HUAYANG

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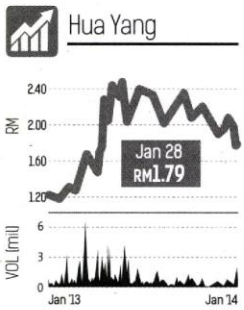
Analyst Reports



HUA YANG BHD
By RHB Research
Rating: Buy
Target price: RM2.40

RHB Research said Hua Yang's new sales are on track to meet management's RM600mil financial year 2014 (FY) target, underpinned by positive response to its new projects.

The property cooling measures are unlikely to make a significant impact on sales. However, margins could be under pressure over the short term due to labour shortages.

It maintains its "buy" call with a revised fair value of RM2.40, after tweaking its net margin assumptions. Hua Yang's nine-month FY14 new sales reached RM580.1mil, and total FY14 sales will likely exceed the RM600mil target.

During the fourth quarter FY14, the company would concentrate on achieving a 100% take-up rate for GREENZ @ One South and Metia Residences (current take-up more than 70%), as well as converting its unbilled sales into earnings, it said.

"Phase 1 of Sentrio Suites @ Desa Pandan was launched in November and recorded sales of 38.3% by end-December," it said.

However, it said net margins could see some erosion in the short term, as labour shortages continue to affect the sector. However, this risk will be mitigated by locking in construction costs for some projects.

"While the impact of the goods and services tax or GST is still uncertain at this point, management believes that the cost would be fully borne by buyers through higher average selling price," it said.

It also cuts earnings forecasts by 20% to 25% for FY14 to FY15 to weaker margins and slower construction progress. It said management planned to declare a total dividend per share of at least 12 sen for 2014. This will translate into a dividend yield of more than 6%.

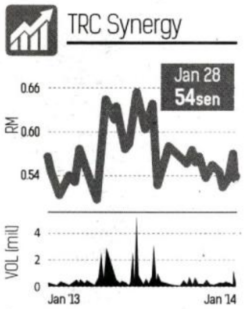
MALAYSIAN PACIFIC INDUSTRIES BHD
By Affin Investment Bank Research
Rating: Buy
Target price: RM6.25

AFFIN Investment Bank Research said the company performs above expectations with its first half 2014 reversing from a loss to net profit of RM33mil.

"In view of the surprisingly strong first half 2014 results, we have raised our financial year 2014 (FY14) to FY16 earnings per share forecast by 66%, 82%, 85% respectively. Our forecast also takes into account an absence of losses from Dynacraft from the third quarter 2014. We maintain our "buy" rating with a higher target price of RM6.25, based on an unchanged price-to-earnings target of 14 times calendar year 2014 earnings per share," it said.

It said MPI's deliberate shift into the fast and growing smartphone and tablet segment was bearing fruit, and the disposal of Dynacraft would also not weigh the group down any longer providing for stronger earnings momentum ahead.

"Moving forward, to further drive earnings growth in FY15, MPI plans to set up a new line in Suzhou. This is to capture the lower-end smartphone manufacturers market. Although management did not provide guidance to its contribution but we believe this could be next growth area," it said.



TRC SYNERGY BHD
By Alliance Research Report
Rating: Trading Buy
Target price: 69 sen

KWASA Land has announced that the two successful bidders for the two plots of land in Sg Buloh (part of the Kwasa Damansara township) were privately held by Pink Corner and TRC Land (a wholly- owned subsidiary of TRC).

TRC paid RM6.1mil for the 0.695ha land which translates to RM82 per sq ft (psf). In comparison, Pink Corner paid RM13.1mil for 1.73ha or RM70psf.

Judging from the land size, it is very likely that the development will involve either apartments or condominiums.

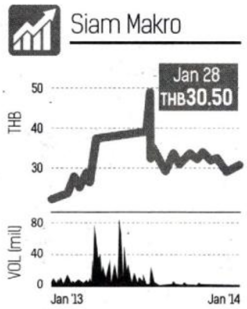
Over the last two years, property contribution has been relatively insignificant at 4%-8% of revenue. However, this is set to increase significantly going forward given two key developments coupled with the recent Kwasa Damansara land acquisition.

TRC recently launched Phase 1 of a two-block apartment in Permas Jaya, Johor (with gross development value or GDV of RM90mil) which has almost been fully taken up. At RM350psf-RM400psf, (with unit sizes at 1,000-1,200 sq ft) the prices look attractive, compared with runaway prices at Iskandar Malaysia.

Management also guides that its Ara Damansara development, (with GDV of RM1bil) is set to be launched in the second half. This development will be well received given its strategic location surrounding the Kelana LRT extension station 2 which is currently under construction.

There could be upside to earnings estimates as Alliance has not factored in contributions from the Permas Jaya and Ara Damansara development.

The research house maintains trading buy call with 69 sen target price based on 10 times FY14 earnings. TRC is liked for a profit rebound play from its construction division and growing contribution from property segment.



SIAM MAKRO PCL (MAKRO TB)
By Maybank Kim Eng
Rating: Sell
Target price: 25 baht

ACCORDING to Maybank Lim Eng, a broad-based slow down in consumption triggered by the political instability is causing slower public spending, public investment paralysis, disruption in payments on subsidies and drop in workers' productivity.

It noted that Siam Makro's cash and carry stores were typically resilient in difficult times as more people engaged in livelihood activities to augment income.

However, this time is different because the high household debt-to-gross domestic product ratio (80% in the third quarter of 2013), relative to the past, will lead to a cut in household spending.

"We downgrade sale-store sales growth expectations and made marginal downgrades on our assumptions in line with the operating environment," it said.

Projected revenues are reduced by 1.6%-4.4% during 2013-2015 while net profits are reduced by 2.2%-9.3%. The new earnings stream reduces our target price to 25 baht.

Lack of income growth and doubts over public sector driven investments in the medium term, especially after major infrastructure projects were shelved, deters spending further.

"Our worst-case scenario is that the slowdown will last until the first half. The key thing is for the political situation to normalise so that Markro can benefit from the second half's seasonal high," it said.

The research house valued Siam Makro based on on the dividends discount model (DDM) at 10.5% cost of equity – and the fair value is 30 baht.

However, because Cpall acquired 98% of its shares, and its free float has been reduced to just 2%, we put a 15% discount on its DDM value to arrive at our 12-month target price of 25 baht.

Cpall intends to sell down its stake to improve Siam Makro's free float to meet the statutory limit of 15%. However, unloading such a huge position will not likely be neutral to Siam Makro's share price even if it is done in big placements.

Nonetheless, until that happens we will keep our discount to arrive at the fair value.