

26 November 2009

Trading BUY RM1.41

Target Price: RM1.96

Stock data

Market cap (RMm):	212.4
Issued shares (m):	150.7
52-week range:	RM0.93-RM1.68
3-mth avg daily volume:	224,727 shrs
Bloomberg code:	HPB MK
YTD price chg:	+11.0%
YTD KLCI chg:	+45.0%
Est. free float:	34.25%
Major shareholders:	
Dato' Dr Khor Teng Tong:	50.51%
Lembaga Tabung Haji:	8.01%
Yayasan Bumiputera Pulau Pinang Bhd:	7.23%

KLCI	FBM30	FBM70	Syariah	Hijrah
No	No	No	Yes	No

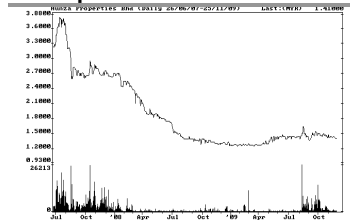
Consensus

FYE 30 Jun	2010E	2011E
Net profit (RMm):	37.1	42.5
EPS (sen):	25.0	29.8

Forecast revision

FYE 30 Jun	2010E	2011E
Prev. net profit (RMm):	34.7	31.4
Revision (%):	+23%	+11%
Revised net profit (RMm):	43.1	34.7

Share price chart


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Hunza Properties Surprising 1Q10

- **1Q10 net profit of RM12.7m came above expectations**, accounting for 34% of street's FY10E net profit of RM37.1m and 37% of our RM34.7m. Hunza Properties (Hunza) reported strong RM39m sales for 1Q10 (+70% QoQ; 105% YoY), mainly from Infiniti.
- **YoY, 1Q10 net profit swelled by 126%**. Combination of Infiniti's faster take-ups and advanced billings boosted earnings; 1) Infiniti's take up rate of 71% at 30/9/09 vs. 61% at 30/6/09 2) Infiniti should be completed by end CY09 with VP in early CY10. It is typical accelerated take-up rates in Penang when a project nears completion as it instils greater buyers' confidence. GPC has not gained the same momentum, given its 55% take-up rates at 30/9/09, which is only a slight improvement from last quarter's 53%.
- **1Q10 pretax profit of RM17.4m rose by 131% QoQ due to Infiniti being a 100% owned project**. Infiniti was previously a project management venture with Hunza having a 90% stake and share of development profits. We believe GPC billings are still low since Infiniti makes up RM43.7m or 77% of 1Q10 revenue of RM57.1m, implying more significant billings over 2H10-1H11.
- **Upward revision to FY10-11E net profit by 23%-11% to RM42.5m (+54% YoY) - RM34.7m (-19% YoY)**, as we stepped-up Infiniti's take-up rates reflect stronger buyer's confidence in the project. RM220m unbilled sales provides less than a years earnings visibility.
- **No changes to fair value of RM1.96**, based on our FD SOP RNAV (ex-proposed rights and warrants). **GPC sales should quicken once rights issuance raises new funds to kick-start GPM works**; proposed rights issue with free detachable warrants should be completed in 3Q10. Recent rights issuances were well received with oversubscription rates of between 20%-146% (see below). However, we are cautious of timing of cash releases from on-going projects as the rights issuances alone, together with borrowings of up to 0.5x gearing will be insufficient to fund the entire Gurney Paragon Mall cost of RM450m.
- Nonetheless, **cheaper valuations are emerging, providing good Trading BUY opportunities**; 1) FY10E PER of 5.9x (ex-rights PER of 7.4x) is cheaper vs. its 6.7x average historical and 8.4x peer's 2) PBV of 0.6x is also a discount to 0.7x average historical and 0.8x peer's.

Results Highlights

FYE: 30 Jun (RMm)	1Q09	2Q09	3Q09	4Q09	1Q10	±QoQ	±YoY
Revenue	25.2	24.7	18.6	23.3	57.1	145%	126%
Operating costs less depre/amort	(20.9)	(20.7)	(16.0)	(19.3)	(39.5)	105%	89%
Other Operating Income	0.6	0.8	0.4	0.3	0.8	214%	41%
Profit share from proj mgmt	3.8	5.9	7.0	9.7	0.0	-100%	-100%
EBITDA	8.6	10.7	10.0	13.9	18.4	32%	114%
EBIT	7.9	9.9	9.3	13.2	17.6	34%	124%
Net int inc/(exp)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	5%	-27%
Pretax profit	7.5	9.7	9.0	12.9	17.4	34%	131%
Taxation	(2.1)	(2.6)	(2.7)	(3.4)	(4.6)	34%	113%
Minority Interest	0.2	(0.3)	(0.5)	(0.1)	(0.1)	24%	-47%
Net profit	5.6	6.8	5.8	9.4	12.7	35%	126%
EPS (sen)	3.86	4.67	4.01	6.46	8.81	36%	128%
DPS (sen)	0.00	0.00	0.00	5.60	0.00		
NTA/share (RM)	2.11	2.09	2.10	2.16	2.25	4%	6%
Net gearing (x)	0.26	0.27	0.30	0.26	0.26		
EBITDA margin	34.3%	43.4%	53.9%	59.9%	32.3%		
Pretax margin	29.9%	39.2%	48.2%	55.6%	30.5%		
Effective tax rate	28.5%	27.0%	30.0%	26.4%	26.3%		

Results Review

QoQ (RMm)	4Q09	1Q10	QoQ Chg	Comments
Revenue	23.3	57.1	145%	Sharp increase due to Infiniti becoming a wholly-owned project and sharp uptake in take-up rates.
Pretax Profit	12.9	17.4	34%	Higher because of advanced progress billings from Infiniti.

YoY (RMm)	1Q09	1Q10	YoY Chg	Comments
Revenue	25.2	57.1	126%	See above.
Pretax Profit	7.5	17.4	131%	Boosted by more advanced billings from GPC.
Net Profit	5.6	12.7	126%	Significant jump due to stronger sales, especially from Infiniti.

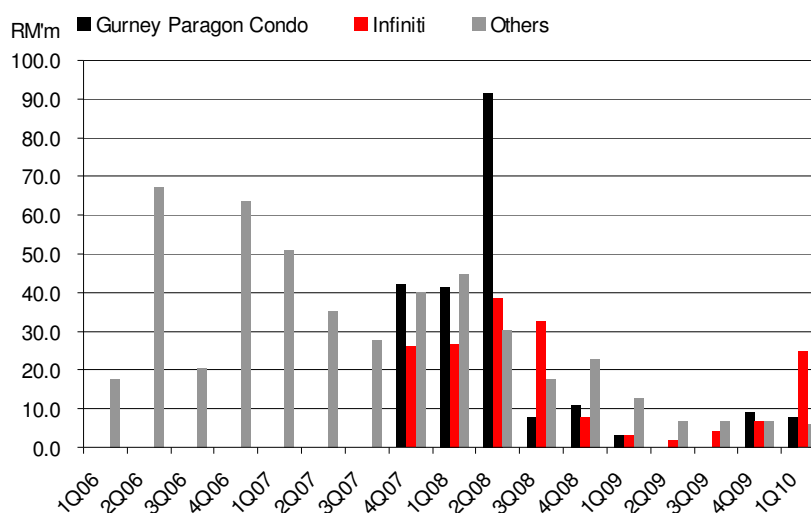
Recent Rights Issue Oversubscription Rates

Recent Rights Issue	Boustead Holdings	Green Packet*	YSP S.A.	AsiaEP*
Date of listing	13/8/2009	28/8/2009	8/7/2009	10/8/2009
3-mth price performance from listing of rights	-7.6%	60.3%	4.0%	23.5%
Listing PER - Historical (x)	4.11	n.a. *	6.10	n.a. *
<i>* Losses made</i>				
Rights Price (RM)	2.80	0.50	1.00	0.10
No. of Rights Shares Allotted ('m)	260.4	197.6	27.7	241.9
Acceptance ('m)	258.1	193.6	26.5	228.0
Excess Applications ('m)	55.2	254.6	32.7	367.9
Total acceptances and excess applications ('m)	313.3	448.2	59.2	595.9
Total no. of Rights Shares available for excess applications ('m)	2.3	4.0	27.7	13.9
Actual amount raised (RM'm)	729.2	98.8	54.3	24.2
Minimum subscription level ('m)	155.1	-	-	-
Oversubscription ('m)	52.9	250.5	31.5	354.0
Oversubscription rate (%)	20%	127%	114%	146%

Source: Bursa, Kenanga Research

* Rights Issues comes with warrants

Sales as at 30/9/09



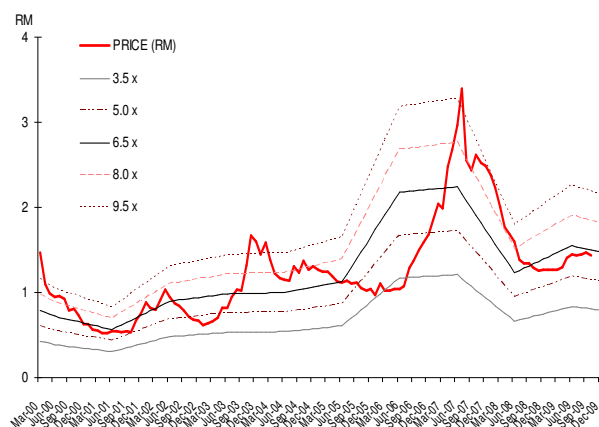
Source: Company, Kenanga Research

Note: Others includes Alila, MS, BPB and/or Sungai Petani

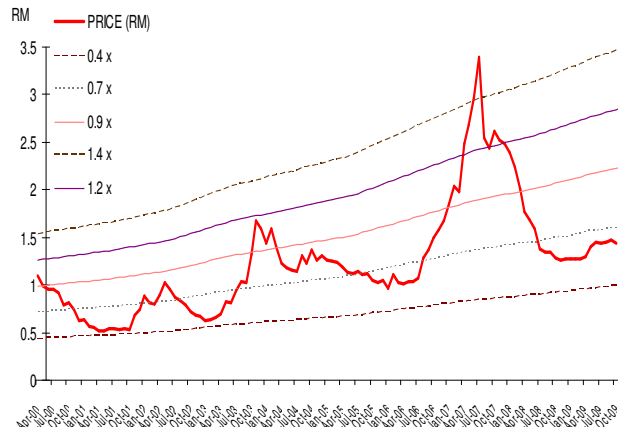
Dilution Impact from Rights Issue with Free Warrants

Dilution Impact	FY10E	FY11E
A. Pre. corp. exercise (excluding ESOS and Treasury)		
No. of shares	145.6	145.6
BV/share (RM)	2.40	2.57
Core EPS (sen)	29.5	23.8
PER (x)	4.8	5.9
PBV (x)	0.6	0.5
B. After rights (including ESOS and Treasury)		
Enlarge no. of shares from rights ('m)	195.9	195.9
BV/share (RM)	1.84	1.98
Core EPS (sen)	22.4	18.1
PER (x)	6.0	7.4
PBV (x)	0.7	0.7
C. After rights + warrants (including ESOS and Treasury)		
Enlarge no. of shares from rights + warrants ('m)	241.1	241.1
BV/share (RM)	1.50	1.61
Core EPS (sen)	18.2	14.7
PER (x)	7.4	9.1
PBV (x)	0.9	0.8
VARIANCES		
B vs. A		
Enlarge no. of shares from rights ('m)	35%	35%
BV/share (RM)	-23%	-23%
Core EPS (sen)	-24%	-24%
PER (x)	25%	25%
PBV (x)	23%	23%
C vs. B		
Enlarge no. of shares from rights ('m)	23%	23%
BV/share (RM)	-19%	-19%
Core EPS (sen)	-19%	-19%
PER (x)	23%	23%
PBV (x)	23%	23%
C vs. A		
Enlarge no. of shares from rights ('m)	66%	66%
BV/share (RM)	-38%	-38%
Core EPS (sen)	-39%	-38%
PER (x)	54%	54%
PBV (x)	52%	52%

Forward PER



Forward PBV



Source: Kenanga Research

Earnings Estimates

FYE: 30 Jun (RMm)	2008A	2009A	2010E	2011E	2012E
Revenue	245	92	278	240	139
Pretax profit	68	39	60	47	30
Net profit	48	28	43	35	21
Net profit growth (%)	23%	-43%	56%	-19%	-39%
Recur. Net Profit	47	28	43	35	21
EPS (sen)	33.2	18.9	29.5	23.8	14.5
EPS growth (%)	23%	-43%	56%	-19%	-39%
FD EPS (ex. rights +warrants + treasury + Esos)	20.5	11.9	18.3	14.8	9.1
NTA/ share (RM)	2.10	2.24	2.48	2.66	2.75
PER (x)	4.2	7.4	4.8	5.9	9.8
FD PER (ex. rights +warrants + treasury + Esos)	6.9	11.9	7.7	9.5	15.4
P/NTA (x)	0.7	0.6	0.6	0.5	0.5
EV/EBITDA (x)	4.5	7.6	5.1	6.2	9.4
ROE %	17.2%	8.7%	12.5%	9.3%	5.3%
Dividend Yield (%)	6.5%	3.5%	4.0%	4.0%	4.0%

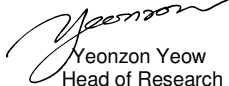
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