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Hua Yang stake buy in Magna paves way for more tie-ups

PETALING JAYA: Hua Yang Bhd's acquisition of a 10.84% stake in Magna Prima Bhd last week paves the way for more collaboration between both companies to develop property projects.

Property-based Hua Yang has a strong management team and has carved a name for itself as a reputable and well-managed developer counting institutional shareholders as among its shareholders.

As for Magna Prima, it has some prime parcels of land, including the Lai Meng School parcel, which is located close to the Petronas Twin Towers.

"However, it could do with a strong team to unlock the value of its land," said an official close to both companies.

The purchase of a stake is only the first of many probable tie-ups between both groups to grow on each other's strengths, said the official.

"Both groups will latch onto each other's strengths. Going forward, Hua Yang could increase its stake in Magna Prima if there are synergies and value to a deal," said the official.

Last week, in a surprise move,

Hua Yang acquired the stake in Magna Prima for RM66.6mil or RM1.85 per share.

When asked about Hua Yang's stake acquisition, Magna Prima's group managing director and executive director Datuk Wira Rahadian Mahmud Mohammad Khalil said it would benefit both parties, as they could leverage on each others' expertise.

"Both companies have similar management approaches. We also have landbanks in the Klang Valley that need to be developed.

"Hua Yang has built a name for itself and is well-known for its affordable housing projects.

"Magna Prima is known to be a luxury developer, but we also want to be in the affordable segment, given the current soft property market and weak consumer sentiment," Rahadian added.

He said the company would concentrate on developing its mid-sized projects.

"We will take the opportunity during this slow market to streamline, increase our efficiency and value-add on certain land banks," he said when contacted by *StarBiz*.

Hua Yang's niche is in the

affordable housing segment, which includes its first integrated township in Perak.

Magna Prima is best known for having some prime parcels of land, including the Lai Meng School land along Jalan Ampang, a 20-acre plot of land in Shah Alam, seven acres of freehold land in Jalan Gasing and five acres opposite Kelab Golf Sultan Abdul Aziz in Shah Alam.

Hua Yang is now the second-largest shareholder in Magna Prima.

For the financial period ended Dec 31, 2016, Hua Yang's total unbilled sales stood at RM215.63mil. Its earning per share for the period was at 14.57 sen, from 25.21 sen a year ago.

The company had cash and cash equivalents of RM78.26mil as at Dec 31, 2016, with borrowings of about RM270mil.

The group to date has ongoing development projects in the Klang Valley, Perak and Johor.

The bulk of the group's revenue comes from projects outside of the Klang Valley, with Johor contributing 32% and Perak, 21%.

The group also has in excess of 1,000 acres of freehold and lease-

hold land scattered in Johor, Perak, Negri Sembilan and Penang, of which 459 acres are yet to be developed.

With a strong balance sheet and prudent approach to managing its financial position, the company is able to buy land bank to sustain its development activities.

It is noteworthy that Hua Yang has consistently been paying out dividends and the company has plans for RM721mil worth of new launches for the current 2017 financial year.

As for Magna Prima, its cash and cash equivalents stood at RM20.73mil as at Sept 30, 2016, while borrowings stood at about RM430mil. It also has been declaring dividends of late.

For the nine-month period ended Sept 30, 2016, the group reported a net profit of RM53.19mil on the back of RM89.49mil in revenue.

Magna Prima is expected to release its fourth-quarter financial year 2016 results by next month.

As of last Friday, both Magna Prima and Hua Yang closed unchanged at RM1.56 and RM1.08, respectively.