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GUH to make turnaround of core business this year

Group's performance this year is expected to remain stable or better

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KUALA LUMPUR: Penang-based GUH Holdings Bhd's core business of manufacturing printed circuit boards (PCB) is expected to make a turnaround this year, driven by stronger demand for electric and electronic products and supported by signs of recovery in the US and European economies.

GUH chief executive officer Datuk Kenneth H'ng Bok Tee said the group had spent some RM40 million to revamp and realign its production line.

"Most of the capital expenditure went to semi and fully-automated machines that are capable of producing higher PCB layer count which yields a better profit margin, and at the same time relies less on labour," he told *The Edge Financial Daily* in an interview.

"We have been channelling our sales efforts towards the double-layer to six-layer count market, especially on home appliances and niches and popular audio visual products," he said.

GUH has two PCB manufacturing plants in Penang and Suzhou, China.

In a note to clients dated April 9, Etiqa Equity Research provided data which showed the group's Penang plant posting RM5.7 million in pre-tax loss for the financial year ended Dec 31, 2013 (FY13), while the Suzhou plant recorded a pre-tax profit of RM18.6 million.

Etiqa Equity Research said output from Penang is mainly for the audio-visual industry, while Suzhou caters for higher-end PCBs used in white goods.

"Management expects the Penang plant to make a pre-tax profit of RM5 million in 2014. We are more conservative and only



HARIS HASSAN

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forecast Penang operations to break even in 2014," it said.

In FY13, the PCB segment contributed RM12.92 million to group pre-tax profit, compared with RM13.9 million a year ago.

On the group's property division, H'ng said GUH will launch RM200 million worth of residential projects (in phases) in Taman Bukit Kepayang, Seremban in Negeri Sembilan this year.

According to H'ng, besides searching for additional landbank in Seremban, the group is also looking at the Klang Valley and Penang.

"We are open to all possible routes to get land. We want to ensure continuity of business for our property division and continue to leverage on our experience as a reputable developer to expand the division," he said.

According to GUH's 2013 annual report, the group's landbank

stood at 542.05 acres (219.31ha) as at Dec 31.

H'ng is not worried about a potential softening in the property market as GUH's focus is mainly on Seremban. The cooling measures introduced by the government are expected to have a minor impact on the Seremban property market.

"We had a good year in 2013 in term of sales with about 50% being local buyers and the other half being working professionals from the Klang Valley," H'ng said.

"Based on past sales trends and response to property launches and take-up in the vicinity, we expect our sales to remain stable or better in FY14," he said.

The group recorded RM9.39 million in unbilled sales in FY13, compared with RM1.9 million in FY12.

On the recent GUH's bid for two Employees Provident Fund-owned

hotels in Penang, Northam All Suite Hotel and Gurney Resort Hotel and Residences, H'ng said the group is always open to property investment opportunities that yield a stable income.

"[This] includes buying existing assets or building our own long-term income-based assets. Having said this, it is not our intention to overly depend on recurring income as the main earnings driver for our property division unless we are very familiar with the locality," he said.

It was reported that the asking price for Northam, which comprises 142 suites, is RM50 million, while the 259-suite Gurney Resort is said to be priced at RM100 million.

In FY13, GUH posted a net profit of RM29.98 million, down 17% from RM36.11 million a year ago, due to lower dividend income from available-for-sale financial assets following the disposal of its sister company's Leader Universal Holdings Bhd shares in 2012.

Revenue was higher at RM286.56 million from RM280.38 million previously.

On the speculation that GUH would bid for a 20% stake in Leader Universal's second power plant in Cambodia, H'ng said there is always a "possibility" for the group to acquire a stake in the plant.

He said while GUH has not invested in any water or wastewater plant in Myanmar, there is also a possibility for the group to invest in projects of a similar nature.

Looking ahead, H'ng said GUH's performance in FY14 is expected to remain stable or better.

"Water projects may contribute more than in the previous year as we expect more jobs to be delivered in 2014. The properties division is expected to replicate the same sale performance or better based on uncollected sales as well as launches in 2014," he said.

GUH's share price closed two sen higher at RM1.46 last Friday, giving it a market capitalisation of RM385.62 million.