KENANGA RESEARCH

Company Update

26 March 2008

BUY
RM2.12

Target Price: RM4.37

Stock data

Market cap:	312.3
Issued shares:	147.3
52-week range:	RM1.90-RM3.88
3-mth avg daily volume:	335,448
Bloomberg code:	HPB MK
Syariah	Yes
YTD price chg:	-21.8%
YTD KLCI chg:	-14.9%
Est. free float:	32.8%
Major shareholders:	
Dato' Dr Khor Teng Tong:	*52.95%*
Lembaga Tabung Haji:	*6.84%*
Yayasan Bumiputera Pulau Pinang Bhd:	*7.40%*

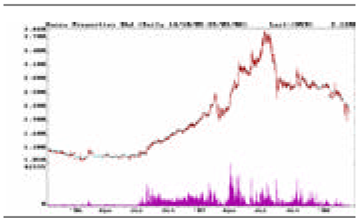
Consensus

FYE30 Jun	2008E	2009E
Net profit (RMm):	52.2	66.4
EPS (sen):	33.8	43.0

Forecast revision

FYE 30 Jun	2008E	2009E
Revision (%):	0%	0%
Net profit (RMm):	62	78

Share price chart



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Hunza Properties

Gurney Paragon on the chopping block?

- **The issue of Gurney-Paragon (GP).** Penang's new Chief Minister Lim Guan Eng stated that GP could be reviewed if there are "justifiable grounds". The statement probably stems from the Heritage Trust not being happy with Hunza Properties (Hunza) preservation plans of the heritage chapels/buildings on the site. Additionally, some Penangnites believes the project could devalue their property.

- **Can approved plans be retracted?** Currently, the GP high-end condominium has gotten all its approvals by the previous administration and has since, achieved a 46% take-up rate since its launch in mid-2007. Therefore, the legalities involved will make it tough to review the condominium portion.

- **Shopping mall building plans is still a wild card**. However, the GP shopping mall has only obtained approvals for the layout plan. This leaves a question mark when it comes to submitting their building plans, which management believes will not be a problem.

- **The next step.** Dato' Khor, the main stake holder of Hunza and executive chairman of Penang's Chinese Chamber of Commerce (CC), will be submitting a letter to the CC to present the issue and gain support from the community. The letter outlines the benefits of GP (especially the mall) to Penangnites, which is in line with CC intentions to grow the Penang economy. **Further details will be provided tomorrow** .

- **Reasons GP is unlikely to be reviewed** Besides the project's economic benefits, such as job creation, we think that a review could discourage potential FDIs; particularly when Penang's leading property developer of excellent track record, are under scrutiny even though a portion of the GP project (condominium only) has commenced. Clearly, it does not put Penang in a favourable light, which goes against the grain of its new state government's goal to be investor friendly.

- **Target price unchanged at RM4.37**, until we receive further information. Note that GP constitutes 36% or RM1.58 of our fair value. FY08E and FY09E PER valuations are very attractive at 5x and 4x, respectively. **Maintain BUY**.

Earnings Estimates

FYE: 30 Jun (RMm)	2006	2007	2008E	2009E	2010E
Revenue	117	190	286	338	384
Pretax profit	35	61	92	119	137
Net profit	20	39	62	78	87
Net profit growth (%)	21%	99%	58%	25%	12%
EPS (sen)	14.6	29.1	46.1	57.4	64.6
EPS growth (%)	21%	99%	58%	25%	12%
Diluted EPS (sen)	17.3	25.0	39.6	49.3	55.4
NDPS (sen)	7.5	9.1	7.5	7.5	7.5
NTA/ share (RM)	1.41	1.88	2.09	2.58	3.15
PER (x)	14.5	7.3	4.6	3.7	3.3
Diluted PER (x)	12.2	8.5	5.4	4.3	3.8
P/NTA (x)	1.5	1.1	1.0	0.8	0.7
EV/EBITDA (x)	12.8	7.1	4.8	3.7	3.2
ROE %	10.6%	17.6%	23.1%	24.4%	22.4%
Dividend Yield (%)	3.5%	4.3%	3.5%	3.5%	3.5%

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