



RESULTS NOTE

Bloomberg Code HPB.MK

INVESTMENT DATA

Recommendation	Buy
Price (26 May 08)	RM1.40
Target price	RM2.60
Expected capital gain	85.7%
Expected yield	9.3%
Expected return	95.0%

Market capitalisation	RM206.3m
Shares in issue	147.3m
52 week high/low	RM3.06/RM1.21
3m average daily volume	0.02m shares

KLCI **1,073.21 pts**

Major shareholders :	%
Khor Teng Tong Holdings	37.7
Tabung Haji	8.2
Yayasan Bumiputera	7.4
Est Free Float	63.1

12-month consensus	
Buys	4
Holds	2
Sells	-
FY08 Estimate (EPS sen)	37.2
FY09 Estimate (EPS sen)	45.5

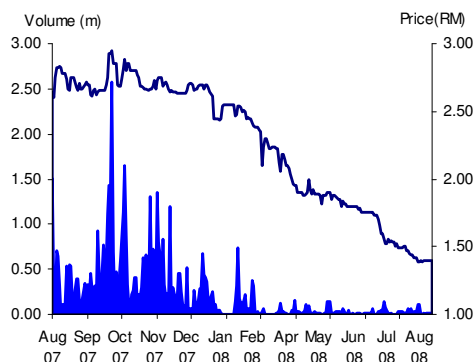
FY08 results within expectations

- **In line.** Hunza Prop registered 4QFY08 net profit of RM10.2m (+5% qoq, -39% yoy) which was supported by strong performance of its property development and investment holding segments. FY08 net profit of RM49.1m was in line with our expectation but higher than the consensus estimates. Hunza Prop proposed a final dividend of 5.5 sen or a total 9.2 sen dividend return for FY08. The cash dividend was lower than expectation due to Hunza Prop's more aggressive share buyback (bought back 1.4m shares at average price of RM2.49).
- **Margins lifted by higher value products**
Operating margin showed some improvement (+3 pts qoq to 20%) which we understand was due to the contribution from its Bandar Putra Bertam's shop offices. However, we believe the rising construction costs and weak consumer sentiment could add more pressure on Hunza Property's property sales and margin going forward. We expect profit growth to be flattish for the Group. On-going projects such as Gurney Paragon, Alila and Infinity in Penang and Mutiara Seputeh in KL will continue to drive its performance in the near term. Key projects in the pipeline include Alila 2, a high end project with GDV of RM230m-280m and sited on a 4-hectare plot next to its existing project in Tanjung Bungah which is planned to be launched in 2010.
- **Maintain Outperform and RM2.60 PT**
We maintain our Outperform recommendation and RM2.60 PT (40% discount to RNAV). Concerns of margin squeeze and slowing demand from weak consumer sentiment have ravaged the prices of most property counters. YTD, Hunza Prop has declined by 48% ytd to RM1.40 which we believe is now trading at a substantial discount to its appraised value (at steep 67% discount to RNAV).

INVESTMENT STATISTICS

FY Jan (RM m)	2006	2007	2008F	2009F
Turnover	116.6	190.0	245.1	330.1
EBITDA	35.2	61.7	69.7	82.0
Pretax Profit	34.8	60.7	68.3	79.7
Core Net Profit After MI	19.8	39.4	49.1	49.7
EPS (sen)	17.0	31.78	33.5	33.4
EPS Growth (%)	13.3	48.8	5.5	-0.3
P/E (x)	10.8	7.3	5.8	5.8
P/NTA (x)	2.06	1.83	1.58	1.35
Gross DPS (sen)	5.0	12.5	9.2	13.1
Dividend Yield (%)	3.6	8.9	6.6	9.3
ROE (%)	10.31	18.26	19.1	16.96
Net Gearing (x)	0.82	0.74	0.21	0.57
EV/EBITDA (x)	9.6	5.5	4.8	4.1

DAILY CHART



Sources: Bloomberg

Sources: Bloomberg, Alliance Research

EARNINGS REVIEW (QoQ)						
FY June (RM m)	4QFY08	3QFY08	4QFY07	qoq %	yoy %	Comments
Revenue	53.3	54.1	66.4	-2%	-20%	Contribution from Infinity project is not consolidated yet Product mix and higher construction costs
Cost of sales	-40.7	-38.8	-47.2	5%	-14%	
Gross profit	12.6	15.3	19.2	-18%	-35%	
Other income	7.5	3.8	4.3	96%	75%	
Other operating expenses	-4.8	-4.8	-1.5	-1%	210%	Higher from donation to an education institution
Profit from operation	15.3	14.3	22.0	7%	-30%	Higher contribution from property development and investment holding
Finance costs	-0.4	-0.9	-0.1	-52%	947%	
Pretax profit	14.9	13.4	21.9	11%	-32%	
Taxation	-4.7	-3.7	-5.2	27%	-10%	
Net profit less MI	10.2	9.7	16.7	5%	-39%	
EPS (sen)	6.8	6.4	12.9	6%	-47%	
Operating Margin (%)	29%	26%	33%	8%	0%	Margins lifted by high value project in Bandar Putra Bertam's shop offices
Pretax margin (%)	28%	25%	33%	12%	-15%	Effective tax is higher due to losses of subsidiaries that can't be offset against other profits
Tax rate (%)	32%	28%	24%	15%	32%	

EARNINGS REVIEW (YTD)				
FY June (RM m)	FY08	FY07	yoy %	Comments
Revenue	245.1	186.7	31%	New launches in Penang and KL boosted revenue
Cost of sales	-175.2	-123.7	42%	
Gross profit	70.0	63.0	11%	
Other income	14.6	5.1	184%	
Other operating expenses	-14.9	-10.6	41%	
Profit from operation	69.7	57.6	21%	
Finance costs	-1.4	-0.1	NM	
Pretax profit	68.3	57.5	19%	
Taxation	-19.3	-15.2	27%	
Net profit less MI	49.1	42.3	16%	
EPS (sen)	33.5	31.8	6%	
Operating Margin (%)	28%	31%	-8%	
Pretax margin (%)	28%	31%	-9%	
Tax rate (%)	28%	26%	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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