AFFIN RESEARCH

23 Jun 2005

Gold IS

GOLD MK

RM1.33

BUY

Price Chg (%)	GOLD	KLCI
1 mth	(6)	2
3 mth	(7)	3
12 mth	(2)	10

Syariah	Yes
Issued Cap (m shares)	320.6
Market Cap (RM'm)	426.4
3M Avg Daily Volume (shrs)	123,462
52wk High/Low (RM)	1.60/1.27
Net Cash / (Debt) (RM'm)	(102.4)
Net Gearing (x)	0.1
Book NTA (RM/share)	2.64
Free float (%)	35

Major s/holders

Dato' Tan Chin Nam, Robert Tan and family (43.1%)
Permodalan Nasional Bhd (13.1%)

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1Q results within expectations

Y/E : 31 Jan (RM'm)	1Q FY06	4Q FY05	Q-o-Q Chg	3M FY06	3M FY05	Y-o-Y Chg
Turnover	35.7	52.8	(32%)	35.7	36.0	(1%)
EBIT	0.7	11.1	(94%)	0.7	4.3	(85%)
Net inc/(exp)	(1.3)	(2.0)	(37%)	(1.3)	(0.6)	100%
Associates	11.4	16.1	(29%)	11.4	6.1	87%
Pretax profit	**10.8**	**25.1**	**(57%)**	**10.8**	**9.7**	**11%**
Taxation	(4.5)	(0.9)	>100%	(4.5)	(1.8)	151%
Minority interest	(0.1)	(2.1)	(97%)	(0.1)	(0.3)	(76%)
Net profit	**6.2**	**22.1**	**(72%)**	**6.2**	**7.6**	**(19%)**
EPS (sen)	1.9	6.9	(72%)	1.9	2.4	(19%)
DPS (sen)	-	2.5	-	-	-	-
NTA/share (RM)	2.64	2.62	1%	2.64	2.5	5%
EBIT margin	2%	21%		2%	12%	
Pretax margin	30%	48%		30%	27%	
Effective tax rate	42%	4%		42%	19%	

	Results	% of FY	Comments
Vs Affin	Below	11	▪ 1Q FY06 earnings tend to be weaker mainly due to seasonally slower healthcare sales in 1H and lower progress billings for 29%-owned IGB Corp during the Chinese New Year season.
Vs consensus	-	-	

Forecast revision	**06**	**07**	
Revision (%)	-	-	• Maintain our forecasts as 2H tends to be much stronger for the group.
Net profit	55.0	64.4	• Our net profit growth of 23% for FY06 mainly stems from IGB Corp which is expected to contribute 70% of group pretax profit.
Consensus	-	-	

Recommendation	**After**	**Before**	
	BUY	BUY	• The stock trades at an undemanding FY06 P/E of 7.8x. The stock is also at a deep 46% discount to our RNAV of RM2.48. • Our target price of RM1.70 is pegged to a FY06 P/E of 10x.

Gold IS (RM1.33)

Y/E Jan (RM'm)	Pretax Profit	Net Profit	EPS (sen)	EPS Chg (%)	P/E (x)	EV/EBITDA (x)	DPS (sen)	Yield (%)
2003	50.7	35.4	11.0	na *	12.0	29.4	-	-
2004	81.4	60.9	19.0	72	7.0	37.7	2.0	1.5
2005 **	59.7	44.6	13.9	(27)	9.6	19.3	2.5	1.9
2006E	73.8	55.0	17.1	23	7.8	18.4	4.0	3.0
2007E	85.8	64.4	20.1	17	6.6	15.9	5.0	3.8

* - *the merger between IGB and Tan & Tan was completed on 31 Jan 02*

** - *drop in earnings due to sale of IJM Corporation shares by associate IGB and China property developments in FY04.*

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Results highlights

Y/E : 31 Jan (RM'm)	1Q FY06	4Q FY05	Q-o-Q Chg	3M FY06	3M FY05	Y-o-Y Chg
Healthcare	14.3	25.7	(44%)	14.3	21.1	(32%)
ICT	8.6	13.4	(35%)	8.6	4.6	90%
Paper mfg	12.9	13.8	(7%)	12.9	7.8	65%
Others	-	-	-	-	2.6	(100%)
Revenue	**35.7**	**52.8**	**(32%)**	**35.7**	**36.0**	**(1%)**
Healthcare	(1.5)	9.1	(>100%)	(1.5)	1.2	(>100%)
Property inv/dev & hotels	(0.8)	3.1	(>100%)	(0.8)	(0.6)	34%
ICT	2.3	0.2	>100%	2.3	0.7	>100%
Paper mfg	1.0	(0.3)	>100%	1.0	0.8	27%
Others	(0.4)	(1.1)	(66%)	(0.4)	2.2	(>100%)
EBIT	**0.7**	**11.1**	**(94%)**	**0.7**	**4.3**	**(85%)**

Q-o-Q	1Q FY06	4Q FY05	Chg	Comments
Turnover	35.7	52.8	(32%)	Lower exports of healthcare products due to delays in deliveries and seasonally slower 1Q. Also, lower billings for ICT services.
Pretax profit	10.8	25.1	(57%)	Mainly due to seasonally lower progress billings by 28%-owned IGB Corp, lower exports from Hoe Pharmaceuticals and lower contributions from China property investments.

Y-o-Y	3M FY06	3M FY05	Chg	Comments
Turnover	35.7	36.0	(1%)	Lower exports from Hoe Pharmaceuticals were mostly offset by higher ICT sales and China-based corrugated carton revenues.
Pretax profit	10.8	9.7	11%	Higher contributions from IGB Corp were partially offset by lower sales of dermatological products.

Looking forward…

- **IGB remains the main profit contributor**. Gold's 29%-owned IGB Corp's contributed almost all of 1Q FY06 pretax profit. IGB's pretax profit dropped 7% q-o-q mainly due to the slower progress billings during the Chinese New Year season as well as completion of some projects in 4Q FY05.

  The Mid Valley North Point launched 208 office suites at RM450 psf in October last year and 228 serviced apartments priced at RM390-RM400 psf in November 2004. The total GDV of this project is RM311m. To date, all the office units have been sold out while the apartment units have a take-up rate of 23%, slower due to the traffic congestion in the area as improvements to the infrastructure works have yet to be completed.

In January this year, IGB launched the Cendana apartments along Jalan Sultan Ismail, next to the Renaissance hotel in Kuala Lumpur. The GDV for these 144 units are RM280m with a price of RM500-RM510 psf for the initial launches. Later, the group hopes to raise the price to RM550 psf in subsequent launches. Take-up rates have achieved a commendable 60%, with around 14 units sold to Singaporeans.

By the end of the year, the group plans to launch the Stonor condominium project (on the former Bon Ton restaurant) in Jalan Stonor, behind KLCC. Originally, only 88 units were planned but the designs being changed to increase the density of the project. The units are expected to be priced around RM700psf.

- **LA Residence project targeted for launching by 2H06**. The 2-acre project in Jalan Tun Razak, which has yet to be named, is still waiting for building approval from the authorities. The project, comprising a commercial complex and 30-storey duplex apartments, could have an estimated GDV of RM350m with an average price tag of RM550 psf.

- **Possible overseas listing for Macro Kiosk**. The Securities Commission rejected the listing of SMS provider Macro Kiosk mainly due to the perceived highly competitive industry. The group may now be looking to list Macro Kiosk overseas after injection of new businesses into its stable. Meanwhile, the listing of Hoe Pharmaceuticals, the dermatological specialist, on the Main Board is still targeted next year.

- **First project in sewerage project in China**. Gold IS' subsidiary, Gold Water (Shanghai) Co. Ltd recently entered into a Heads of Agreement with Tie Ling City, Liao Ning Provincial in China for the proposed takeover of a 100,000 tonne/day sewage treatment plant and build a 50,000 tonne/day recycled water treatment plant on 30-year concession for RMB125m (RM57m).

  Assuming a 80:20 debt:equity financing ratio, construction cost of RM40m for the recycled plant, cost of equity of 12% and financing costs of 6%, we estimate that the whole project could generate a NPV of RM40m. Assuming a 50% stake in the project, we estimate that the group's RNAV may be enhanced by 12 sen to RM2.60.

  We are positive on this venture, which should be EPS enhancing over the long term and may augur new investment opportunities for the group. When this division becomes commercially viable, the group will be looking to list it overseas. Moreover, with this new expertise in China, the group may be able to leverage into water & sewerage projects regionally.

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