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Hua Yang Bhd

Target price: **RM2.20 OUTPERFORM**



KENANGA RESEARCH (JUNE 15): Hua Yang has terminated its sales and purchase agreement (SPA) with Nation Holdings Sdn Bhd to acquire a leasehold parcel measuring 8.09 acres in Selayang for RM120 million, as Nation was unable to fulfil one of the condition precedents.

We were surprised by the termination as this was part of Hua Yang's landbank replenishment target in the Klang Valley. To recap, Hua Yang entered into the SPA with Nation on Jan 30, and the land had a potential gross development value of RM800 million. However, we are not entirely negative on Hua Yang terminating the land deal as Nation's non-fulfilment of condition precedents in the SPA would affect development plans for the land.

We expect more landbanking newsflow from Hua Yang in the near to mid-term to meet our assumptions of RM1.67 billion this year. While the property market remains subdued, we believe Hua Yang will still be able to maintain its performance as it is well supported by its healthy unbilled sales of RM702 million.