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Hua Yang's 1HFY17 results below expectations, township projects to be key sales driver

KUCHING: Despite Hua Yang Bhd's (Hua Yang) first half of financial year 2017 (1HFY17) results coming in below expectations, some analysts believe that the group's township projects are to be the key sales driver.

Hua Yang's profit before tax for the current year to date ended September 30, 2016 totaled RM55.39 million, compared to RM78.41 million in the year-earlier period.

According to RHB Research Institute Sdn Bhd (RHB Research), Hua Yang's 1HFY17 core net profit of RM40.9 million came in below expectations, at

41 per cent/37 per cent of the research house's/consensus estimates.

"The below-par performance was due mainly to slower new launches in FY16, and several ongoing projects being at the tail-end of construction," RHB Research said, adding that no dividend was declared, as expected.

Hua Yang's net profit for 1H17 was also fairly disappointing in the research arm of Kenanga Investment Bank Bhd's (Kenanga Research) view, accounting for only 39 per cent/40 per cent of its and streets' full-year

estimates.

1H17 sales of RM101.2 million was also behind Kenanga Research's and management's target of RM409.2 million and RM500 million, respectively.

The research arm, which also projected that there will be no dividend declared, said that the disappointment was mainly driven by lower than expected recognition on Hua Yang's billings for on-going projects while disappointment in sales was due to the lack of new launches.

Despite the Hua Yang's "underperformance", RHB

Research believed the group's focus and experience in the affordable segment will serve it well in this challenging operating environment.

The research house expected Hua Yang's township projects to perform better than the other segments.

It noted that in 1HFY17 (March), the group's township projects Bandar Universiti Seri Iskandar in Perak and Taman Pulau Hijauan in Johor contributed 25 per cent and 19 per cent of total new sales of RM101 million.

On another note, RHB Research

said that Hua Yang's 88 million new shares from the research house's one-for-three bonus issue were listed on October 13, 2016.

"We view this proposal as a way to reward existing shareholders while conserving its cash," the research house said.

"It would also improve the trading liquidity of the stock."

Kenanga Research observed that for FY17, management still aspires to achieve Hua Yang's sales target of RM500 million driven by planned launches amounting to RM721 million worth of projects, i.e. Astetica,

landed residential in Johor, BUSI, Perak and Prai, Penang.

However, the research arm might look to review its sales estimates post the briefing later that day.

As Hua Yang's FY17-18E earnings are to be reviewed, pending the group's result briefing, Kenanga Research might look to lower its earnings estimates post briefing should we revise our sales estimates downwards.

"Unbilled sales of RM311.1 million provide earnings visibility for another year," it said.