

Hua Yang 1QFY17 earnings meet analysts expectations

KUCHING: Hua Yang Bhd's (Hua Yang) earnings for the first quarter of financial year 2017 (1QFY17) ended June 2016 has met with analysts expectations.

Nonetheless, they were less optimistic on Hua Yang's target to achieve RM500 million of sales for its financial year 2017 (FY17) ending March 2017 period due to the current weak sentiment for the property market.

Hua Yang in a filing to Bursa Malaysia on Wednesday said its net profit for 1QFY17 decreased by 20 per cent year-on-year (y-o-y) to RM23.91 million from RM29.89 million recorded for 1QFY16 ended June 2015.

Revenue for 1QFY17 declined by 10 per cent y-o-y to RM127.96 million from RM142.57 million for 1QFY16.

The research arm of Kenanga Investment Bank Bhd (Kenanga Research) in a report on Thursday attributed the lower earnings to lower revenue due to slower construction recognition for the property developer's ongoing projects.

Nevertheless, the research firm observed that the property



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developer has managed to register an improvement in net profit by 12 per cent quarter-on-quarter (q-o-q) despite a flattish revenue due to better cost efficiencies, which resulted in better operating profit margins.

Hua Yang's property sales of RM53.2 million in the period was less than the research firm's and the company's management's full-year sales target of RM400 million and RM500 million.

This was likely due to lack of new project launches coupled with slowdown in the property market,

it said.

"Hua Yang was targeting to achieve a sales target of RM500 million for FY17 driven by the company's planned property launches amounting to RM721 million.

"Those projects include Astetica Residences, high rise residential development located in Selangor with an estimated gross development value (GDV) of RM368.0 million, landed residential in Johor with estimated GDV of RM33 million, terrace houses in Bandar Universiti Seri Iskandar,

Perak with an estimated GDV of RM100 million and Prai, Penang with an estimated GDV of RM220 million."

In the meantime, Kenanga Research also gathered that Hua Yang's FY16 ended March 2016 sales had been slower than expected due to poor property market sentiment as home buyers adopted a wait and see stance coupled with high loan rejection rates, which prompted the company to delay some initial planned launches.

Despite that, the research firm maintained its sales estimates at RM409.2 million for Hua Yang in FY17 due to the challenging environment for the property market.

The research firm believed Hua Yang's unbilled property sales which stood at RM410.1 million as at June 2016 could provide earnings support to the property developer for one year.

Additionally, RHB Research Institute Sdn Bhd expects Hua Yang's property sales to gain momentum in the upcoming quarters with new projects worth RM721 million scheduled for launching in FY17.