

Financial Year End	31/03/2012
Reporting Period Ending	30/09/2011
Reporting Quarter	2Q-2012

**MALAYSIA EQUITY  
HUA YANG BHD**

**RESULTS REPORT**

<b>Recommendation</b>	<b>BUY</b>
Target Price (MYR)	2.28
Current Price (MYR)	1.60

YTD 2Q FY 12 revenue grew more than 89% year on year, whilst net profits grew more than 176% over the same period. Net margins expanded from 12.7% in 1H FY11 to 18.5% in 1H FY12 on the back of better selling prices and improved cost control. Though margins may be somewhat smaller in the quarters ahead, sales growth is likely to remain robust. Hua Yang Bhd's land bank buildup of the past few years continues to pay off. Take up rates remain firm, new parcels have been acquired and the stock price has yet to fully reflect future potential.

<b>Industry Group</b>	Real Estate
<b>Industry Sub Group</b>	Real Estate Oper/Develop

**INVESTMENT RISKS**

<b>Key Company Statistics</b>	
Bloomberg Ticker	HYB MK
Bursa Stock Code	5062
Issued Capital (mn shares)	108.0
Market Capitalisation (MYR mn)	172.8
52 week High (MYR)	1.82
52 week Low (MYR)	0.92
Average Volume (3 month) '000	276.2
1 Yr Return (%)	80.6

Risks to our recommendation and target price include: i) increases in the general level of interest rates, ii) possible restrictions on mortgage lending or other related disincentives to property development that are currently being seen in other countries around the region, and iii) a sharp slowdown in the general level of economic activity in Malaysia or among its major trading partners: Singapore, China and the US.

<b>Major Shareholders (%)</b>	
Heng Holdings Sdn Bhd	30.7
Cham Poh Meng	14.9
Heng Jaya Sdn Bhd	1.7

**RECOMMENDATION**

We maintain our BUY recommendation on Hua Yang Bhd ("HYB") with a fair value estimate of MYR 2.28. Value investors will be attracted by the combination of solid earnings growth and profitability at earnings multiples well below the company's peers. Looking ahead, average ROE is heading to levels of 16-18%, nearly triple the average seen over the period 2006-2009, whilst current year P-BV remains below 0.8x.

**FTSE-BURSA INDEX MEMBERSHIP**

<b>FBM KLCI</b>	<b>FBM 70</b>	<b>FBM EMAS</b>	<b>FBM HIJRAH</b>
No	No	No	No

Compared to its mid-cap peers, HYB offers a much higher ROE at lower multiples; see page two of this report for details. In addition, other heavyweights in the property sector trade on 2.0x P-BV, while the average P-BV for the sector is 1.3x. Hua Yang Bhd offers investors an attractive combination of very good growth rates at very attractive current year multiples: less than 0.8x P-BV and 4x P-E. More importantly, the affordable housing sector that HYB is focused on is far less saturated than the high end segment that so many other listed companies are chasing.

**REPORT INDEX**

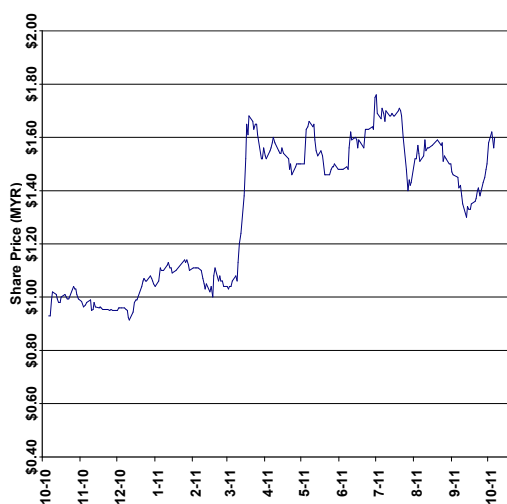
**COMPANY PROFILE**

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Hua Yang Bhd has carved out a niche for itself in the value segment, providing good quality residential and commercial structures at reasonable prices. The company's land bank is well diversified within Malaysia, with three large projects in Klang Valley, Perak and Johor. The company was formed in 1978 and converted to a public limited company in 2001, prior to listing in 2002.

**SHARE PRICE LAST 12 MONTHS (MYR)**

**ANNUAL RESULTS AND METRICS (MYR mn)**



<b>FY Mar</b>	<b>2010</b>	<b>2011</b>	<b>2012F</b>	<b>2013F</b>
Revenue	103.5	188.9	292.9	370.0
Revenue g (%)	3.5	82.4	55.1	26.3
Net Profit	11.6	25.3	47.0	51.6
Net Profit g (%)	32.5	>100	86.0	9.9
Dividends	1.7	2.0	8.1	10.0
Owners' Equity	195.8	219.3	258.1	299.8
Total Liabilities	113.5	134.7	176.3	183.5
Debt/Equity (%)	58.0	61.4	68.3	61.2
EPS (sen)	10.7	23.4	43.5	47.8
P-S (x)	0.7	0.9	0.6	0.5
P-E (x)	6.4	6.6	3.7	3.3
P-BV (x)	0.4	0.8	0.7	0.6
ROE %	5.9	11.5	18.2	17.2

## QUARTERLY RESULTS TABLE (All figures in MYR mn unless otherwise indicated)

FY Mar	2Q12	2Q11	Q-o-Q %chg	YTD FY12	YTD FY11	Y-o-Y %chg
Revenue	76.1	35.6	>100	137.9	72.8	89.3
Operating Profit	19.1	5.9	>100	34.6	12.8	>100
Other Income	0.3	0.4	-30.9	0.5	0.6	-22.6
Share of Associates	0.0	0.0	na	0.0	0.0	na
Depreciation/Amort'n	-0.3	-0.2	44.2	-0.5	-0.4	30.7
Finance Costs	-0.2	-0.2	-25.1	-0.5	-0.4	5.1
Pre Tax Profit	18.9	5.7	>100	34.1	12.4	>100
Tax	-5.0	-1.4	>100	-8.7	-3.2	>100
Minority Interest	0.0	0.0	na	0.0	0.0	na
Net Profit to S'holders	13.9	4.3	>100	25.5	9.2	>100
Dividends	6.1	0.0	na	6.1	0.0	na
EPS (sen)	12.9	3.9	>100	23.6	8.5	>100
DPS (sen)	5.6	0.0	na	5.6	0.0	na
Operating Margin (%)	25.0	16.5	51.4	25.1	17.6	42.5
Net Margin (%)	18.3	12.0	53.0	18.5	12.7	45.8
Effective Tax Rate (%)	26.3	24.2	9.0	25.5	25.9	-1.5
NTA/share (RM)				2.21	1.88	17.4

Comments
Revenue growth maintained by steady construction progress recognition and very firm demand.
Record profit since listing
Operating margins expanded on higher selling prices and improved cost control

## COMPETITOR'S METRICS (All figures in MYR mn unless otherwise indicated)

Current FY* Ending	Hua Yang Bhd Mar-12	YNH Property Bhd Dec-11	KSL Holdings Bhd Dec-11	Crescendo Corp Bhd Jan-12
Revenue	292.9	220.0	240.0	251.0
Net Profit	47.0	60.0	90.0	46.0
Owners' Equity	258.1	802.0	961.8	527.9
Dividends	8.1	14.0	5.0	13.0
Market Cap	172.8	724.8	562.4	257.3
P-S (x)	0.6	3.3	2.3	1.0
P-E (x)	3.7	12.1	6.2	5.6
P-BV (x)	0.7	0.9	0.6	0.5
Div Yield (%)	4.7	1.9	0.9	5.1
Net Margins (%)	16.0	27.3	37.5	18.3
ROE (%)	18.2	7.5	9.4	8.7
Payout Ratio (%)	17.2	23.3	5.6	28.3

\*Consensus data used for peers where available

**PROFIT & LOSS (All figures in MYR mn unless otherwise indicated)**

FY Mar	2010	2011	2012F	2013F
Revenue	103.5	188.9	292.9	370.0
Operating Profit	16.3	35.5	64.1	70.3
Other Income	1.4	1.4	1.0	1.1
Share of Associates	0.0	0.0	0.0	0.0
Depreciation/Amortization	-0.4	-0.6	-0.7	-0.5
Finance Costs	-0.5	-1.1	-1.7	-2.6
Pre Tax Profit	15.8	34.4	62.9	68.8
Tax	-4.2	-9.2	-15.9	-17.2
Minority Interest	0.0	-0.1	0.0	0.0
Net Profit to Shareholders	11.6	25.3	47.0	51.6
Operating Margin (%)	15.7	18.8	21.9	19.0
PBT Margin (%)	15.2	18.2	21.5	18.6
Net Margin (%)	11.2	13.4	16.0	14.0
Effective Tax Rate (%)	26.7	26.6	25.3	25.0

**BALANCE SHEET (All figures in MYR mn unless otherwise indicated)**

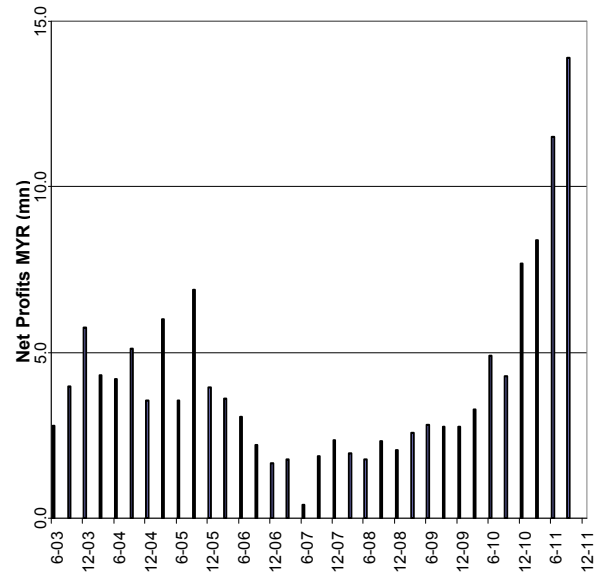
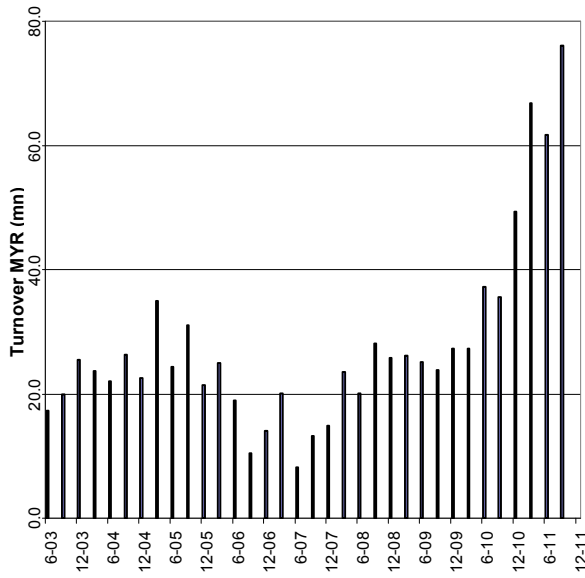
FY Mar	2010	2011	2012F	2013F
Total Assets	311.1	355.7	436.2	485.0
Fixed Assets	8.1	5.4	6.2	6.4
Current Assets	128.2	170.0	189.6	218.1
Other LT Assets	174.8	180.4	240.4	260.4
Current Liabilities	69.2	77.5	74.2	77.2
LT Liabilities	44.4	57.2	102.1	106.3
Total Liabilities	113.5	134.7	176.3	183.5
Share Capital	90.0	108.0	108.0	108.0
Minority Interest	1.8	1.7	1.7	1.7
Owner's Equity	195.8	219.3	258.1	299.8
Total Equity	197.6	221.0	259.9	301.5
Total Liabilities & Equity	311.1	355.7	436.2	485.0

**PER SHARE DATA (All figures in sen unless otherwise indicated)**

FY Mar	2010	2011	2012F	2013F
Revenue	95.9	174.9	271.2	342.6
Cash Flow	10.3	22.9	42.8	47.3
Earnings	10.7	23.4	43.5	47.8
Dividends	1.6	1.9	7.5	9.3
Book Value	181.3	203.0	239.0	277.5
Payout (%)	14.6	8.0	17.2	19.4
P-S (x)	0.7	0.9	0.6	0.5
P-CF (x)	6.6	6.8	3.7	3.4
P-E (x)	6.4	6.6	3.7	3.3
P-BV (x)	0.4	0.8	0.7	0.6
Dividend Yield (%)	2.3	1.2	4.7	5.8
ROE (%)	5.9	11.5	18.2	17.2
Total Debt/Equity (%)	58.0	61.4	68.3	61.2

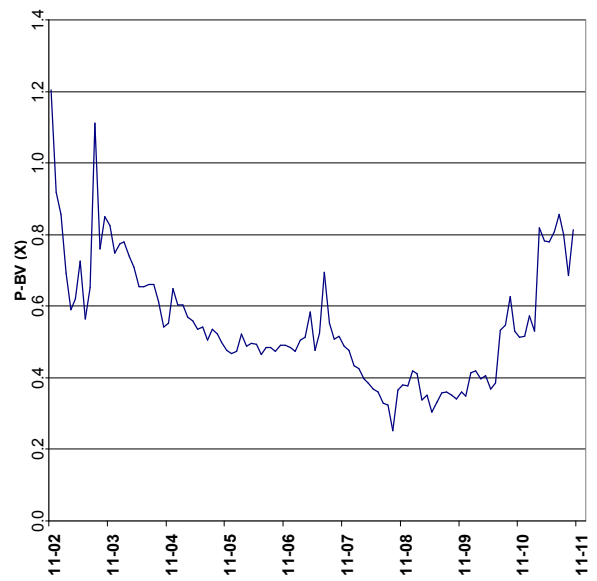
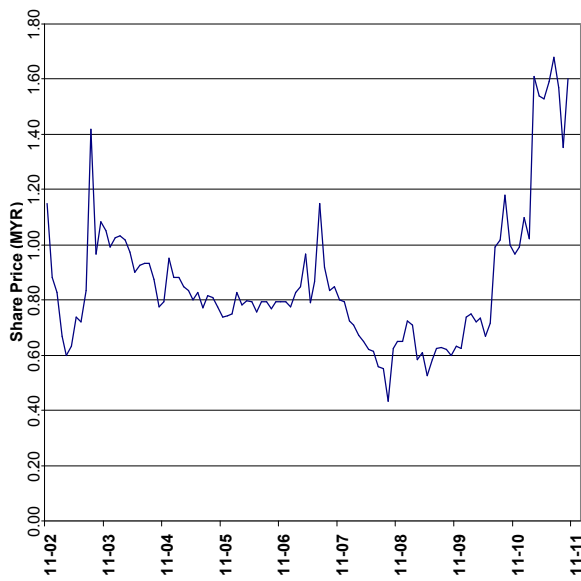
REVENUE - QUARTERLY LAST 8 YEARS (MYR mn)

NET PROFIT - Q'TERLY LAST 8 YRS (MYR mn)



SHARE PRICE - MONTHLY LAST 8 YEARS (MYR)

P-BV (X) - MONTHLY LAST 8 YEARS



**ANALYST'S DISCLOSURE**

**BUY:** Share price may exceed 10% over the next 12 months

**TRADING BUY:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

**HOLD:** Share price may fall within the range of +/- 10% over the next 12 months

**TAKE PROFIT:** Target price has been attained. Look to accumulate at lower levels

**SELL:** Share price may fall by more than 10% over the next 12 months

**NOT RATED (NR):** Stock is not within regular research coverage

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J Charles Wilson  
Head of Research

**ANALYST'S RECOMMENDATION RECORD**

Ticker	Date	Recommendation	FairValue	Price At Date of Recommendation	% Price Change Since Prior Recommendation
HYB MK Equity	26-Jan-11	BUY	1.60	1.10	
HYB MK Equity	12-Apr-11	BUY	2.08	1.52	38.2%
HYB MK Equity	20-May-11	BUY	2.08	1.66	9.2%
HYB MK Equity	15-Jul-11	BUY	2.28	1.69	1.8%
HYB MK Equity	19-Oct-11	BUY	2.28	1.60	-5.3%

**QUESTIONS?****CONTACT THE INVESTMENT ADVISER:**

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