

# Magna Prima, Hua Yang continue on their own path

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- Magna Prima will be focusing on its own developments
- It is also looking for ways to widen its project portfolio by tapping into the public sector



Shalini Kumar

THERE was much excitement when property developer Hua Yang Bhd emerged as a substantial shareholder in Magna Prima Bhd in January. Investors were looking forward to the two parties working together to leverage on their strengths.

There has been much talk on how the two would be collaborating, in particular for Magna Prima's prized land that used to house Lai Meng School on Jalan Ampang, near the iconic Petronas Twin Towers.

Magna Prima rose to a 52-week high of RM1.60 on Jan 24 from a low of 96 sen on Nov 28, 2016. It has since lost some ground to close at RM1.41 on Sept 27.

However, it appears that nothing has changed for both property developers in terms of their *modus operandi*.

According to Magna Prima managing director Datuk Wira Rahadian Mahmud Mohammad Khalil, the company will be focusing on its own developments for the moment.

"At this point in time, Magna Prima will be developing its own land bank," he tells *FocusM*.

Hua Yang CEO Ho Wen Yan had reportedly said the two parties were drawing up guidelines on working together, but strategically, they will maintain separate identities.

Hua Yang emerged as a substantial shareholder in Magna Prima after its wholly-owned subsidiary, Prisma Pelangi Sdn Bhd, acquired a 10.84% stake for RM66.6mil, or RM1.85 a share.

At the time Hua Yang said the purchase was part of its objective to invest in strategic land bank or companies which hold such land in areas which are easily accessible and near ready amenities.

Prisma Pelangi signed a

conditional share sale agreement in April to increase its shareholding from 10.84% to 30.06% for RM123.7 mil, or RM1.85 per share.

Rahadian says the company will continue to focus on its current market segments of providing middle- to high-end products.

He says sales from these segments have been encouraging despite the soft property market and as such there are no plans to cater to the affordable housing segment.

Hua Yang's niche is in the affordable housing segment, which includes its first integrated township in Perak.

"Moving forward, the outlook of Magna Prima is very positive, as evidenced by the huge response for the recently launched The View Residences, and also other quality projects that we will be launching in the future," Rahadian adds.

## JV with DBKL

He says Magna Prima is also looking for ways to widen its project portfolio by tapping into the government sector.

"When the opportunity arises, we will try to participate and tender for outside projects, especially for government and semi-government developments," he adds.

In the meantime, Rahadian says Magna Prima plans to launch seven units of three-storey shop-offices by year-end and a 36-storey serviced apartment block in Kepong in the middle of next year.

"This is the final phase of development under an existing joint-venture agreement with Dewan Bandaraya Kuala Lumpur (DBKL). The first project will likely consist of a series of shop-offices to be launched by year-end, while the second development will feature a single, 36-storey apartment tower block."

"We are at the infancy stage of discussions for both assignments and will release further information in due course," says Rahadian.

In 2000, under a joint



Rahadian says there will be no collaborative effort between Hua Yang and Magna Prima for the time being, with the latter focusing on developing its own land bank first

development with DBKL, Magna Prima through its subsidiary, Magna Park Sdn Bhd, launched a 10ha township that includes more than 700 units of shop-offices, almost 4,000 units of low- and medium-cost apartments, a retail centre and commercial plots known as Metro Prima.

The gross development value of the township is RM508 mil.

The township comprises the following: Pusat Niaga Metro Prima, Suria Magna, Pelangi Magna, Mutiara Magna, Casa Prima and Plaza Prima.

The group's latest launch is a condominium known as The View Residences at the Sultan Abdul Aziz Shah Golf Course in Shah Alam.

The project comprises three 17-storey towers that house 315 condos and five shops on the ground floor.

The View Residences is the only residential condominium in the golf course and the first project by the developer this year. It is expected to be completed in 2021.

The condo units will be priced between RM730,800 and RM1.8 mil, while the retail units, which will be launched at a later stage, will be priced at around RM800,000.

In other reports, Rahadian says the project is aimed at buyers from Shah Alam, including Bumiputeras, pensioners, golf club members and people who enjoy living in a quiet environment.

## Earnings to normalise

For the second quarter ended June 30, Magna Prima saw its net profit decline 86.2% to RM6.05 mil, from RM41.9 mil in the previous corresponding quarter. Its revenue, however, increased

to RM11.4 mil from RM21.9 mil previously.

For the cumulative six months, net profit declined 83.7% to RM8.1 mil from RM49.4 mil a year ago while revenue fell to RM40.7 mil from RM46.4 mil.

"The lower profit before tax was mainly due to the recognition of fair value gain on investment property amounting to RM49.2 mil in the corresponding quarter," the company said.

In a recent note, MIDF Research says Magna Prima's core net income of RM4.6 mil was deemed within its expectations despite meeting 64% of its full-year estimate as Q2FY17 earnings were boosted by profit recognition from its project in Melbourne, Australia.

MIDF is maintaining its neutral call on the stock, with an unchanged target price of RM1.50.

"Potential catalysts for Magna Prima include the unlocking of value of the Jalan Ampang land either in the form of sale of land or development plans for the land being ironed out," it says.

Meanwhile, Kenanga Research is upgrading its call to outperform with an unchanged target price of RM1.60.

While Magna Prima's core net profit met 70% of Kenanga's expectations, the research house says third-quarter earnings could be softer.

"We note that Q2 revenue of RM10.9 mil makes up 63% of unbilled sales of RM49 mil as of end-March 2017."

"However, in the medium term, we expect new sales from existing inventory of about RM200 mil at Boulevard Business Park, Jalan Kuching, and Desa Mentari in Jalan Kelang Lama, which could make earnings recognition more volatile as momentum of inventory sales is tough to determine while sales recognised provide immediate bottom-line impact," the research house says.

Kenanga also believes investors could see a further boost to Magna Prima should it finalise its plans to monetise its 2.6-acre plot along Jalan Ampang, which is valued at around RM400 mil.

"The development order has been obtained at a plot ratio of 1:12 for the Jalan Ampang land. However, we are still exploring further enhancing the land value by increasing its plot ratio," Rahadian says. *FocusM*

## Magna Prima Bhd

### PROPERTY

#### KEY BOARD MEMBERS AND MANAGEMENT

Tan Sri Azmi Abdul Wahab (chairman)  
 Datuk Wira Rahadian Mahmud Mohammad Khalil (managing director)  
 Ho Wen Yan (executive director)

#### MAJOR SHAREHOLDERS

Prisma Pelangi Sdn Bhd

**30.93%**

Prisma Realty Sdn Bhd

**13.56%**

Datuk Wira Rahadian Mahmud Mohammad Khalil

**6.44%**

#### MARKET CAP (Sept 27)

**RM469m**

Share price (Sept 27)

**RM1.41**

52-week high (Jan 24)

**RM1.69**

52-week low (Nov 28, 2016)

**96 sen**

#### FINANCIAL RESULTS

(Q2 ended June 30)

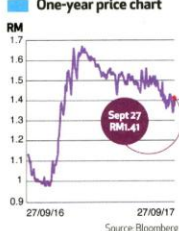
Revenue

**RM31.1m**

Net profit

**RM6.05m**

#### One-year price chart



The View Residences is aimed at buyers from Shah Alam, including Bumiputeras, pensioners, golf club members and people who enjoy living in a quiet place