

04 May 2010

**Trading BUY
RM1.22**

Target Price: RM1.96

Stock data

Market cap (RMm):	237.1
Issued shares (m):	194.4
52-week range:	RM1.16-RM1.68
3-mth avg daily volume:	259,166 shrs
Bloomberg code:	HPB MK
YTD price chg:	-11.9%
YTD KLCI chg:	+5.8%
Est. free float:	33.1%
Major shareholders:	
Dato' Dr Khor Teng Tong:	50.5%
Yayasan Bumiputera Pulau Pinang Bhd:	7.3%
Lembaga Tabung Haji:	8.2%

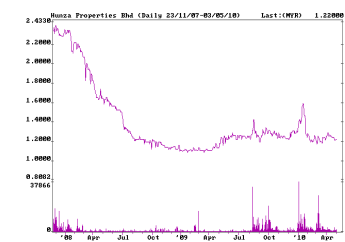
KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

Consensus

FYE 30 Jun	2010E	2011E
Net profit (RMm):	47.9	49.8
EPS (sen):	25.5	26.7

Forecast revision

FYE 30 Jun	2010E	2011E
Prev. net profit (RMm):	51.3	47.0
Revision (%):	-	-
Revised net profit (RMm):	51.3	47.0

Share price chart

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Hunza Properties

10th Anniversary special dividend

- 9M10 net profit of RM37.0m was within expectations;** accounting for 77% of street's FY10E net profit of RM47.9m and 72% of our RM51.3m. Hunza Properties (Hunza) results were driven by improved 9M10 sales of RM95.6m (+173% YoY). Gurney Paragon Condo (GPC) and Infinity take-up rates achieved 61% and 80% vs. last quarters 58% and 75%, respectively, on the back of recovering economic conditions and higher completion levels which tend to expedite sales. **GPM in the midst of piling works while substructure contracts have been awarded.** Commencement of GPM works will definitely instill more buyers' confidence and we expect visible works of GPM to rake in higher GPC sales.
- YoY, 9M10 net profit more than doubled (+104% YoY),** attributed to Hunza owning 100% of Infinity vs. 90% profit sharing basis previously. Furthermore, stronger billings were felt as Infinity is 100% completed while GPC at 51% completion stages. Positively, we can expect Hunza to continually increase Infinity's pricing given completion premiums and recovering economic conditions.
- 3Q10 pretax profit was 17% lower QoQ to RM14.6m.** Topline was flat at RM58.5m (-1% QoQ). 3Q10's seasonally weaker sales of RM21.2m (-43% QoQ) given the festive month (Chinese New Year). EBITDA margins also compressed to 26.7% (-4.4ppt QoQ). Hunza is expensing the GPC show units which were torn down to make way for Gurney Paragon Mall (GPM) construction.
- Special interim DPS of 2.5sen (single tier) as 10th Anniversary gift to shareholders.** This results in a bumper dividend year as we add on the special dividend to our FY10E estimates, resulting in 60% increase in FY10E DPS to 6.7sen (GDPS of 8.9sen or 7.3% yield).
- FY10-11E net profit unchanged at RM51.3m (+86% YoY) - RM47.0m (-8% YoY).** Take-up rates and construction progress of GPC are on track with our estimates. An unbilled sale of RM167.7m as at 31/3/10 provides less than 1 year visibility; unbilled sales has shrunk substantially or 20% YoY due to no new projects to replace higher billings and sales of on-going projects.
- Maintain Trading BUY with RM1.96 fair value,** based on our FD SOP RNAV. We still think cash release timings are still risky, although prospects are improving with increasing take-up rates for GPC. We are also weary of declining net profit trends, unless new projects are launched (e.g. Alila 2). Nonetheless, Hunza provides excellent trading opportunities with current trough valuations; 1) FY10-11E PER of 4.3-4.7x vs. historical 7.7x and peer's 9x 2) 0.6-0.5x FY10-11E PBV vs. historical 0.9x and peer's 0.9x. Additionally, Hunza is dishing our higher FY10E dividend yield vs. sector's average of 2%-3%.

Result Highlights

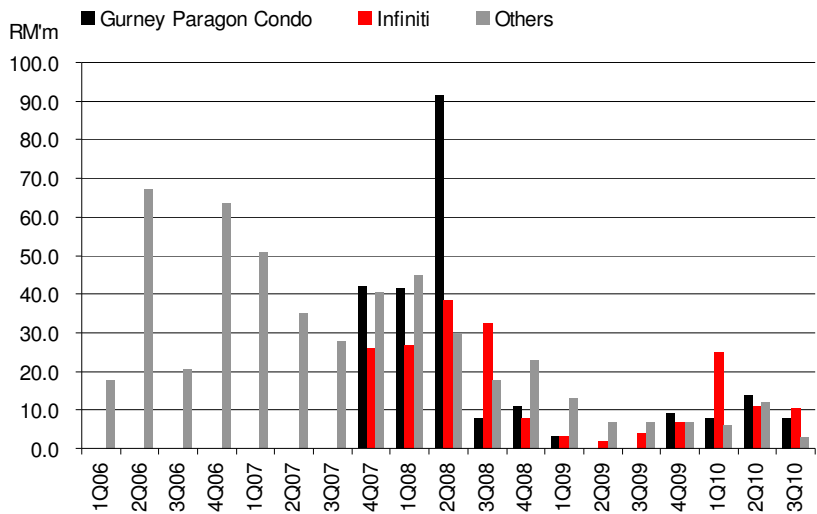
FYE: 30 Jun (RMm)	3Q09	4Q09	1Q10	2Q10	3Q10	±QoQ	±YoY	9M09	9M10	±Ytd
Revenue	18.6	23.3	57.1	59.4	58.5	-1%	214%	68.5	175.0	155%
Operating costs less depn/amort	(16.0)	(19.3)	(39.5)	(42.2)	(43.5)	3%	172%	(57.6)	(125.2)	117%
Other Operating Income	0.4	0.3	0.8	1.3	0.6	-52%	36%	1.8	2.7	48%
Profit share from proj mgmt	7.0	9.7	0.0	0.0	0.0			16.6	0.0	
EBITDA	10.0	13.9	18.5	18.5	15.6	-15%	56%	29.4	52.5	94%
Net int inc/(exp)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	4%	-32%	(0.9)	(0.6)	-30%
Pretax profit	9.0	12.9	17.4	17.5	14.6	-17%	62%	26.2	49.4	89%
Taxation	(2.7)	(3.4)	(4.6)	(4.5)	(3.3)	-26%	24%	(7.5)	(12.4)	67%
Minority Interest	(0.5)	(0.1)	(0.1)	0.1	0.1	-2%	-88%	(0.6)	(0.0)	-99%
Net profit	5.8	9.4	12.7	13.0	11.3	-13%	95%	18.2	37.0	104%
EPS (sen)	4.01	6.46	8.81	8.93	7.08	-21%	77%	12.54	24.82	98%
DPS (sen)	0.00	5.60	0.00	0.00	2.50			0.00	2.50	#DIV/0!
NTA/share (RM)	2.10	2.16	2.25	2.28	2.27	0%	8%	2.10	2.27	8%
Net gearing (x)	0.30	0.26	0.26	0.21	0.05			0.30	0.05	
EBITDA margin	53.9%	59.9%	32.3%	31.1%	26.7%			42.9%	30.0%	
Pretax margin	48.2%	55.6%	30.5%	29.4%	24.9%			38.2%	28.2%	
Effective tax rate	30.0%	26.4%	26.3%	25.9%	22.9%			28.5%	25.1%	

Result Review

QoQ (RMm)	2Q10	3Q10	QoQ Chg	Comments
Net Profit	13.0	11.3	-13%	Decline due to expensing of GPC show house units.

YoY (RMm)	9M09	9M10	YoY Chg	Comments
Revenue	68.5	175.0	155%	Sharp growth due to incorporating Infinity as a 100% own subsidiary and improved take-up rates for GPC.
Net Profit	18.2	37.0	104%	Increase attributed to lower effective tax rates.

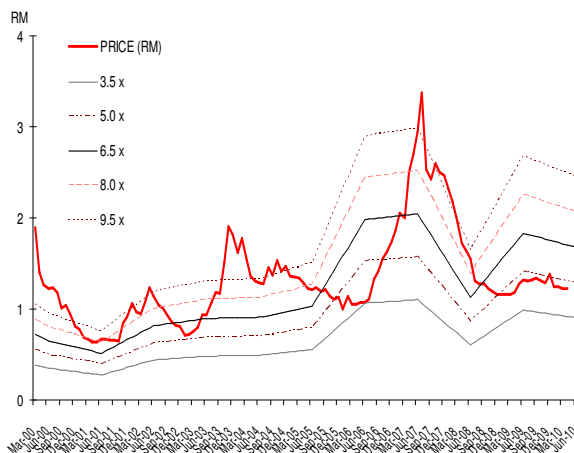
3Q10 SPA sales



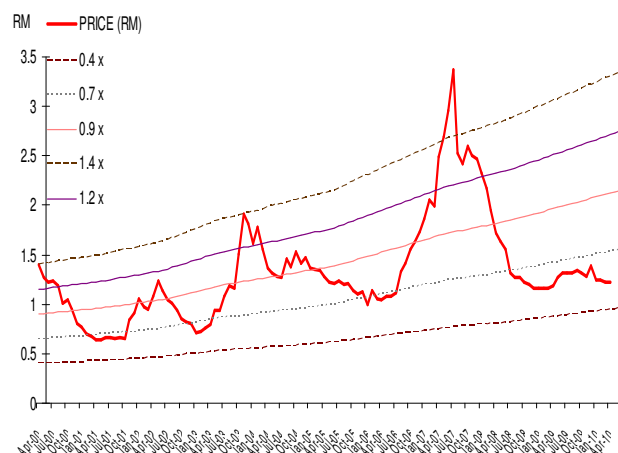
Source: Company, Kenanga Research

*Others = Alila, 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	256	117
Pretax profit	68	39	71	64	43
Net profit	48	28	51	47	29
Net profit growth (%)	23%	-43%	86%	-8%	-38%
Recur. Net Profit	47	28	51	47	29
EPS (sen)	26.6	15.2	28.2	25.8	16.1
EPS growth (%)	23%	-43%	86%	-8%	-38%
Diluted EPS (sen)	21.2	12.6	21.2	19.5	12.3
NTA/ share (RM)	1.68	1.79	2.21	2.39	2.49
PER (x)	4.6	8.0	4.3	4.7	7.6
Diluted PER (x)	5.8	9.7	5.7	6.3	9.9
P/NTA (x)	0.7	0.7	0.6	0.5	0.5
EV/EBITDA (x)	4.6	7.6	4.4	4.8	7.0
ROE %	17.2%	8.7%	14.1%	11.2%	6.6%
Net Dividend Yield (%)	7.5%	3.1%	5.5%	3.4%	3.4%

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