Hua Yang targets RM300m sales to kick off five-year plan

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KUALA LUMPUR: Property developer Hua Yang Bhd plans to sell RM300 million worth of properties in its next financial year ending March 2011 as the company gears up to achieve its goal of emerging among the country's top five developers by sales value in five years.

"We hope to sell 900 to 1,000 units of affordable housing in 2010, which represents a 25% to 30% increase on present sales volume of around 800 to 900 units," Hua Yang chief operating officer Ho Wen Yan told *The Edge Financial Daily* in an interview.

"We have RM1 billion worth of projects in the pipeline and by the financial year ending March 31, 2011, we aim to launch RM300 million to RM400 million worth in terms of gross development value (GDV)."

The projects slated for implementation next year include the expansion of its Taman Pulai Indah and Polo Park in Johor, Symphony Heights in Selayang, One South in Sungai Besi, Seremban Country Heights and Senawang Industrial Development, Negri Sembilan.

Ho said the company, which has been profitable since its listing on Bursa Malaysia's Main Board in 2002, needed to achieve annual sales of RM500 million to RM600 million continually to rank among the country's top developers.

"Annually, it is estimated that we need 37% compound growth over the next five years to achieve our ultimate goal of becoming one of the country's top five," said Ho, adding Hua Yang aimed to carve a niche for itself in the affordable homes segment.

"We want to be the first choice for first-time home buyers, like Barratts in the United Kingdom," he said.

Hua Yang's product planning would have to be tailored to suit this market in terms of layout, quality of materials used and finishing, said Ho, an architect by training.

The developer plans to attract buyers by delivering good quality housing with innovative designs. This will be complemented with competitive pricing in the region of RM250,000 a unit.

However, Ho said he realised Hua Yang's gross margins were slightly lower at 22% to 23%, compared to the standard 25% to 30% of other developers.

"We are willing to expect less until we break into the higher market in two to three years' time," he said, adding that despite this, Hua Yang had no plans to venture into the high-end luxury property market.

"Instead, we are concentrating on customisation and finishing," said Ho, adding that the company needed "one more project" over the next three years in order to reach critical mass to generate RM200 million revenue annually.

Ho. Photo by Kenny Yap

"Last year, we saw revenue of about RM100 million. We hope to double this by March 2011, which is the end of our financial year."

In the last financial year, Hua Yang saw a 67% increase in revenue from RM59.9 million the previous year. As at November 2009, the company had unbilled sales of RM104 million.

To further enhance its reputation as a quality developer, Ho said the company's present priorities included strengthening its management and marketing prowess.

"In order to be a top player in the property market, your company cannot be built on personality, but on skill sets. The whole organisation has to be focused on what they are doing in order to succeed," he said.

Ho said Hua Yang was currently in transition from being a conservatively run and obscure company to one that is more aggressive in terms of market presence.

"We want to be a solid organisation, but we will get there gradually and steadily," he said, adding that the product was Hua Yang's passion.

To fund its growth plans, Ho said Hua Yang may initiate a capital-raising exercise in FY11. The plan, he said, was still in its infancy and could take the form of a rights or bonds issuance. The company would need to seek a banker's advice for the "better option", he said.

Ho would not indicate how much the company would be looking to raise from the exercise but said it had an internal gearing target and would remain conservative on the debt level.

As at Sept 30, 2009, Hua Yang had RM51.46 million in long- and short-term borrowings, while its net asset value per share stood at RM2.11.

In terms of landbank, Ho said the company had "sufficient" acreage, with 1,000 acres of undeveloped land with a potential to generate more than RM1.8 billion in GDV.

It has developed 30% of its 320ha landbank in Ipoh, 50% of its 190.8ha landbank in Johor and part of its 8ha tract in the Klang Valley.

Ho said Hua Yang was still on the lookout for smaller plots of land of around 150 to 300 acres in KL and Selangor, as the company continued to focus on the three key urban growth areas of the Klang Valley, Johor Bahru and Ipoh.

On Hua Yang's outlook for 2010, Ho is "very positive". However, he said generally visibility in 2012 and beyond was limited given that the pump-priming initiatives by governments around the world would begin to wear off.

"We would most likely see a small dip in the economy, but I think the worst is behind us," he said. "In 2011, there will be a strong push for projects, but in 2012 property players are likely to be more cautious."

Meanwhile, Ho said the 5% real property gains tax (RPGT) would have little or no effect on Hua Yang's target market as they were mostly first-time homeowners.

"My view is that the government introduced it to curb property speculation. However, it is not the most effective way to do so. It will probably slow the momentum in the equity market and may not curb (property) price increases," he said.