Management Discussion and Analysis Report

HO WEN YAN
Chief Executive Officer

Dear Shareholders,

The following Management Discussion and Analysis (MD&A) provides an overview of our financial performance and notable business developments for FY2024. To help your understanding, this discussion should be read in conjunction with the Group's audited financial statements and accompanying notes.

Last year, Hua Yang reported an improved financial performance, surpassing the results of the previous year, driven by a more stable property market. What is worth highlighting here is that the improvement came amid global uncertainties and persistent challenges.

Total revenue for FY2024 stood at RM205.0 million with a Profit After Tax (PAT) of RM6.2 million, marking a significant increase of approximately 71% and 97% respectively, as compared with the FY2023 revenue of RM120.1 million and PAT of RM3.1 million.

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Such an uplifting performance manifests Hua Yang's resilience, adaptability and strength in navigating a challenging and evolving environment dominated by rising material costs and prolonged geopolitical conflicts. Having said that, not only did we successfully produced positive outcome for the fiscal year, but we also ushered in an accelerating growth momentum.

The ability to keep thriving in adversity further affirms our consistency in delivering enhanced value to all our stakeholders.

Last year, Hua Yang launched three projects including new phases: Elemence (Phase 5P2A, 5P2B & 5P2C(1)) in Kota Masai, Johor; Plumeria (Phase 1) in Bandar Universiti Seri Iskandar, Perak; and Aston Acacia (retail component) in Bukit Mertajam, Penang.

Having three ongoing projects underway in three different localities from south to north of Peninsular Malaysia – means we are strengthening the portfolio of our existing projects, as we ride on a continued growth and expansion trajectory. This is to ensure that we do not rely on a single development in risk mitigation and revenue generation.

Cost optimisation and operational efficiency are two key sustainable measures at the core of Hua Yang's strategic maneuverability. We are making better use of every available resource, internally and externally, on how we manage and streamline our expenses and operations, driven by the highly productive digitalisation.

To future-proof our presence for sustainable growth and success, we are taking a proactive approach to doing business, putting adaptable strategies and resilient practices in place, while constantly adapting and innovating, in response to changing market dynamics, technological advancements, and consumer needs.

FINANCIAL PERFORMANCE

The past few years, including 2024, have not been easy for the real estate industry, having to deal with the pandemic adversity and geopolitical conflicts that had inflicted rounds of inflationary shocks. Hua Yang was not exempted. Nevertheless, the Group managed to soldier on against the odds, recording a significant improvement in terms of revenue and profitability.

In the FY2024, Hua Yang earned RM205.0 million of revenue that resulted in RM6.2 million of Profit After Tax (PAT), hugely surpassing the corresponding figures achieved in the FY2023 i.e. RM120.1 million of revenue and RM3.1 million of PAT. This translates into a remarkable increase of approximately 71% and 97%, respectively. For a clearer picture of a continued growth, PAT for the FY2022 stood at RM1.4 million. Despite a very challenging business landscape, the past three years have seen a robust growth of PAT for the Group, consistently.

The commendable achievement has once again displayed the resilience and strength of Hua Yang in weathering uncertainties faced by the industry at large. The improved profitability suggests a stable and consistent financial performance for the Group.

Total Revenue FY2024

RM205.0 MILLION

(FY2023 Revenue RM120.1 million)

Profit After Tax

RM6.2 MILLION

(FY2023 PAT RM3.1 million)

To future-proof our presence for sustainable growth and success, we are taking a proactive approach to doing business, putting adaptable strategies and resilient practices in place, while constantly adapting and innovating, in response to changing market dynamics, technological advancements, and consumer needs.

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Penang topped the list with a 72% contribution, followed by Perak at 15%, Johor at 9% and Klang Valley at 4%. Aston Acacia in Bukit Mertajam contributed the biggest chunk with 72% of the Group's revenue as of March 2024. Bandar Universiti Seri Iskandar came in second with a 15% contribution.

Hua Yang recorded RM364.0 million of total liabilities as compared with RM405.4 million at the end of FY2023. Total borrowings continued to decline to RM189.5 million from RM229.1 million in the previous year.

With a net gearing ratio of 0.35 against a total equity of RM495.6 million, our current financial position remains stable and well-managed for operation purpose. Looking ahead, the Group is determined to further decrease this ratio by end of FY2025, driven by anticipated revenue recognition from ongoing projects and increased sales of existing projects, with reduction in borrowings.

By strengthening our financial foundation, Hua Yang is set to command new growth prospects, including land-banking opportunities.

In terms of economic growth for the nation, Bank Negara Malaysia forecast a Gross Domestic Product (GDP) growth of 4% to 5% for 2024, marking a rebound from 3.8% as recorded in the previous year. This was mainly driven by greater spillover from the tech upswing, more robust tourism activities, and faster implementation of new and existing investment projects.

Overall, resilient domestic demand and stable labour market conditions continued to be the key drivers of growth for 2024.

The central bank's report also highlights that Malaysia achieved a higher GDP growth rate of 4.2% for 1Q 2024, compared with just 2.9% for 4Q 2023, the previous quarter. This was attributed to stronger private expenditure and positive turnaround in exports, alongside higher household spending due to continued growth in employment and wages.

Malaysia's inflation rate as shown in the Consumer Price Index remained at 1.8 percent in April 2024 for the third consecutive month, with index points standing at 132.4 as compared to 130.0 in the same corresponding period last year, according to the Department of Statistics Malaysia (DOSM). Rising prices were observed in dining out in restaurants, accommodation and personal care services, among others.

On Business Confidence Indicator, DOSM pointed out that businesses were anticipating improved conditions, especially those in the construction sector. The 1Q 2024 growth rate for the construction sector stood at 11.9% versus 3.6% for the corresponding quarter a year ago.

At the meeting on 9 May 2024, chaired by the Monetary Policy Committee (MPC), Bank Negara Malaysia decided to maintain the Overnight Policy Rate (OPR) at 3.00%, which would remain in effect until the next MPC meeting. The central bank forecast that continued recovery in global trade would be a positive factor.

Source of reference:
https://open.dosm.gov.my/publications?page=1
1Q 2024 Quarterly Report by Department of Statistics Malaysia (DOSM)

FY2024 REVENUE CONTRIBUTION BY REGION

The three key regions from north to south remained the top contributors to the total group revenue. Once again, Penang topped the list with a 72% contribution, followed by Perak at 15%, Johor at 9% and Klang Valley at 4%. Aston Acacia in Bukit Mertajam contributed the biggest chunk with 72% of the Group's revenue as of March 2024. Bandar Universiti Seri Iskandar came in second with a 15% contribution.

DIVIDENDS

Due to market uncertainty with rising costs worsened by the prolonged global conflicts, and in an effort to reinvest our earnings to fund new growth opportunities, the Board has not recommended any dividend payments for the year, as part of a proactive financial planning with long-term stability of our company in mind. Nevertheless, we remain optimistic despite the challenging market conditions as we improve our business operations and strengthen our sales for a more sustainable growth.

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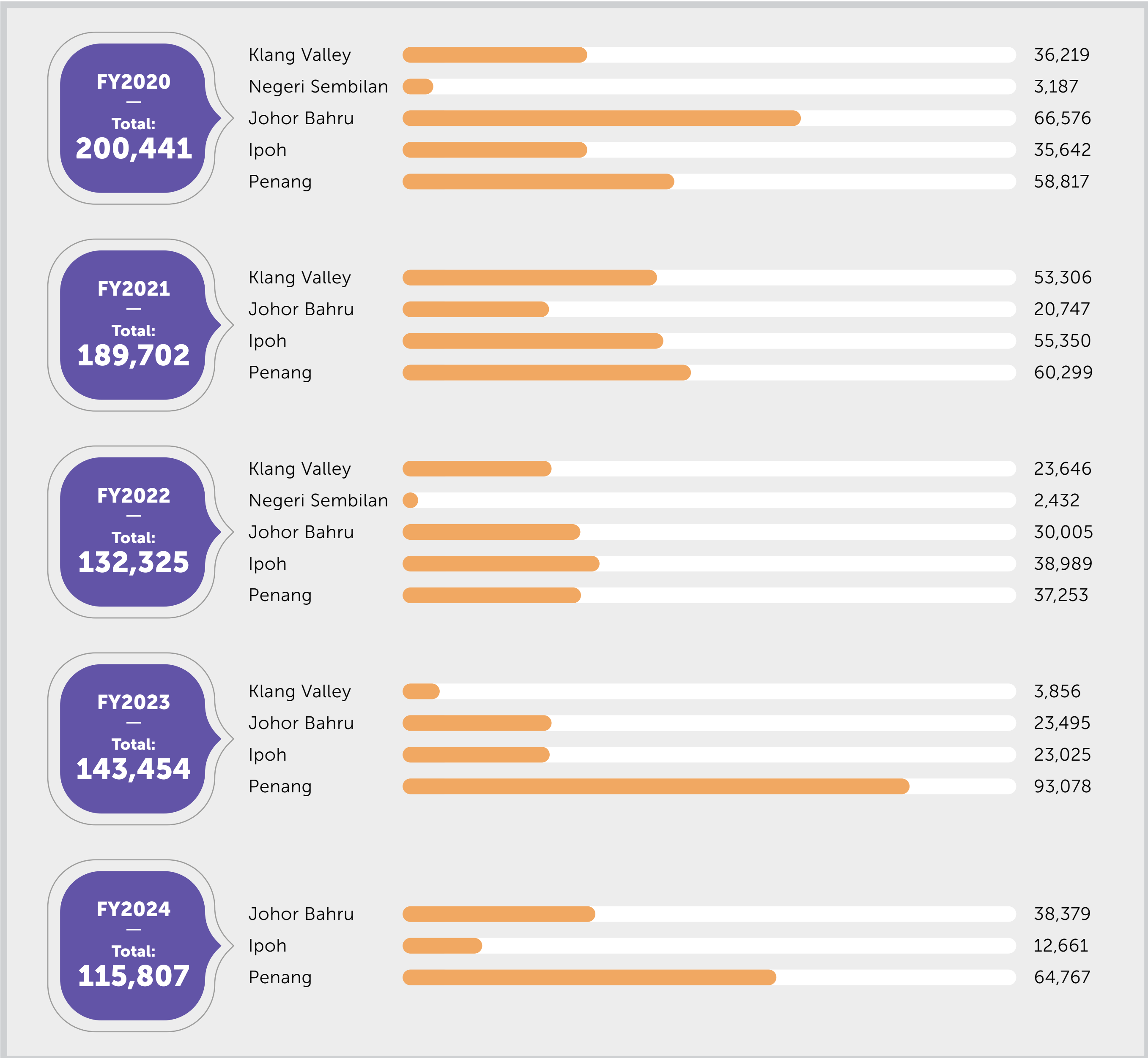
PROPERTY DEVELOPMENT

HISTORICAL TREND IN NEW SALES



The total value of unbilled sales for FY2024 stood at RM129.4 million, as compared with RM208.5 million recorded in the previous year. Looking ahead, we are anticipating growth in unbilled sales through ongoing projects as well as the new launches planned for FY2025. Last year, Hua Yang launched (i) Elemence - Phase 5P2A, 5P2B & 5P2C(1) in Kota Masai; (ii) Plumeria Phase 1 in Bandar U Seri Iskandar and (iii) Aston Acacia – Retail Component in Bukit Mertajam. Projects in all these three locations had been selling well as of March 2024 with Aston Acacia (retail) recording a 61% takeup, followed by Bandar U Seri Iskandar (terrace) at 68% and Elemence (shop offices) at 72%.

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LANDBANKING

Hua Yang holds an extensive landbank at the moment, securing about 364 acres of land in strategic localities, with approximately RM5 billion worth of Gross Development Value (GDV) for future development and growth. During the year, the Group acquired a 5.3 acres parcel of leasehold land in Bemban, Perak.

	Klang Valley	Johor Bahru	Ipoh	Penang
REMAINING LAND BANK 364 ACRES	57 acres	68 acres	226 acres	13 acres
FUTURE DEVELOPMENT VALUE RM5 BILLION	3,082 million	242 million	1,329 million	385 million

PROPERTY DEVELOPMENT PROJECTS

Affordable housing remains a key priority for Hua Yang to build sustainable communities where people have access to affordable living spaces, targeting the mid-market segment. We have been creating a distinctive product portfolio known for 'affordable luxury' since our inception, catering to customers in different regions, covering Mainland Penang, Perak, Klang Valley, Negeri Sembilan and Johor. The following examples are some of our noteworthy projects.

JOHOR

ELEMENCE,
TAMAN DENAI ALAM,
Johor

STATUS
Ongoing

SALES OF ONGOING PHASES
86%
(as of March 2024)

TOTAL ESTIMATED GDV
RM375 million

LAND SIZE
73.2 acres

ELEMENCE at TAMAN DENAI ALAM is situated on a 73.2-acre freehold land, and is our latest township development in Johor, representing a significant milestone for the Group. The initial phases of this project were introduced in October 2017, marking a continuation of our long-standing commitment to township development in Johor, namely TAMAN PULAI INDAH and TAMAN PULAI HIJAUAN, which started back in 2001.

This RM375 million gated and guarded township project is conveniently connected to surrounding areas, such as Pasir Gudang, the Masai town centre and Johor Bahru city centre, with excellent access to at least six major routes and highways including Senai-Desaru Expressway and East Coast Highway. Vital industrial amenities like the Johor Port and Tanjung Langsat Port are situated within a 13 kilometres radius, while Pengerang is about 80km away. Frequent flyers will also appreciate the proximity of the Senai International Airport, just 55 kilometres from this new township project.

ELEMENCE at TAMAN DENAI ALAM is a thoughtfully designed development that boasts a delightful ambiance, featuring treelined avenues, recreational gardens, and serene green spaces. Each home within ELEMENCE offers spacious living areas and well-planned layouts that cater to the needs of the entire family. Positioned around a river, Sungai Kim Kim, the development enjoys close proximity to essential amenities such as supermarkets, hospitals, educational institutions, banks, and restaurants.

For FY2024, the latest phase involves the construction of the commercial component i.e. Elemence (Phase 5P2A, 5P2B & 5P2C(1)), with sales gaining momentum at 72% as of March 2024.

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PERAK

BANDAR U
SERI ISKANDAR,
Perak

STATUS
Ongoing

SALES OF ONGOING PHASES
84%
(as of March 2024)

TOTAL ESTIMATED GDV
RM1,460 million

LAND SIZE
777 acres

Bandar U, an integrated university township, is strategically located in-between the state capital and southern part of Perak, approximately 35km to the southwest of Ipoh City. The 777-acre township is well-connected with direct access from the Ipoh-Lumut highway.

Embracing a lifestyle that seamlessly integrates with nature, this vibrant and rapidly expanding affordable township showcases high-quality residential homes and commercial elements overlooking picturesque lakes and captivating natural landscapes. Within its bounds, a myriad of leisure and entertainment amenities await, alongside an esteemed in-town institute of higher learning and a cutting-edge medical centre. This holistic development fosters a harmonious environment where residents can truly thrive.

The RM1.46 billion township is nestled among a variety of amenities, which includes Lotus's Superstore, a KFC drive-thru restaurant, police station, wet market, schools, banks, bus station terminals and many more. The township also has a good selection of national primary and secondary schools, Islamic schools and kindergartens. Also located in the vicinity are Kolej Vokasional Seri Iskandar, Sekolah Menengah Teknik Seri Iskandar and Institute Latihan Kemas Seri Iskandar. Healthcare facilities include clinics and a well-equipped medical centre.

For FY2024 as of March 2024, the Group achieved a 68% sales rate for its newly launched phase, namely Plumeria Phase 1.

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PENANG

ASTON ACACIA,
BUKIT MERTAJAM,
Mainland Penang

STATUS
Ongoing

SALES OF ONGOING PHASES
92%
(as of March 2024)

TOTAL ESTIMATED GDV
RM269 million

LAND SIZE
5 acres

Nestled in the prime location of the suburb of Seberang Perai, Aston Acacia stands as an embodiment of modern tropical architecture. Embracing the concept of elevated living, the masterplan of this development is thoughtfully designed to create a harmonious blend of life, work, and leisure in the heart of Bukit Mertajam. Boasting a range of contemporary amenities, Aston Acacia offers residents a comfortable living environment and a vibrant lifestyle experience.

Aston Acacia is situated next to Jit Sin Independent High School, SM Impian Bukit Mertajam and Two Studio Multimedia Academy. It is also within proximity to the breath-taking Cherok Tokun Nature Park, St. Anne's Church, Lotus's (Tesco), Aeon Mall, Auto City and other amenities such as eateries, banking and health facilities.

The 2 towers of 33-storey serviced apartments are built on freehold land and comprise 622 units with built-ups ranging from 701 sq.ft. to 1,206 sq.ft. The units come in several variants offering two to four bedrooms with two to three bathrooms depending on the unit size. This development also comprises 38 commercial units and a 5-storey car park podium.

The innovative unit designs at Aston Acacia cater to a diverse range of buyers, including single professionals, small families, and larger families. These designs are carefully crafted to accommodate various demographics and individual needs. Moreover, Aston Acacia provides convenient access to a wide array of exceptional amenities, ensuring that your everyday requirements are effortlessly fulfilled.

Tower A of Aston Acacia was launched in Q4 2020 while Tower B launched in Q3 2022. The Group achieved an overall sales rate of 92% as of March 2024 with an overall construction progress of 82%.

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ANTICIPATED RISKS

Real estate industry is clearly vulnerable to economic volatility, capital availability and interest rate fluctuations. Government policies and legislation, including tax incentives, deductions, and subsidies, can boost or hinder demand for real estate. For example, rising interest rates and retail inflation will make middle-class homeownership much more challenging. The government spending on infrastructure development is another deciding factor.

In the past few years, global geopolitical conflicts have been impacting the industry at every level, from the procurement of raw materials to costing, trade disruptions, labour supply, production cycle and other components in the supply chain. Material shortages, shipping delays and rising costs are three interconnected risks.

When there is uncertainty involving trade, travel and immigration policy, for example, the negative implications on the real estate industry can be far-reaching. These include wait-and-see approach to foreign investment and the employment opportunities that come with it; manufacturing disruptions that delay deliveries; supply-and-demand fluctuations that impact hospitality and retail properties, among others.

PROSPECTS AND OUTLOOK

According to the 2024 – 2028 Malaysian Construction Industry Report published by Research & Markets, the construction industry is expected to register an annual average growth rate of 5.7% between 2025 and 2028, supported by investment in leisure and hospitality infrastructure, manufacturing facilities, roads and renewable energy projects.

The Malaysian construction industry is also being supported by the 2024 Budget with a RM90 billion allocation for development expenditure, which represents a RM6 billion increase as compared with RM84 billion a year ago.

To ensure a healthier balance sheet with stronger financial stability, we are committed to reducing our borrowings while closely monitoring our cashflow as we continue to identify areas for optimisation for added profitability, and fulfil the growing demand for mid-market affordable housing.

We are moving towards the final phase of our digitalisation transformation for streamlined operations and enhanced productivity across our organisation.

New launches planned for the next financial year will be: (i) Altus in Mainland Penang, (ii) Shatin-Retail in Perak, (iii) Bemban in Perak, (iv) Bandar U Seri Iskandar-Santolina Phase 1 and Azalea Phase 1 in Perak, (v) Taman Ara Saujana in Dengkil, and (vi) Elemence - Phase 3P1A, 3P1B and 6 in Johor.

Looking ahead, new launches with a combined Gross Development Value (GDV) of RM257 million will be our decent target for FY2025 amid persistent challenges, including prolonged geopolitical conflicts. Therefore, we are taking necessary measures to reduce our inventory levels while optimising operational efficiency and cost to improve our overall financial health.

On a concluding note, with all the strategic initiatives in place, we are confident that we are on track to achieve sustainable growth and deliver enhanced value to our stakeholders.