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On steady growth path

Hua Yang set to maintain double-digit growth

PROPERTY developer Hua Yang Bhd is on track to complete another remarkable financial year, says its chief executive officer Ho Wen Yan.

"We are on track to achieve our sales target of RM350mil (13% year-on-year increase) for the current financial year. Based on the first quarter results, we should hit more than RM200mil in revenue," Ho says in an interview.

For its recently concluded first quarter ended June 30, the group achieved sales of RM164mil.

For its first quarter, Hua Yang posted a 135% year-on-year jump in net profit to RM11.5mil while revenue rose 66% to RM61.8mil due mainly to better sales performance, steady construction progress recognition and the completed sale of a 215,186 sq ft plot to Tesco Stores (Malaysia) Sdn Bhd for RM3.23mil at the group's Bandar Universiti Seri Iskandar township development in Perak.

Hua Yang, which is known for developing residential properties in the affordable segment, posted a 117% year-on-year increase in net profit to RM25.1mil while revenue rose 82% to RM188.9mil for the financial year ended March 31 (FY2011).

It was a record-breaking full year financial performance, which was attributed to better sales achieved, since Hua Yang's listing on the Main Board of Bursa Malaysia on Nov 29, 2002.

For FY2011, the group's earnings per share stood at 23.29 sen (117% higher compared with the last financial year) while sales achieved grew by 123% year-on-year (from RM139.3mil to RM310.2mil).

Affordable properties

Founded in 1978 by Ho's late father Ho Mok Heng, Hua Yang's first project was eight units of four-storey shophouses in Ipoh, Perak valued at RM2.4mil.

To date, the group has completed over 10,000 residential, commercial and industrial properties with a gross development value (GDV) of RM1.2bil in the Klang Valley, Johor, Perak and Negri Sembilan.

In the last five financial years, the group has enjoyed compounded annual growth rate (CAGR) in profit after tax of 24%, revenue CAGR of 24% and earnings per share CAGR of 20.6%.

The group aims to be a leading developer in the affordable property segment with an annual revenue of RM500mil within the next five to seven years.

Ho says the group's growth will be driven by demand from young Malaysians in a country with a rapidly growing population.

He points out that the 2010 Population and Housing Census report showed Malaysia's population totalled 28.3 million (23.3 million in 2000).

"So on average, half a million Malaysians are added to the population each year. Another factor is urbanisation – more than 70% of Malaysians live in urban areas. Demographics will drive our business of providing affordable housing."

The group's data shows that most of its customers are first-time property buyers who are owner-occupiers aged from 25 to 40 years old.

Ho says there are good margins to be made in the affordable property segment where current prices are generally RM400,000 and below.

The One South serviced residences in Seri Kembangan, Selangor

Ho: We do not buy land that is deemed to be expensive

"Last year, our net profit margin was about 13% at group level. This year, we are targetting a higher net profit margin of 15% from greater economies of scale."

According to him, the group has been able to stick to its affordable property tagline over the years, despite rising land and construction costs, due to prudent acquisition, building design and management policies.

"We do not buy land that is deemed to be expensive. Our land cost is below 20% of the entire GDV of the project. Also, we always try to spot the up-and-coming areas (where property will have strong demand)."

Among the toughest challenges ever faced by the group was rapidly rising building material prices in the period before the global financial crisis hit in 2008.

"It was tough. Our margins were squeezed and contract prices for materials changed every day. That was when we decided to re-engineer some of our building designs to be more efficient in terms of cost. The next step we took was to go direct to the suppliers and negotiate bulk purchases for materials such as cement and steel bars. We locked in the prices and paid directly to the suppliers, who then supply to our contractors. So, this takes away risk from the contractors who can feel more secure in carrying out their jobs."

Ongoing projects

Presently, the group has an undeveloped landbank of 320ha with a potential GDV of RM2.4bil.

The bulk of its remaining landbank is in Perak (62%, 198ha) and Johor (26%, 84ha).

The group's biggest ongoing project is the 314ha Bandar Universiti Seri Iskandar township in Perak.

Bandar Universiti Seri Iskandar, which started in 2001, is slated to have 6,053 residential and commercial units.

About 63% or 198ha of Bandar Universiti Seri Iskandar remains to be developed, with a potential GDV of RM872mil.

Another major township project is the 193ha Taman Pulai Indah, which is located 28km from Johor Baru.

Development for Taman Pulai Indah also started in 2001, and the township will eventually have 4,942 residential and commercial units.

Another 29ha in Taman Pulai Indah remains to be developed, with a potential GDV of RM157mil.

Hua Yang is also developing the 11ha Senawang Link, consisting of 85 units of commercial and industrial lots, located along Jalan Tampin, Seremban and adjacent to the Sungai Gadut KTM train station.

The estimated GDV of Senawang Link is RM45mil, and its first phase of 52 units of one-and-a-half storey terrace factories launched in March last year has a take-up of 23%.

Meanwhile, its first major residential project in the Klang Valley was Symphony Heights in Selayang, Selangor.

The first phase was launched in June 2008, and facilities include a swimming pool, squash courts, a community hall, cafeteria, children's playground and a gymnasium.

Symphony Heights consists of three blocks of 946 service apartments on a 1.2ha leasehold plot with a GDV of RM206mil.

Sized from 863 sq ft to 1,246 sq ft, the units were retailed at prices ranging from RM135,200 to RM306,500.

To date, Symphony Heights has a 94% take-up.

One South

One South is Hua Yang's biggest project in the Klang Valley, with a GDV of RM840mil, consisting of shop offices, service apartments, SOHO (small office/home office) units and office towers on a 6.8ha plot in Seri Kembangan, Selangor.

The response to One South has been strong, with a high take-up for the three phases launched within the past one year.

Last month, the group launched 377 units of Gardenz service apartments, sized from 1,020 to 1,220 sq ft and priced from RM380,000 onwards in One South.

According to Ho, one block of Gardenz units have been fully sold while another block has seen high demand.

The Gardenz serviced apartments feature nine units per floor, served by three lifts, and each unit comes with two covered car park bays.

Facilities will include an infinity edge lap pool, wading pool, jacuzzi, sauna/steam room, gymnasium, a jogging track, two squash courts, a basketball court, indoor badminton courts and a snooker room.

One South is served by the Kuala Lumpur-Seremban and Besraya highways, with landmarks in the area including Palace of the Golden Horses, South City Plaza and The Mines Shopping Mall.

The Gardenz serviced apartments, with a GDV of RM160mil, is the third phase to be launched in One South after retail and office units in Phase 1 and 418 units of Parc service apartments in Phase 2.

The retail units and Parc service apartments have been fully sold while the office units have seen a 73% take-up rate.

The retail and office units are sized from 479 to 2,100 sq ft, and were launched at prices starting from RM750 and RM350 per sq ft respectively.

Phase 4, consisting of SOHO units is due to be launched in mid-2012 while phase 5 featuring two blocks of office towers in 2013.

One South is due to be completed by 2018.

Growth strategies

Ho says Hua Yang's double-digit annual growth strategy was planned about five years ago with major forays into the Klang Valley as a key step.

"Previously, our operations were mainly in Perak and Johor which gave us around RM100mil in annual revenue. Our plan is for the Klang Valley to contribute RM200mil to RM300mil or 50% of group revenue in the coming years."

This year, Hua Yang aims to launch RM525mil worth of properties.

"Including RM190mil of properties that were launched but not sold last year, this means we have RM715mil worth of properties to sell this year," he says.

Upcoming launches include 294 single and double-storey terrace houses with a GDV of RM63mil in Taman Pulai Indah, Johor in September 2011.

Also in the works are 147 double-storey houses with a GDV of RM33mil in Taman Pulau Hijauan and 31 semi-detached houses in Polo Park in the fourth quarter of this year. Both projects, with a combined GDV of RM63mil, are located in Johor Baru.

The group has also acquired more land in the Klang Valley this year, with the purchase of a 0.63ha plot in Desa Pandan, Kuala Lumpur for RM32mil and a 1.5ha leasehold site for RM13mil in Section 13, Shah Alam.

Both sites are slated for mixed commercial and residential projects, with estimated GDVs of RM160mil and RM175mil for the Desa Pandan and Shah Alam projects respectively.

He says SOHO units sized between 700 and 900 sq ft are planned for the Desa Pandan project while residential apartments sitting on a podium with retail elements are in the pipeline for the Shah Alam development.

The Desa Pandan and Shah Alam projects are due for launching in 2012 and early 2013 respectively.

"Our developments in the Klang Valley are all high rise, with fast turnaround periods. Due to land costs, it is very difficult to acquire land to build townships in the Klang Valley."

The group is also looking at acquiring land in Sabah and Penang.

"Regarding these new land, we should have something to announce by the end of this financial year."

A recent note issued by Inter-Pacific Research says that as at June 30, Hua Yang had total borrowings of RM73.4mil and cash of RM6.2mil, translating to net gearing of 29%.

"Our net gearing is low, and this allows us to acquire land when the time is right," he adds.

At the moment, Hua Yang plans to remain in the affordable property segment.

"Once we achieve an annual revenue of RM500mil, we will reassess our situation and strategies, and decide on further areas of growth."

On Tuesday, Hua Yang announced that it had acquired two parcels of land, sized at 2.1 acres in total, in Johor Baru for RM10.7mil. The land parcels, adjoined to each other, are along Jalan Abdul Samad in Johor Baru, and located only 3.5km from the Sultan Iskandar Customs, Immigration and Quarantine (CIQ) complex.

The land parcels are slated for a residential development consisting of serviced apartments, catering for young professionals and families working in Johor Baru or Singapore.

with a tentative selling price range of RM150,000 for a studio apartment and up to RM400,000 for a three-bedroom unit, the estimated GDV of the project is RM120mil.

The business successor

By the end of this month, the 37-year-old Ho would have spent a year helming the group after succeeding his uncle Ho Mook Leong as Hua Yang's chief executive officer in August 2010.

However, the British-trained architect says he cannot claim credit for the group's impressive financial performance in recent times.

"At Hua Yang, we work as a team. Since taking over as the chief executive officer, I only made sure we carried out what was planned earlier and meet our targets."

Wen Yan, who also holds a Masters of Science (construction economics and management) from University College London, says his career in the group was not planned.

Before joining Hua Yang in October 2003 as a project co-ordinator at the group's Johor operations, he had spent about three years working in London.

"I had an independent career in London. However, after my father passed away in 2002, some family decisions were made and I joined the group," says Wen Yan.

Later, he became general manager in April 2006 and moved to Kuala Lumpur to help grow the group's Klang Valley operations.

The following year, he was promoted to chief operating officer and executive director.

Ho says his experiences as an architect have helped in giving Hua Yang's properties more contemporary designs.

"I think our product designs are quite up-to-date and modern."

HUAYANG

The Star 20 August 2011