

RESULTS NOTE

Bloomberg Code HPB.MK

INVESTMENT DATA

Recommendation	Underperform
Price (26 May 08)	RM1.30
Target price	RM0.80
Expected capital gain	-38.5%
Expected yield	2.9%
Expected return	-35.6%

Market capitalisation	RM191.5m
Shares in issue	147.3m
52 week high/low	RM2.80/RM1.00
3m average daily volume	0.04m shares

KLCI 856.37 pts

Major shareholders :	%
Khor Teng Tong Holdings	37.6
Tabung Haji	8.2
Yayasan Bumiputera	7.4
Est Free Float	46.8

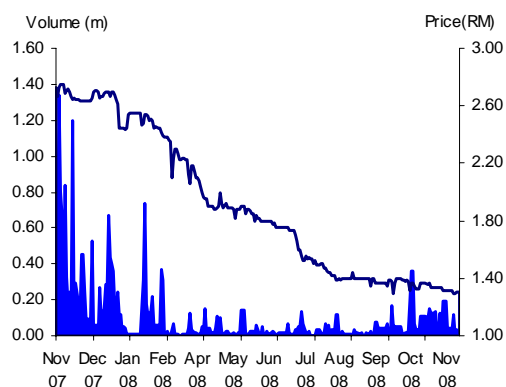
12-month consensus

Buys	3
Holds	2
Sells	1
FY08 Estimate (EPS sen)	36.5
FY09 Estimate (EPS sen)	42.3

Poor 1Q results; lowering FY09 forecasts

- **Hunza Prop 1QFY09 net profit hit the brick wall (-52.7% qoq, -62.8% yoy) due to disappointing take-up rate and slower construction progress. The results were significantly below our and the consensus estimates. We revised our estimates downwards and do not expect earnings to improve in the immediate term given the increasing difficult trading environment.**
- **Margins improved but sales deteriorated significantly**
Hunza Prop's operating margin improved to 31.3% from 29.0% in the preceding quarter, driven by high rise projects in Penang. However, revenue slumped 62.8% yoy on the back lower take-up rate and slower than expected construction progress. Additionally, we understand that the Group has delayed most of its new launches in view of the softening demand. Among the key new projects in the pipeline that might be delayed include its retail mall and commercial development in Penang which has GDV of more than RM800m. We have cut our earnings forecast following the update to reflect worse than expected sales performance and slower launches. Now, we expect earnings to slow down and adjusted our estimates accordingly.
- **Downgrade to Underperform**
We downgrade our recommendation to Underperform (from Outperform) and cut our target price to RM0.80 (70% discount to RNAV of RM2.40). We have removed the surplus value from its future developments (retail mall, offices and service apartments) as we believe the project now has higher execution risks in light of the recent market conditions.

DAILY CHART



Sources: Bloomberg

INVESTMENT STATISTICS

FY June (RM m)	2007	2008	2009F	2010F
Turnover	190.0	245.1	203.2	167.6
EBITDA	61.7	69.7	39.2	34.3
Pretax Profit	60.7	68.3	36.9	32.1
Core Net Profit After MI	39.4	49.1	23.8	24.1
EPS (sen)	31.8	33.5	15.3	15.3
EPS Growth (%)	48.8	5.5	-6.4	0.4
P/E (x)	7.3	5.8	14.3	14.2
P/NTA (x)	0.6	0.6	0.7	0.7
Gross DPS (sen)	12.5	9.2	6.3	6.3
Dividend Yield (%)	8.9	6.6	2.9	2.9
ROE (%)	18.3	19.1	8.1	8.1
Net Gearing (x)	0.7	0.2	0.3	0.3
EV/EBITDA (x)	5.5	4.8	6.6	6.8

Sources: Bloomberg, Alliance Research

Results Note

27 November 2008

EARNINGS REVIEW						
FY June (RM m)	1QFY09	1QFY08	4QFY08	QoQ %	YoY %	Comments
Revenue	25.2	67.7	53.3	-52.7	-62.8	Slower take-up rate and construction progress
Cost of sales	-17.9	-46.4	-40.7	-56.0	-61.4	-
Gross profit	7.3	21.2	12.6	-42.1	-65.6	-
Other income	0.6	0.2	7.5	-92.0	200.0	-
Other operating expenses	-3.8	-3.9	-4.8	-20.8	-2.6	-
Profit from operation	7.9	17.5	15.3	-48.4	-54.9	-
Finance costs	-0.3	0.0	-0.4	-15.8	NM	-
Pretax profit	7.5	17.5	14.9	-49.7	-57.1	-
Taxation	-2.1	-5.1	-4.7	-55.3	-58.8	-
Net profit less MI	5.4	12.5	10.2	-47.1	-56.8	-
EPS (sen)	3.9	8.9	6.8	-42.6	-56.2	-
Operating Margin (%)	31.3	25.8	29.0	8.1	21.3	Margins lifted by high value project such as high rise projects in Penang
Pretax margin (%)	29.8	25.8	28.0	6.3	15.1	-
Tax rate (%)	-0.3	-0.3	0.3	-187.5	-3.9	-

Source: Company, Alliance Research

Results Note

27 November 2008

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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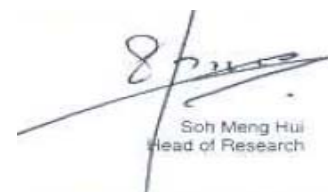
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Soh Meng Hui
Head of Research

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ALLIANCE RESEARCH SDN BHD (290395-D)
Level 18, Menara Multi-Purpose
Capital Square
8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel: +60(3) 2692 7788
Fax: +60(3) 2717 6622
Email: Allianceresearch@allianceinvestment.com.my