



## News Flash – Hua Yang

Neutral ◀ ▶

### Proposed Acquisition – Maiden venture into Penang

Price: RM2.15

Target Price: (-1.40%) RM2.12

Hua Yang proposed to acquire 2 separate parcels of land in Bukit Mertajam – Seberang Perai Tengah, Penang. Huayang has finally let the rabbit out of the hat with the proposed acquisition of 4.9 & 3.1 acres freehold lands in Penang for a total of RM21.98m and RM9.02m respectively. This marks the group's 1<sup>st</sup> venture into Northern territory.

**Proposed Development.** Currently the tract of 4.9 acres land is earmark as commercial zone with a plot ratio of 4. The group has proposed to develop a 720 units of service apartment & 36 units of commercial shop lots. The proposed mix development is expected to garner GDV of RM242.8m. This translates into RM103 psf or land cost of 9.1%. We deemed this acquisition's price to be fair and at current market value. Whilst the 2<sup>nd</sup> parcel of land of 3.1 acres will be solely on condominium development which expected to bring in GDV of RM70.7m. This translates into RM65.95 psf or land cost of 13%.

**Payment terms.** The total acquisition of the parcel of lands amounting to RM22m are to be satisfied via cash. The group would have to pay a 10% of the purchase price upon execution of the SPA, whilst the balance to be paid within 3 months from the date of unconditional date. The group expects the proposal to go through by 1QFY2016.

**A new territory.** As mentioned earlier in the past 2 financial quarters, the group have made clear their desire to venture into Penang while awaiting for the opportune moment as the Sukuk Murabahah of RM250m was readied to be utilised since 14<sup>th</sup> October 2014. While we reckon the strategic location of this parcel of land as it is located within a mature township of Bukit Mertajam with readied amenities and easy accessibility.

**GDV expansion.** The acquisition of the 2 parcels of land will further add RM 314m to its future GDV of RM2,751m which totalled up to GDV of RM3,065m.

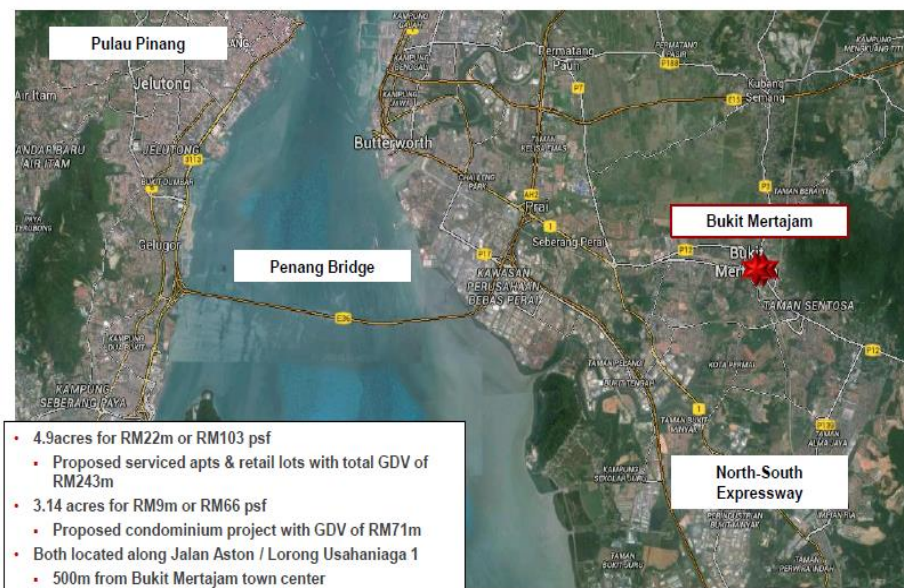
**Valuation & Recommendation.** The acquisition is anticipated. Hence we are maintaining our FY15 earnings estimate of RM102m. Our TP remains at RM2.12 is based on historical blended PE & PBV of 5.5x and 1x respectively. We are positive on the Northern acquisition. Maintain **Neutral**.

Research Team

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## Location of the proposed landbank acquisition



Source: Company

## DEFINITION OF RATINGS

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### STOCK RECOMMENDATION

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>NEUTRAL</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

### SECTOR RECOMMENDATION

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

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