

3 February 2010

**Trading BUY
RM1.28**

Target Price: RM1.96

Stock data

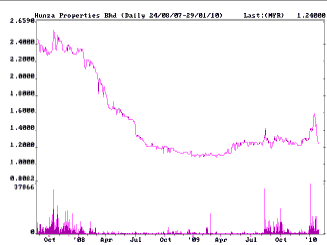
Market cap (RMm):	250.7
Issued shares (m):	195.9
52-week range:	RM0.93- RM1.68
3-mth avg daily volume:	305,999 shrs
Bloomberg code:	HPB MK
YTD price chg:	-7.6%
YTD KLCI chg:	-0.7%
Est. free float:	35.1%
Major shareholders:	
Dato' Dr Khor Teng Tong:	50.5%
Yayasan Bumiputera	7.2%
Pulau Pinang Bhd:	
Lembaga Tabung Haji:	7.2%
KLCI FBM70 FBM100 Syariah Hijrah	No No No Yes No

Consensus

FYE 30 Jun	2010E	2011E
Net profit (RMm):	42.4	45.7
EPS (sen):	22.7	24.5

Forecast revision

FYE 30 Jun	2010E	2011E
Prev. net profit (RMm):	43.1	34.7
Revision (%):	+19%	+23%
Revised net profit (RMm):	51.3	42.5

Share price chart


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Hunza Properties

1H10 outperforms expectations

- 1H09 net profit of RM25.7m was above expectations**, making-up 61% of consensus' FY10E net profit of RM42.4m and 60% of our RM43.1m. Hunza Properties (Hunza) sterling results were driven by better than expected margins arising from lower operating cost and stronger Gurney Paragon Condo (GPC) sales. GPC's take-ups improved 3ppt QoQ to 58% at 31/12/09 and are closer to its 65%-70% breakeven point.
- YoY, 1H09 net profit grew 108%**. Higher billings from GPC as construction is at 40% vs. preceding period's disruption in GPC's construction. Additionally, Infiniti is now a fully owned project oppose to 90% profit sharing basis previously.
- QoQ, 2Q09 pretax profit was flat at RM17.5m**. Although topline grew 4% QoQ, impact was muted by slight EBITDA margin compression by 1.2ppt to 31.1%. 2Q09 registered softer Infiniti sales of RM11m (-56% QoQ; 75% take-up rate) which carries richer margins given low land cost and tail-end construction progress; completion is on schedule with Vacant Possession in March 2010.
- FY10-11E net profit raised by 19%-23% to RM51.3m-RM42.5m**. We lower our other operating cost as it is currently proportionately lower to revenue vs. preceding periods. We believe it is largely due to having 2 active projects (Infiniti, Gurney Paragon) as oppose to having 4-5 projects running concurrently. Hence, minimal dilution to FY10-11E EPS from post issuance of 45.2m rights shares or lower by 9%-6% to 26.9sen-22.3sen (initially expecting 38% dilution each to FY10-11E EPS before revised estimates). The rights issuance is expected to raise c.RM50m which will fund part of Gurney Paragon Mall works (c.RM320m construction cost). Unbilled sales of RM194m at 31/12/09 provide < 1 year earnings visibility.
- No changes to fair value of RM1.96**, based on our FD SOP RNAV (ex-proposed rights and warrants; Bayan Baru land only factored in upon finalization of SPA; it adds 16sen to our RNAV, assuming RM65psf land price). **Hunza is trading at trough valuations** (post rights/warrants dilutions), **providing Trading BUY opportunities**; 1) FY10E PER of 4.8x (ex-warrants PER of 5.9x is cheaper vs. its 6.6x average historical and 8.9x peer's 2) PBV of 0.6x is a discount to 0.7x average historical and 0.8x peer's. We remain cautious of timing of cash releases to fully fund GPM as it strongly hinges on full take-up rates from GPC and Infiniti. Nonetheless, we are heartened by more promising GPC take-ups, which should pick-up pace when GPM works commences.

Result Highlights

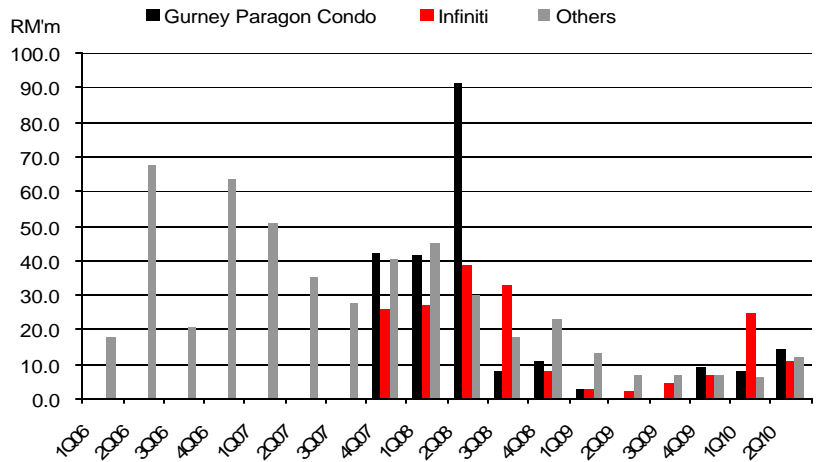
FYE: 30 Jun (RMm)	2Q09	3Q09	4Q09	1Q10	2Q10	±QoQ	±YoY	1H09	1H10	±Ytd
Revenue	24.7	18.6	23.3	57.1	59.4	4%	141%	49.9	116.5	133%
Operating costs less depn/amort	(20.7)	(16.0)	(19.3)	(39.5)	(42.2)	7%	104%	(41.6)	(81.7)	96%
Other Operating Income	0.8	0.4	0.3	0.8	1.3	53%	59%	1.4	2.1	51%
Profit share from proj mgmt	5.9	7.0	9.7	0.0	0.0	n.a.	-100%	9.7	0.0	-100%
EBITDA	10.7	10.0	13.9	18.4	18.5	0%	72%	19.4	36.9	107%
Net int inc/(exp)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	-25%	-31%	(0.6)	(0.4)	-29%
Pretax profit	9.7	9.0	12.9	17.4	17.5	0%	80%	17.2	34.9	103%
Taxation	(2.6)	(2.7)	(3.4)	(4.6)	(4.5)	-1%	73%	(4.8)	(9.1)	91%
Minority Interest	(0.3)	(0.5)	(0.1)	(0.1)	0.1	-51%	-80%	(0.1)	(0.1)	-11%
Net profit	6.8	5.8	9.4	12.7	13.0	2%	92%	12.4	25.7	108%
EPS (sen)	4.67	4.01	6.46	8.81	8.93	1%	91%	8.53	17.74	108%
DPS (sen)	0.00	0.00	5.60	0.00	0.00			0.00	0.00	
NTA/share (RM)	2.09	2.10	2.16	2.25	2.28	1%	9%	2.09	2.28	9%
Net gearing (x)	0.27	0.30	0.26	0.26	0.21			0.27	0.21	
EBITDA margin	43.4%	53.9%	59.9%	32.3%	31.1%			38.8%	31.7%	
Pretax margin	39.2%	48.2%	55.6%	30.5%	29.4%			34.5%	29.9%	
Effective tax rate	27.0%	30.0%	26.4%	26.3%	25.9%			27.7%	26.1%	

Result Review

QoQ (RMm)	1Q10	2Q10	QoQ Chg	Comments
Revenue	57.1	59.4	4%	Increase driven by higher sales for Gurney Paragon Condo, which is at superstructure stages.
Pretax Profit	17.4	17.5	0%	Growth slightly muted by softer QoQ Infiniti sales which fetch superior margins as project is almost completed.
Net Profit	12.7	13.0	2%	

YoY (RMm)	1H09	1H10	YoY Chg	Comments
Revenue	49.9	116.5	133%	Sharp growth due to full ownership of Infiniti as oppose to share of profit from project management.
Net Profit	12.4	25.7	108%	Preceding period's low base effect from Gurney Paragon Condo's slower progress billings.

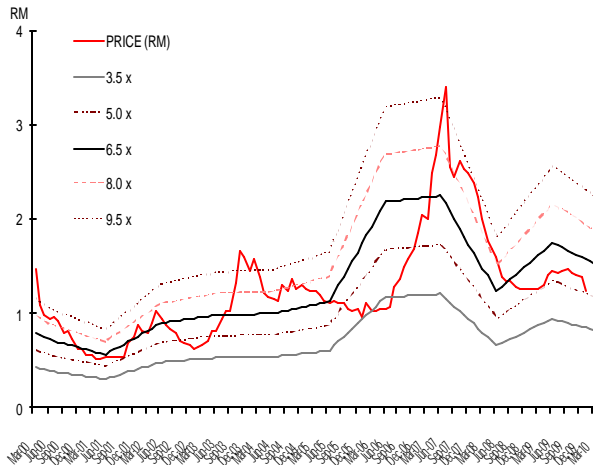
2Q10 SPA sales



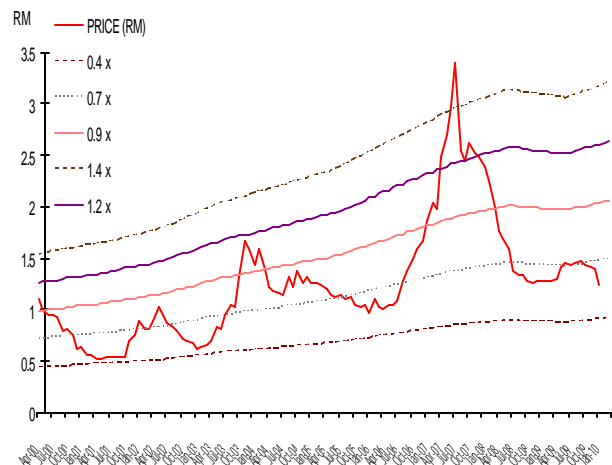
Source: Company, Kenanga Research

*Others = Allia, Mutiara Seputeh, BPB, Sungai Petani

Forward PER



Forward PBV



Source: Kenanga Research

Earnings Summary

FYE: 30 Jun (RMm)	2008A	2009A	2010E	2011E	2012E
Revenue	245	92	278	240	139
Pretax profit	68	39	71	58	36
Net profit	48	28	51	43	25
Net profit growth (%)	23%	-43%	86%	-17%	-41%
Recur. Net Profit	47	28	51	43	25
EPS (sen)	25.4	14.5	26.9	22.3	13.1
EPS growth (%)	23%	-43%	86%	-17%	-41%
Diluted EPS (sen)	21.6	12.8	21.7	18.0	10.8
NTA/ share (RM)	1.60	1.71	2.18	2.33	2.40
PER (x)	5.0	8.9	4.8	5.7	9.8
Diluted PER (x)	5.9	10.0	5.9	7.1	11.9
P/NTA (x)	0.8	0.7	0.6	0.6	0.5
EV/EBITDA (x)	4.3	7.2	4.2	5.0	7.7
ROE %	17.2%	8.7%	13.8%	9.9%	5.5%
Dividend Yield (%)	7.2%	3.9%	4.4%	4.4%	4.4%

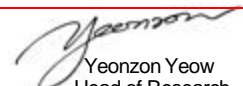
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