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Company Results

February 21, 2008

Hunza Properties Berhad

Current Price : RM 2.51
Target Price : RM 4.94

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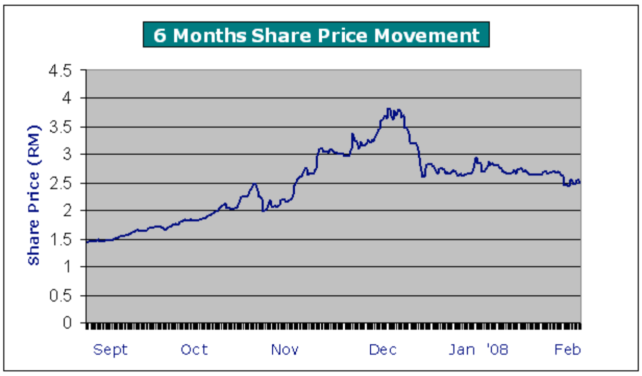
A Slight Above Expectation

Market Data	
Recommendation:	OUTPERFORM
Bloomberg code:	HPB MK
Sector:	Property
Average Volume ('000):	656.798
Mkt. Cap (RM' million):	369.68
Issued Capital (million):	147.283
52 week high/low (RM):	3.88 / 1.92
Estimated Free Float:	33%
Major Shareholders (%)	
Dato' Khor Teng Tong	53.76%
Yayasan Bumiputra Pulau Pinang Bhd	8.05%
Khor Siang Gin	5.37%

As at 17th October 2007



Highlights

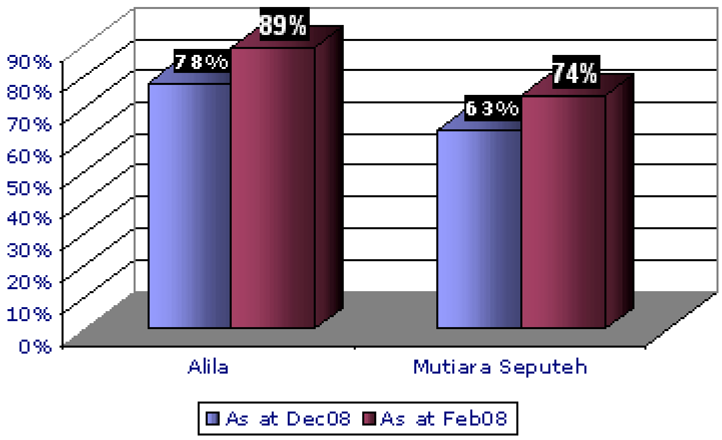
- **Results slightly above expectation.** Hunza registered a strong revenue growth in 2QFY6/2008, up 78.4% q-o-q to RM70.066million, which is slightly above our expectation of RM49.6million. However, we found in their gross margin to have eased to 11% in 2QFY6/2008 from 40.8% in the previous quarter due to the recent downward revision of their profit margin for building material coupled with higher base. But when compared against the corresponding quarter we found the gross margin to be higher, benefiting from the Bandar Putra Bertam's shop offices thriving sales. Nevertheless, we remain comfortable with their margin, given that it is still higher than the industry average of 25%.

Table 1: 2QFY6/2008 Results

Co. Name:	**Hunza Properties Bhd**					**RM2.51**
Quarter:	**2QFY6/2008**					
	Current Yr Quarter	**Previous Yr Quarter**	**% change**	**Current Yr To Date**	**Previous Yr Period**	**% change**
Revenue ('000)	70,066	39,280	78.4	137,794	75,634	82.2
Pretax Profit ('000)	22,504	13,325	68.9	40,035	24,174	65.6
Net Profit ('000)	16,727	9,462	76.8	29,187	17,174	69.9
EPS (sen)	12.14	7.39	64.3	21.16	13.76	53.8
NA per share (RM)				2.14	1.90	

- **Improved sales from higher take up rates.** Sales improved during the quarter by 82.2% y-o-y, mainly benefiting from their two maiden projects in Penang and Klang Valley i.e. Alila and Mutiara Seputeh. Physical constructions of Alila and Mutiara Seputeh are on schedule and expected to complete by FY6/2008. Take up rate for these projects stand at 89% and 74% respectively as at February 2008.

Chart 1: Take Up Rate



Source: Company, Inter-Pacific Research

- **Profit realisation from Gurney Paragon and Infinity.** In line with our view, their two new maiden projects i.e. Gurney Paragon and Infinity started realizing profits in 2QFY6/2006. We believe the take up rates for these projects would remain positive, given that the Penang buyers' are more risk adverse and their confidence is poised to improve in line with the gradual progression in construction particularly when it breaches 50% of the completion rate. We are optimistic that earnings would sustain over the next 2 to 3 years from these 4 high-end projects (Alila, Mutiara Seputeh, Gurney Paragon and Infinity).

Recommendation & Valuation

- **OUTPERFORM.** Backed by strong prospect as a medium to high end property developer, we have revised upwards our FY6/2008 earnings projection by 40% to RM303.99million. We continue to reiterate our OUTPERFORM recommendation with our fair value revised upwards to RM4.94 from RM4.08, based on EPS of 38.0 sen and an estimated industry PER of 13x.

Financial Highlights

Table 2: Financial Highlights

FY June	2004A	2005A	2006A	2007A	2008F	2009F
Revenue (RM'mil)	117.30	112.26	116.64	186.73	303.99	280.72
EBITDA (RM'mil)	28.81	33.91	36.01	58.77	78.01	77.63
Pretax profit (RM'mil)	28.51	33.45	34.85	58.02	77.14	76.54
Net profit (RM'mil)	13.81	16.36	19.78	42.27	56.09	54.36
EPS (RM)	0.09	0.11	0.13	0.29	0.38	0.37
PER (x)	26.78	22.59	18.69	8.75	6.59	6.80
Dividend (sen)	7.5	7.5	7.5	7.5	7.5	7.5
Price/NTA per share	2.31	1.86	1.74	1.32	1.37	1.04
ROE (%)	8.3	8.2	9.3	15.1	17.1	15.4
ROA(%)	4.4	4.3	4.8	8.0	10.7	8.3
EV/EBITDA	17.63	15.48	14.83	9.42	6.98	7.50
Pretax profit Margin (%)	23.0	28.3	29.8	30.8	25.6	26.9
Net Profit Margin (%)	11.8	14.6	17.0	22.6	18.5	19.4
EBITDA margin (%)	22.6	28.8	30.4	31.2	25.7	27.1
EBIT margin (%)	22.3	28.4	29.4	30.8	25.4	26.8
Debt ratio	0.47	0.48	0.49	0.47	0.49	0.46
Debt-to-Equity ratio	0.88	0.92	0.95	0.88	0.78	0.86
Net Gearing ratio	0.65	0.68	0.75	0.70	0.56	0.60
Interest Coverage Ratio	27.79	27.85	1,492.70	569.03	771.36	157.45