, the lowest estimated RNAV on YNH would have been RM3.08**. According to YNH, it intends to continue with the development on its own by end-2007 and to ensure top quality and premium, a reputable contractor, preferably from Japan may be roped in to undertake the project as well.

No details announced. Both announcements made by CapitaLand and YNH separately to the lapse of the MOU did not provide any specific reasons.

Upgrading YNH but to Trading Buy for now with revised fully-diluted RNAV-based fair value of RM3.43 (Fig. 1). The valuation is derived after ploughing back the RM1.0bn Wisma YNH into our DCF valuation. Pending on the next upcoming JV candidate, we are imposing a 30.0% discount to the DCF valuation on the project as we believe YNH has the capacity to commence the development on its own. We reckon investors should seize the advantage now and start accumulating at the current share price weakness.

*Prices are based on the closing as of 28th June 2007.

FYE Dec (RMm)	FY04	FY05	FY06	FY07f	FY08f
Turnover	122.0	168.7	265.3	227.6	420.2
Net Profit	38.3	53.6	71.8	68.2	117.6
% chg YoY	nm	39.7	34.1	(5.1)	72.5
Consensus Net Profit	n.a.	n.a.	n.a.	90.1	106.9
EPS (sen)	9.6	13.4	18.0	17.1	29.4
DPS (sen)^	10.5	11.0	10.0	10.0	10.0
Div Yield ^	3.9	4.1	3.7	3.7	3.7
ROE	13.0	14.4	15.4	12.8	19.0
ROA	8.4	9.9	11.1	9.9	14.3
PER (x)	28.1	20.1	15.0	15.8	9.2
P/BV (x)	2.32	2.15	1.94	1.85	1.59

KEY HIGHLIGHTS

Our earlier presumption that the entire development project was off and would not take off in the next 2 years (the worst case scenario):

FYE Dec (RMm)	FY04	FY05	FY06	FY07f	FY08f
Turnover	122.0	168.7	265.3	227.6	300.2
Net Profit	38.3	53.6	71.8	68.2	91.3
% chg YoY	nm	39.7	34.1	(5.1)	33.9
Consensus Net Profit	n.a.	n.a.	n.a.	90.1	106.9
EPS (sen)	9.6	13.4	18.0	17.1	22.9
DPS (sen)	10.5	11.0	10.0	10.0	10.0
Div Yield	3.9	4.1	3.7	3.7	3.7
ROE	13.0	14.4	15.4	12.8	15.1
ROA	8.4	9.9	11.1	9.9	12.3
PER (x)	28.1	20.1	15.0	15.8	11.8
P/BV (x)	2.32	2.15	1.94	1.85	1.66

YNH to commence with the project alone. Despite the latest setback, YNH intends to carry on with the development project on its own. With land and property prices soaring fast, YNH may look to upgrade its GDV on the development further to RM1.5bn or more from RM1.0bn previously nonetheless we prefer to remain conservative and maintain a GDV estimate of RM1.0bn at this juncture. It was mentioned that even at a GDV of RM1.5bn, the development could still command gross rental yields of 7.0%, or close to RM8psf per month, which is rather close to the rentals in Petronas Twin Tower. Whether this is achievable or otherwise remains to be seen thus our prudent stance on the GDV of RM1bn. The land is located next to Shangri-La Hotel along Jalan Sultan Ismail, a very strategic location situated just right opposite the monorail.

Our prime concern is who, when and how YNH will rope in another partner to the JV. These outstanding questions will have significant influence to our RNAV estimate on YNH. Despite the upgrading of our stance, the DCF valuation on Wisma YNH project warrants a discount at this juncture. Although YNH has the capacity to execute the project itself, we believe the company may still prefer to rope in a prominent JV partner or a prominent associate to command a high premium price in the project. But due to the current uncertainty, we are applying a 30.0% discount on the DCF valuation of Wisma YNH to factor in the risk. We may re-look at the discount pending positive newsflow on its possible JV partners.

A clearer picture now and upgrading YNH to a Trading Buy call with fair value of RM3.43. Further upgrading could be in the offing on more concrete positive news flow. For our estimate, we are ploughing back the RM1.0bn Wisma YNH into our DCF valuation and applying a 30.0% discount. Since it had been indicated that construction works would commence end-2007 (vs our initial projection of 2H07), we are projecting the earnings contribution to commence in year 2008 onwards. To avoid double counting, we are scrapping the net surplus valuation on the land from our RNAV estimate, hence arriving at a new **fully-diluted RNAV-based target price of RM3.43.**

Fundamentals still intact. We reckon investors had over-reacted over the past few days. Even assuming a worst case scenario that the project would not take off, the lowest RNAV on YNH would have been RM3.08. In addition, the above clarification indicates that YNH's fundamentals continue to remain intact. In light of that, we reckon investors should seize the advantage now and start accumulating at the current share price weakness.

VALUATION

Figure 1: Fully-Diluted RNAV-based fair value of RM3.43, with a Trading Buy call for now

	GDV (RM'm)	Completed GDV (RM'm)	Project Size (Acres)	Outstanding Landbank (Acres)	Take-up Rate (%)	DCF (RM'm)*
Ongoing Projects						
Klang Valley						
Lot 163 Suites, Jalan Perak	280.0	84.0	1.0	1.0	87.0%	76.20
Ceriaan Kiara, Mont Kiara	180.0	36.0	3.1	3.1	68.0%	46.96
Wisma YNH, besides Shangri-La, KL	1,000.0	Planning Stage	3.0	3.0	0.0%	269.73
New/To-Be-Launched Projects						
Klang Valley						
Land Behind Renaissance KL along Jln Sultan Ismail	200.0	Planning Stage	2.0	2.0	0.0%	54.12
Projects 1-5 Duta (near Duta Nusantara & Duta Solaris)	800.0	Planning Stage	18.0	18.0	0.0%	200.96
						647.97

We are re-including back the Wisma YNH development project into our DCF valuation. On its latest update, actual physical construction works will commence by end-2007. Based on that, we are projecting the development to commence its earnings contribution to YNH by early year 2008 (vs. 2H07 as projected earlier).

	Outstanding Landbank (Acres)	Outstanding Landbank (sq ft m)	Book Value (RM/sq ft)	Market Value (RM/sq ft)	Share (%)	Net Land Surplus (RM'm)
Ongoing Projects						
Kuala Lumpur						
Wisma YNH, besides Shangri-La, KL	-	0.00	482.09	1,000.00	100.0%	-
Perak						
Land Surplus in Manjung Point, Perak	817.3	35.60	4.20	9.50	100.0%	139.63
						Total Net Surplus 787.60
						ADD: Net Profit on Unbilled Sales @31st Dec 2006 56.74
						ADD: Proceeds from exercise of all Outstanding ESOS** 13.93
						ADD: Proceeds from Private Placement (@RM3.30) 117.71
						ADD: NTA @31st Dec 2006 475.34
						RNAV 1,451.31
						30.0% Discount On DCF From Wisma YNH Project (80.92)
						Discounted RNAV, RM'm 1,370.39
						Basic No. of Shares 350.61
						Discounted Basic RNAV per share, RM 3.91
						ESOS (m) 13.12
						Private Placement (m) 35.67
						Enlarged No. of Shares (m) 399.39
						Discounted Fully-Diluted RNAV per share, RM 3.43
						FY07 Prospective Fully-Diluted PE @Target Price (x) 20.10
						FY08 Prospective Fully-Diluted PE @Target Price (x) 11.65
						FY09 Prospective Fully-Diluted PE @Target Price (x) 10.08
						Current Price (RM) 2.70
						Capital Gain (%) 27.1%
						Dividend Yield (%) 3.7%
						Total Return (%) 30.8%
						Call TRADING BUY

Since we are re-valuing Wisma YNH development project again using DCF, we are scrapping off the land net surplus valuation to avoid double counting.

Although YNH has all its capacity to execute the project itself, we believe the company will still prefer to rope in a prominent JV partner or some prominent associate to command a high premium price for the project. But due to the current uncertainty on whether YNH will be able to achieve that soon, we are applying a 30.0% discount on the DCF valuation from Wisma YNH to factor in the risk. Once there are some positive developments, we may remove the discount rate.

Source: OSK Research

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

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OSK RESEARCH SDN. BHD. (206591-V)*(A wholly-owned subsidiary of OSK Holdings Berhad)*

Chris Eng

Kuala Lumpur**Hong Kong****Singapore****Malaysia Headquarters**

OSK Investment Bank Bhd.
(Formerly OSK Securities Bhd)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : + (60) 3 2333 8333
Fax : + (60) 3 2175 3333

Malaysia Research Office

OSK Research Sdn. Bhd. (206591-V)
6th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : + (60) 3 2333 8333
Fax : + (60) 3 2175 3202
E-mail : research2@osk.com.my

Hong Kong Office

OSK Asia Securities Ltd.
1201-1203, 12/F,
World-Wide House
19 Des Voeux Road
Central, Hong Kong
Tel : + (852) 2525 1118
Fax : + (852) 2537 1332

Singapore Office

DMG & Partners Securities Pte. Ltd.
#22-01 Ocean Towers
20 Raffles Place
Singapore 048620
Tel : +(65) 6438 8810
Fax : +(65) 6535 4809