TA SECURITIES

A MEMBER OF THE TA GROUP

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

RESULTS UPDATE

Monday, 23 May, 2011

FBMKLCI: 1541.03

Sector: Property

Hua Yang Berhad

Positive Dividend Surprise For FY11

TP: RM2.09 (26%)

Last traded: RM 1.66

BUY

THIS REPORT IS STRICTLY FOR INTERNAL CIRCULATION ONLY*

Tan Kam Meng, CFA | +603-2072-1277 ext:1644 | kmtan@ta.com.my | www.taonline.com.my

Review

- Hua Yang's FY11 net profit of RM25.3mn came in line with our expectations at 101% of our full-year projections.
- FY11 net profit surged >100% YoY driven by 1) higher progress billing, leading to a 82.4% growth in revenue; and 2) increase in margin due to better product mix and improved economies of scale.
- On QoQ basis, 4Q11 net profit advanced by 9.1% to RM8.4mn due to increased progress work in this quarter. 4Q11 revenue increased by 35.3% to RM66.7mn.
- For this quarter, a first and final gross dividend of 7.5sen/share was proposed, which came in higher than our projections of 4sen/share.

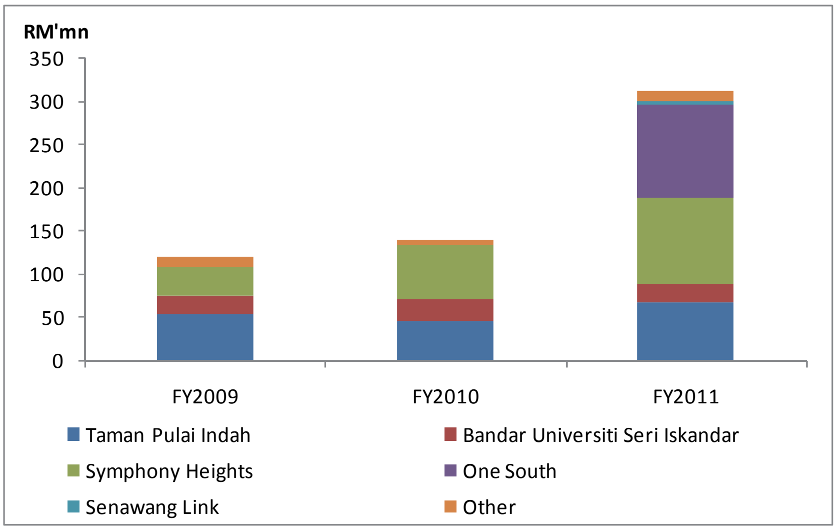
Impact

- We fine-tune our FY12-13 net profit higher by 1-2% to be in line with management guidance on the upward revision of the total GDV at One South project. Also, we revise our dividend assumptions higher to 9-12sen/share from 4-5sen/share previously.

Outlook

- YTD FY11, Hua Yang secured RM310.2mn new sales vs FY10's RM139.3mn, thanks to the encouraging take-up rate on the retail and office units at One South and service apartments at Symphony Heights. In 4Q11, Hua Yang sold the entire 73 units of retail shops at One South for RM105mn on en-bloc basis.

Chart 1: Hua Yang Sales Performance



Share Information	
Bloomberg Code	HYB MK
Stock Name	HUAYANG
Stock Code	5062
Listing	Main Market
Share Cap (mn)	108.0
Market Cap (RMmn)	179.3
Par Value	1.00
52-wk Hi/Lo (RM)	1.71/0.654
12-mth Avg Daily Vol ('000 shrs)	590.3
Estimated Free Float (%)	54.44
Beta	0.97
Major Shareholders (%)	
	Heng Holdings - 30.65
	Cham Poh Meng - 14.91

Forecast Revision	FY12	FY13
Forecast Revision (%)	1.4	1.9
Net profit (RMm)	40.9	57.7
Consensus	28.7	29.7
TA's / Consensus (%)	142.6	194.2
Previous Rating	BUY (Maintained)	

Financial Indicators	FY12	FY13
Net Debt / Equity (%)	28.10	20.23
FCPS (sen)	4.90	20.69
Price / CFPS (x)	33.87	0.00
ROE (%)	17.42	21.09
ROA (%)	10.71	13.34
NTA/Share (RM)	2.24	2.67
Price/NTA (x)	0.74	0.62

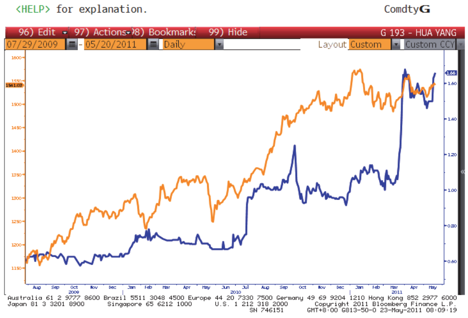
Scorecard	% of FY	
vs TA	101	Within
vs Consensus	-	na

Share Performance (%)		
Price Change	**HUAYANG**	**FBM KLCI**
1 mth	5.1	1.2
3 mth	58.1	2.0
6 mth	74.7	3.6
12 mth	145.9	19.9

- We observe that the take-up rate at One South remained strong with 2 21-storey serviced apartment towers sold in 1QFY12. This was done without much advertisement during the preview period. Given the commendable take-rate rate, the management has revised upward the potential GDV to RM840mn from RM750mn. In other words, the upcoming launch of 2 serviced apartment blocks at One South in 3QFY12 is expected to see higher ASP by 5-10%.

- Hua Yang has recently entered into a conditional sale and purchase agreement for the purchase of a parcel of leasehold land, measuring 1.55 acres (or 67,364sf), for a total cash consideration of RM32mn. This vacant land is earmarked for building of service apartments with a GDV estimation of RM160mn.

Share Price relative to the **FBM KLCI**



Source: Bloomberg

Valuation

- Given the change in our earnings projections, we revise upward our target price to RM2.09/share from RM2.03/share previously, based on unchanged 6x CY11 EPS. Maintain Buy.

Peer Comparison

Earnings Summary (RMmn)

FYE Mar 31	FY10	FY11	FY12F	FY13F	FY14F
Revenue	103.5	188.9	276.8	381.5	414.6
EBITDA	16.8	36.1	57.9	80.9	88.1
EBITDA margin (%)	16.2	19.1	20.9	21.2	21.2
Pretax profit	15.8	34.4	55.3	77.9	84.4
Net profit	11.6	25.3	40.9	57.7	62.5
Core net profit	11.6	25.3	40.9	57.7	62.5
EPS* (sen)	10.7	23.4	37.9	53.4	57.8
EPS growth (%)	32.3	118.6	61.9	40.9	8.3
PER (x)	15.5	7.1	4.4	3.1	2.9
GDPS* (sen)	2.5	7.5	9.0	11.0	12.0
Div yield (%)	1.5	4.5	5.4	6.6	7.2
Core ROE (%)	6.1	12.2	17.4	21.1	19.5

* Adjusted for 1:5 bonus issue

4Q11 Results Analysis (RMmn)

YE 31 Mar	4Q10	3Q11	4Q101	QOQ%	YOY%	FY10	FY11	YOY%
Turnover	27.2	49.3	66.7	35.3	145.2	103.5	188.9	82.4
Gross Profit	8.9	15.2	19.7	30.1	121.0	29.9	55.7	86.1
EBIT	4.6	10.7	12.0	12.2	159.3	16.3	35.5	117.9
Net Int Inc/ (exp)	(0.2)	(0.3)	(0.3)	5.9	113.2	(0.5)	(1.1)	115.2
Pretax	4.5	10.4	11.6	12.4	160.9	15.8	34.4	118.0
Taxation	(1.2)	(2.7)	(3.2)	19.3	174.8	(4.2)	(9.2)	117.3
MI	0.0	0.0	(0.0)	(158.3)	(450.0)	0.0	0.0	400.0
Reported Net Profit	3.3	7.7	8.4	9.1	155.7	11.6	25.3	118.5
Core Net Profit	3.3	7.7	8.4	9.1	155.7	11.6	25.3	118.5
Core EPS (sen)	3.6	7.1	7.8	9.1	113.2	12.9	25.1	95.3
GDPS (sen)	3.0	0.0	7.5	nm	150.0	3.0	7.5	150.0
Gross margin	32.8	30.8	29.6	(1.2)	(3.2)	28.9	29.5	0.6
EBIT Margin (%)	16.9	21.6	17.9	(3.7)	1.0	15.7	18.8	3.1
Pretax Margin (%)	16.4	21.0	17.4	(3.6)	1.1	15.2	18.2	3.0
Net Margin (%)	12.0	15.6	12.6	(3.0)	0.5	11.2	13.4	2.2

(THIS PAGE IS INTENTIONALLY LEFT BLANK)

for TA SECURITIES HOLDINGS BERHAD(14948-M)

MENARA TA ONE, 22 JALAN P. RAMLEE, 50250 KUALA LUMPUR, MALAYSIA TEL: +603-20721277 / FAX: +603-20325048

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Kaladher Govindan – Head of Research