



KDN PP 14119/03/2009 (020788)

Company Update: 15 December 2008

Hunza Properties Berhad
(5018.KL)

Recommendation

NEUTRAL

Current Price: RM 1.30

Target Price: RM 1.33

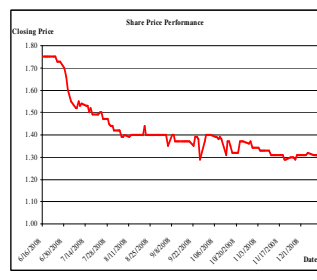
Board Main
Sector Properties
Website www.hunzagroup.com
52-Wk. Range 1.00 – 2.80

Share Issued (m) 147.3
Par Value (RM) 1.00
Market Cap (RM m) 263.7mil

NTA per Share (RM) 2.14

Major Shareholders (%)
Khor Teng Tong Holdings
Sdn. Bhd. 29.70
Lambaga Tabung Haji 8.30
Dato' Khor Teng Tong 7.56
Yayasan Bumiputra
Pulau Pinang Bhd 7.49
Taman Nibong Tebal
Persendirian Bhd 7.33

Analyst: Tan Chin Woi
cwtan@aaasec.com.my



Slowdown in Property Sector

- **Results:** The Group recorded revenue of RM25.2 million and profit before taxation of RM7.5 million for current quarter which is 63% and 57% lower as compared to the preceding year's corresponding quarter. This is mainly due to the slowdown in property sector.
- **Outlook:** Inflation erodes purchasing power and led to lower disposable income in real terms. This affects the ability to repay mortgage loans. Furthermore, the rising in construction material costs will subsequently increase the cost of construction itself. This puts pressure on purchaser affordability vis-à-vis the price of properties.
- **Valuation:** We lower our recommendation on Hunza Property Bhd to a **Neutral** with a 12 months target price of RM 1.33. The lower target price is a result of the lower earnings estimate and the poorer industry prospects.

Financial and Valuation Metrics

Year	2005	2006	2007	2008	IQ - 2009
Revenue (RMm)	112,258,895	116,635,367	186,734,332	245,275,000	25,211,000
Pretax Profit (RMm)	31,824,709	34,806,495	57,500,912	68,314,000	7,528,000
Net Profit (RMm)	16,363,124	19,779,283	39,243,745	48,424,000	5,617,000
EPS(sen)	15.36	17.36	31.78	33.53	3.86
ROE (%)	9.89	10.64	18.86	15.83	n/a
PE (x)	8.46	7.49	4.09	3.88	n/a
DPS (sen)	7.50	7.50	12.50	9.20	n/a
Gross Div. Yield (%)	5.77	5.77	9.62	7.08	n/a

Source: Company Data, A.A. Anthony Securities estimates

Website: <http://www.aaasec.com.my>

For Internal Circulation Only

Industry Analysis

The property market had seen a slowdown since the first half of this year couple with Malaysia's inflation surged to a record high this year. Therefore, we expected property sales to be weak due to the current global economic slowdown and the inflation in Malaysia.

Chart 1: Malaysia's property market sensitivity to Inflation Rate

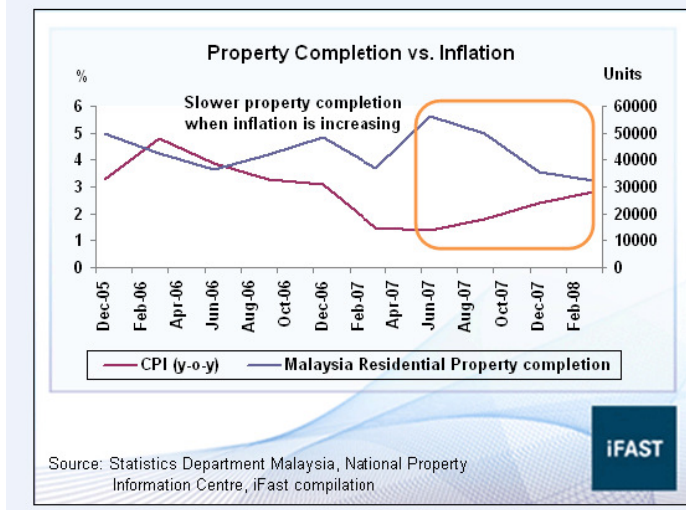
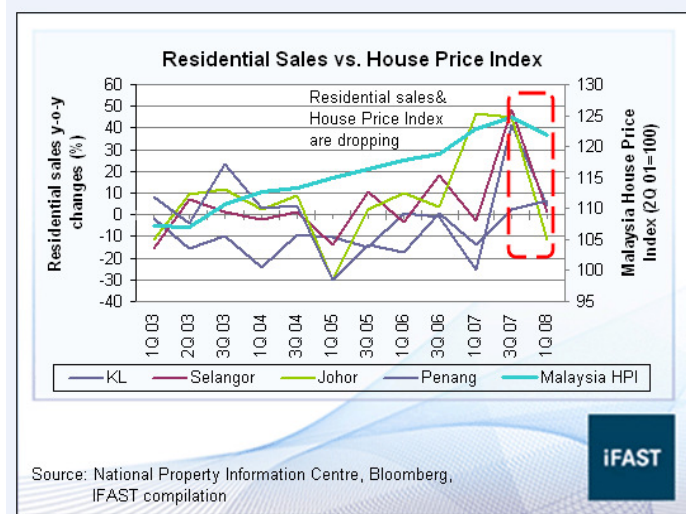


Chart 2: Property Sales Slowing Down



Valuation

The outlook for the property market remains dim as Malaysia's economic growth is projected to slow. Therefore, the Group's earnings growth might not be sustainable as sales momentum decelerates amid the global financial crisis and soft property demand. We downgrade the stock to a Neutral with a target price of RM1.33 (by applying a PE of 8.5x) in view the poorer industry prospects.

Rating Key

Trading Buy	Potential upside expected to hit more than 30% over a 12 – month period
Buy	Potential upside expected to range between 10% - 30% over a 12 – month period
Neutral	Potential expected to stay between 10% and -10% over a 12 – month period
Sell	Potential downside expected to range between 10% - 30% over a 12 – month period
Trading Sell	Potential downside expected to dip more than 30% over a 12 – month period

** The target prices of shares mentioned in the accompanying text are based on the assumed investment horizon of 12-months. If company notes are published on these shares in the future, the target prices mentioned in the new notes will have priority.*

The information in this report has been obtained from sources believed by A.A. Anthony Securities Sdn Bhd (AAA) to be reliable but its accuracy or completeness is not guaranteed. Opinions contained herein are subject to change without notice. This report is for informational purposes only and is not to be construed as an offer or solicitation for the purchase or sale of any financial instrument. This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report and is not a substitute for the exercise of independent judgement. We accept no liability for any direct or indirect loss arising from the use of this report. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of AAA. All rights are reserved.

*Principal Office - Penang
1st Floor, Bangunan Heng Guan,
171, Jalan Burmah, 10050 Pulau Pinang.
Tel: 604-229 9318 Fax: 604-226 8788*

*Johor Bahru Branch
Levels 6, 7, & 8, Menara Sarawak Enterprise,
5, Jln Bukit Meldrum, 80300 Johor Bahru, Johor Darul Takzim, Malaysia.
Tel: 604-229 9318 Fax: 604-226 8788*

*Sri Hartamas Branch
N-1-3 Plaza Damas, 60 Jalan Sri Hartamas 1,
50480 Sri Hartamas.
Tel: 603-6201 1155 Fax: 603-6201 1001*

*Bukit Mertajam Branch
2 Jalan Perniagaan 2, Pusat Perniagaan Alma,
14000 Bukit Mertajam.
Tel: 604-554 1388 Fax: 604-5541 1389*

*Johor Jaya Branch
70 Jalan Rosmerah 2/17, Taman Johor Jaya,
81100 Johor Baru.
Tel: 607-351 3218 Fax: 607-351 3843*

*Kulai Branch
42-8 Main Road, Kulai Besar,
81000 Kulai.
Tel: 607-663 6658 Fax: 607 663 6653*

*Alor Setar Branch
Lots 4, 5 & 5A, 1st Floor, EMUM 55, No. 55, Jalan Gangsa,
Kawasan Perusahaan Mergong 2, Seberang Jalan Putra,
05150 Alor Setar, Kedah.
Tel: 604-732 2111 Fax: 604-732 2777*

*Nusa Bestari Branch
171, Ground Floor, Jalan Bestari 1/5,
Taman NUSA Bestari, 81300 Skudai,
Johor.
Tel: 607-512 1633 Fax: 607-512 1933*

*Teluk Intan Branch
29G, Jalan Intan 2, Bandar Baru,
36000 Teluk Intan,
Perak Darul Ridzuan.
Tel: 605621 6010 Fax: 605-621 6011*

Website: <http://www.aaasec.com.my>

For Internal Circulation Only