

RESULTS NOTE

Bloomberg Code HPB.MK

INVESTMENT DATA

Recommendation	Underperform
Price	RM1.27
Target price	RM0.96
Expected capital gain	-24.4%
Expected yield	4.3%
Expected return	-20.1%

Market capitalisation	RM216.9m
Shares in issue	147.3m
52 week high/low	RM1.86/RM0.93
3m average daily volume	0.04m shares

KLCI **1042.63 pts**

Major shareholders :	%
Khor Teng Tong Holdings	36.3
Tabung Haji	8.0
Yayasan Bumiputera	7.2
Est Free Float	46.0

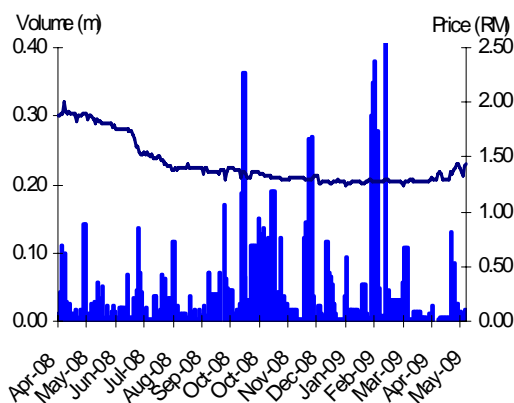
12-month consensus

Buys	2
Holds	1
Sells	2
FY08 Estimate (EPS sen)	17.0
FY09 Estimate (EPS sen)	24.0

Revenue downtrend continues

- Hunza Prop's 3QFY09 performance was weak as expected with net profit of RM5.8m (-14.2% qoq, -40.2% yoy) which was within our expectation but below the consensus. The flagging revenue was attributed to completion of projects such as Alila and Mutiara Seputih (which were completed in April 2008), slower new sales and lack of new launches. Earnings forecasts remain unchanged. No dividend was declared for the quarter.
- Launches on hold, new sales still weak
Hunza Prop's earnings continued to be under pressure due to slower sales as the market conditions continue to be challenging. We still believe that the Group has no plans to launch new projects in view of the softening demand. Revenue recognition might also be affected by delay in one of its major projects, Gurney Paragon which is currently behind schedule. Although recent news on improved consumer sentiment with some launches receiving good response, we are still wary on demand sustainability on big ticket items such as property as economic indicators are still weak.
- No catalysts in sight, maintain Underperform
We maintain our Underperform recommendation but increased our target price to RM0.96 from RM0.80 previously (60% discount to RNAV of RM2.40) in view of the higher valuations of its peers. Earnings risk remains high and we believe property buyers are still risk averse and anticipating further drop in property prices which could defer property purchases. Therefore, with the prevailing headwinds facing the sector, we would prefer property investors than property developers for exposure in the sector.

DAILY CHART



Sources: Bloomberg

INVESTMENT STATISTICS

FY June (RM m)	2007	2008	2009F	2010F
Turnover	190.0	184.8	203.2	167.6
EBITDA	61.7	38.2	39.2	34.3
Pretax Profit	60.7	36.2	36.9	32.1
Core Net Profit After MI	39.4	25.4	23.8	24.1
EPS (sen)	25.3	16.3	15.3	15.3
EPS Growth (%)	48.8	-35.4	-6.4	0.4
P/E (x)	5.7	8.8	9.4	9.4
P/NTA (x)	0.76	0.65	0.56	0.54
Gross DPS (sen)	12.50	6.70	6.27	6.28
Dividend Yield (%)	8.68	4.65	4.35	4.36
ROE (%)	18.26	10.13	8.13	11.00
Net Gearing (x)	0.74	0.66	0.57	0.60
EV/EBITDA (x)	5.36	8.64	8.44	9.63

Sources: Bloomberg, Alliance Research

EARNINGS REVIEW						
FY June (RM m)	3QFY09	3QFY08	2QFY09	qoq %	yoy %	Comments
Revenue	18.6	54.1	24.7	-24.7%	-65.6%	Slower progress billing due to delay in Gurney Paragon, and completion of some project in the previous quarter
Cost of sales	-12.4	-38.7	-17.6	-29.6%	-68.0%	Higher expenses from quit rent and donations
Gross profit	6.2	15.4	7.1	-12.3%	-59.7%	-
Other income	7.4	4.0	6.7	10.5%	86.4%	-
Other operating expenses	-4.4	4.9	-3.8	15.4%	-190.3%	-
Profit from operation	9.3	14.4	9.9	-6.5%	-35.4%	-
Finance costs	-0.3	-0.9	-0.3	11.5%	nm	-
Pretax profit	9.0	13.4	9.7	-7.0%	-32.8%	-
Taxation	-2.7	-3.7	-2.6	3.2%	-27.0%	-
Net profit less MI	5.8	9.7	6.8	-14.2%	-40.2%	-
EPS (sen)	4.0	6.7	4.7	-14.1%	-40.1%	-
Operating Margin (%)	50.0%	26.6%	40.3%	24.1%	87.8%	Margins lifted by high value project such as high rise projects in Penang
Pretax margin (%)	48.4%	24.8%	39.2%	23.4%	95.4%	
Tax rate (%)	-30.0%	-27.6%	-27.0%	11.0%	8.6%	-
						-

Source: Company, Alliance Research

Recommendation Framework

STOCK RECOMMENDATIONS

- OUTPERFORM** : The stock's total return is expected to exceed KLCI's total return by 10% or more in the next 12 months.
- MARKET PERFORM** : The stock's total return is expected to be within +5% or – 5% of KLCI's total return.
- UNDERPERFORM** : The stock's total return is expected to be below KLCI's total return by 10% or more in the next 12 months.
- TRADING BUY** : The stock's total return is expected to exceed KLCI's total return by 10% or more within the next 3 months.
- TRADING SELL** : The stock's total return is expected to be below KLCI's total return by 10% or more within the next 3 months.
- NOT RATED** : Stock is not within our regular coverage

SECTOR RECOMMENDATIONS

- OVERWEIGHT** : The industry as defined by the analyst is expected to outperform the KLCI over the 12 months.
- NEUTRAL** : The industry as defined by the analyst is expected to perform in line with KLCI over the 12 months.
- UNDERWEIGHT**: The industry as defined by the analyst is expected to underperform the KLCI over the next 12 months.
- total return** = **capital gain + dividend yield**

Common Abbreviation

Adex = Advertising Expenditure	FCF = Free Cashflow	PEG = PE ratio to growth
bn = billion	FV = Fair Value	PER = PE ratio
BV = Book Value	FY = Financial Year	QoQ = Quarter on Quarter
CF = Cashflow	KLCI = Kuala Lumpur Composite Index	OP = Outperform
CAGR = Compounded Annual Growth rate	m = million	RM = Ringgit
Capex = Capital Expenditure	MoM = month on month	RM bn = RM billion
CY = Calendar Year	MP = Market Perform	RM m = RM million
Div yld = Dividend Yield	NAV = Net Assets Value	ROA = Return on Assets
DCF = Discounted Cashflow	NM = Not Meaningful	ROE = Return on Equity
		ROSF = Return on shareholders funds
DPS = Dividend Per Share	NTA = Net Tangible Assets	TP = Target Price
EBIT = Earnings Before Interest & Tax	NR = Not Rated	UP = Under Perform
EBITDA = EBIT before Depreciation and Amortisation	p.a. = per annum	
EPS = Earnings per share	PAT = Profit after tax	WACC = Weighted Average Cost of Capital
		YoY = Year on Year
EV = Enterprise Value	Pretax profit = Profit before tax	YTD = Year to date
1QFY12/07 = 1 st Quarter for FY Dec 07	PE = Price Earnings Ratio	
2HFY12/07 = 2 nd Half for FY Dec 07		

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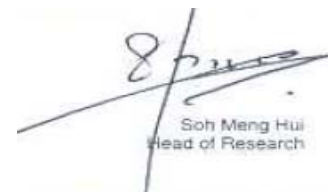
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