



PROPERTY

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1HFY08 Results Review

Private Circulation Only

Hunza Properties

BUY	Maintain
Price	RM2.51
Target	RM4.00

Above Expectation

Hunza Properties (Hunzpty) 1H08 YTD turnover and net profit grew by 82.2% (+78.4% YoY) and 50.3% (+97.1% YoY) respectively. Net profit came in 11.7%, well above our full year projection on annualised basis. Backed by strong unbilled sales of RM268.5m (1.4x of FY07 turnover) as of 31st Jan 08, robust outlook for luxurious condos in Penang Island at least in the near term and intact fundamentals, Hunzpty remains a very interesting developer to look at. Nonetheless, there is a high likelihood that we will be revisiting the target prices for all property companies in our upcoming sector report. Target price of RM4.00 is maintained for now.

Some projects updates. Hunzpty is currently sitting on strong unbilled sales of RM268.5m (0.99x of forecasted FY08 turnover) as of 31st January '08. Some projects updates include: **(i)** the Alila development in Tanjung Bungah has achieved a strong take-up rate of 89.0% (vs 85% in 1Q08) with unbilled sales of RM14.7m; **(ii)** the RM153m semi-Ds and RM47m bungalows in Mutiara Seputeh, KL have achieved a take-up rate of 83.0% (vs 1Q08 62.7%) and 15.0% (vs 1Q08 0.0%) respectively with combined unbilled sales of RM13.6m; **(iii)** Phase 1 of Gurney Paragon (Penang) comprising service condos (GDV RM380m) has achieved an estimated take-up rate of 46.0% (vs 1Q08 22.0%) with unbilled sales of RM150m. Prospects will continue to be heavily underpinned by demand from local and foreign buyers especially that from the East Asia; and **(iv)** Infiniti Seafront (Penang) comprising 119 units of luxurious condos worth a GDV of RM240m has achieved an estimated take-up rate of 43% (vs 1Q08 22.0%) and unbilled sales of RM90m.

Stronger balance sheet. With more cash flowing in from its property development projects as identified above, Hunzpty's net gearing position has improved substantially to 0.40x in 1Q08 from 0.57x in 1Q08.

Target price maintained at RM4.00 for now. Hunzpty thus far has not disappointed us in terms of earnings performance. Supported by solid fundamentals with good earnings visibility for at least the next 3 years, Hunzpty for one is an interesting company for Penang Island's luxurious property play. Nonetheless, we believe a re-rating of target prices across the board will be inevitable for the Malaysian property sector. Pending for our sector update report soon, we maintain a target price of RM4.00 for now.

Stock Profile/Statistics

Bloomberg Ticker	HPB MK Equity
KLCI	1,414.32
Issued Share Capital (m)	147.28
Market Capitalisation (RMm)	369.68
52 week H L Price (RM)	3.88 1.92
Average Volume (3m) '000	290.91
YTD Returns (%)	-0.13
Net gearing (x)	0.61
Altman Z-Score	2.42
ROCE/WACC	0.72
Beta (x)	1.15
Book Value/share (RM)	2.06

Major Shareholders (%)

Dato' Dr. Khor Teng Tong	57.0
Yayasan Bumiputera	7.9
Koperasi Permodalan Felda	7.8

Share Performance (%)

Month	Absolute	Relative
1m	(4.92)	(4.22)
3m	(2.60)	(9.61)
6m	(2.23)	(15.94)
12m	10.17	(5.48)

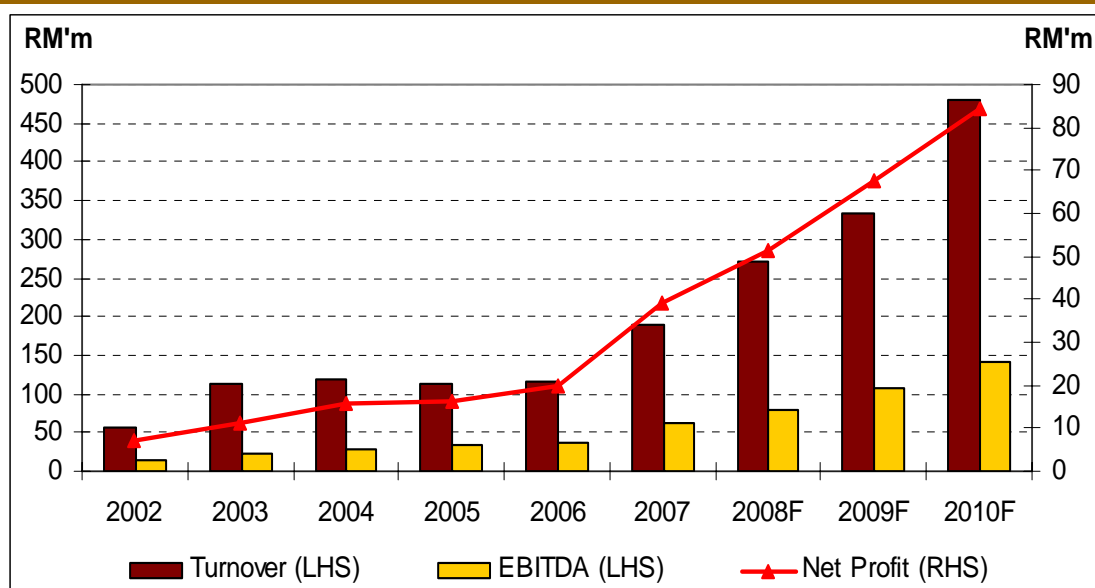
6-month Share Price Performance



FYE June (RMm)	FY05	FY06	FY07	FY08f	FY09f
Turnover	112.3	116.6	190.0	270.0	333.2
Net Profit	16.4	19.8	39.4	51.3	67.3
% chg YoY	2.7	20.9	99.2	30.2	31.2
Consensus Net Profit	-	-	-	52.9	73.5
FDEPS (sen)	10.4	12.5	25.0	32.5	42.6
DPS (sen)	7.5	7.5	12.5	12.5	12.5
Div Yield (%)	3.0	3.0	5.0	5.0	5.0
PER (x)	24.2	20.0	10.1	7.7	5.9
P/BV (x)	1.6	1.5	1.3	1.2	1.0
ROE (%)	9.9	10.6	17.6	19.1	21.8
ROA (%)	4.7	5.0	8.4	9.3	10.7

KEY HIGHLIGHTS

Quarter Results Table						
FYE June (RMm)	2QFY08	1QFY08	% chg	YTD FY08	YTD FY07	% chg
Turnover	70.1	67.7	3.5%	137.8	75.6	82.2%
EBITDA	21.7	17.7	22.6%	40.2	24.5	64.1%
Depreciation	(0.2)	(0.2)	-0.6%	(0.4)	(0.4)	-14.1%
Net interest expense	0.2	0.0	530.0%	0.2	0.1	106.6%
Associates	0.0	0.0	-	0.0	0.0	-
PBT	22.5	17.5	28.4%	40.0	24.2	65.6%
Tax	(5.8)	(5.1)	13.9%	(10.8)	(7.0)	55.0%
MI	(0.2)	(0.4)	-62.0%	(0.5)	(1.5)	-64.4%
Net Profit	16.6	12.1	37.4%	28.6	15.6	83.1%
EPS (sen)	11.7	8.8	32.8%	20.3	13.5	50.3%
Gross DPS (sen)	0.0	0.0	-	0.0	0.0	-
EBITDA margin	30.9%	26.1%	-	29.2%	32.4%	-
NTA/share (RM)	2.06	1.96	-	2.06	1.74	-

Figure 1: Hunza Properties' Annual Earnings Performance

Source: Company data, OSK Research

FYE June (RMm)	FY04	FY05	FY06	FY07	FY08f	FY09f	FY10f
Turnover	117.30	112.26	116.64	189.98	269.97	333.24	478.91
EBITDA	29.20	34.36	35.71	61.29	80.19	107.41	140.53
PBT	27.02	31.82	34.81	60.74	77.95	105.40	138.65
Net Profit	15.93	16.36	19.78	39.40	51.43	67.56	84.49
EPS (sen)	15.25	10.37	12.53	24.96	32.58	42.80	53.53
DPS (sen)	7.50	7.50	7.50	12.50	12.50	12.50	12.50
Margin (%)							
EBITDA	24.89	30.61	30.62	32.26	29.70	32.23	29.34
PBT	23.04	28.35	29.84	31.97	28.87	31.63	28.95
Net Profit	13.58	14.58	16.96	20.74	19.05	20.27	17.64
ROE (%)	12.54	9.89	10.64	17.58	19.12	21.86	22.68
ROA (%)	5.69	4.72	4.96	8.39	9.56	11.38	12.07
5-year Net Profit CAGR (%)	-	-	-	41.20	35.78	33.50	38.86
Balance Sheet							
Fixed Assets	23.09	28.42	27.82	86.82	27.75	27.85	28.05
Current Assets	133.49	196.39	270.53	296.22	371.07	439.45	554.49
Total Assets	311.98	381.22	415.57	524.09	552.40	634.65	765.04
Current Liabilities	40.27	83.97	81.78	108.61	100.61	134.72	192.03
Net Current Assets	93.23	112.43	188.75	187.61	270.46	304.73	362.47
LT Liabilities	105.94	98.81	120.73	135.49	142.64	128.46	115.70
Shareholders Funds	150.96	179.88	191.88	256.32	281.54	336.58	408.55
Net Gearing (%)	43.32	70.59	80.24	66.64	47.40	31.67	22.75

Figure 5: RNAV-Based Fair Value Of Hunza Properties, RM4.44. Target Price at RM4.00

	GDV (RM'm)	GDV Balance (RM'm)	NPV (RM'm)
Bandar Putra Bertam, Prai (Total 701 acres)			
<u>Completed Projects</u>			
Zone L1, Phase 4A	76.00	41.00	4.73
<u>On-Going Projects</u>			
Zone L1, Phase 2C	17.00	11.00	1.21
Sungai Petani (Total 584 acres)			
<u>Completed Projects</u>			
Tmn Seri Bayu II, Phase 3A	47.00	13.00	1.57
Tanjung Bungah, Penang (18 acres)			
<u>On-Going Projects</u>			
Alila, Phase 1 - Highrise	104.00	15.00	2.44
Alila, Phase 2 - Lowrise	101.00	40.00	6.35
<u>Upcoming Projects</u>			
Tanjung Bungah, Project Management (Nilai Arif)	260.00	260.00	35.10
Tanjung Bungah II, Project Management (Diamaward)	240.00	214.00	42.82
Mutiara Seputeh, Seputeh, Kuala Lumpur (15 acres)			
<u>On-Going Projects</u>			
Semi-D	153.00	57.00	9.32
Bungalows	47.00	47.00	7.04
Gurney Drive, Penang (10 acres)			
<u>Upcoming Projects</u>			
Phase 1: 2 Blocks of 43 storeys service condos	380.00	338.00	61.10
Total NPV, RM'm			171.68

Future Investment Properties	Estimated NBV (RM/psf)*	Market Value (RM/psf)**	NLA (sq ft)	Net Surplus After Tax (RM'm) @ 9.1% WACC for 2 years	Discount	Net Surplus After Discount
Gurney Drive, Penang						
The Gurney Paragon (Shopping Mall)	650	1,000.00	730,400	158.93	20.0%	127.15
The Gurney Paragon (Retail Lots - underneath its Service Condos)	600	1,000.00	55,000	13.68	20.0%	10.94
Total Net Surplus Of Future Investment Properties After Discount						138.09

Discount rates of 20.0% on Net Surplus is applied to reflect the uncertainty of the costs and other factors since these properties will not come into play until year 2009 and onwards

Outstanding Landbank (acres)	Outstanding Landbank (sq ft' m)	Net Book Value (RM/sq ft)	Market Value (RM/sq ft)	Share (%)	Land Surplus (RM'm)	
Bertam, Penang	484.00	21.08	1.87	8.00	70.0%	90.47
Sg. Petani, Kedah	393.00	17.12	0.55	0.56	100.0%	0.17
Total Land Surplus, RM'm					90.64	
ADD: Net Profit from Unbilled Sales (@9.1% WACC)					33.71	
LESS: 26.0% Tax On Land Surplus, RM'm					(23.57)	
ADD: NTA @30th June 07, RM'm					256.36	
RNAV, RM'm					666.91	
Basic No. of Shares (m)					135.35	
Basic RNAV per share, RM					4.93	
ADD: Proceeds from Outstanding ESOS, RM'm					0.41	
ADD: Proceeds from outstanding Warrants (@RM1.50), RM'm					33.65	
RNAV After Conversion Of All Warrants, RM'm					700.97	
ESOS (m)					0.05	
Outstanding Warrants (m)					22.43	
Enlarged No. of Shares (m)					157.84	
Fully-Diluted RNAV per share, RM					4.44	
LESS: 10.0% Discount To RNAV, RM'm					(70.10)	
Discounted RNAV After Conversion Of All Warrants, RM'm					630.87	
Target Price, RM					4.00	
Historical FY07 Fully-Diluted PER @ Target Price (x)					16.01	
Forecasted FY08 Fully-Diluted PER @ Target Price (x)					12.27	
Forecasted FY09 Fully-Diluted PER @ Target Price (x)					9.34	
Historical FY07 Fully-Diluted P/NTA @ Target Price (x)					2.11	
Forecasted FY08 Fully-Diluted P/NTA @ Target Price (x)					1.92	
Forecasted FY09 Fully-Diluted P/NTA @ Target Price (x)					1.61	
Current Price (RM)					2.51	
Potential Capital Gain (%)					59.24%	
Dividend Yield (%)					4.98%	
Total Return (%)					64.22%	
Call					BUY	

Source: OSK Research

OSK Research Guide to Investment Ratings**Buy:** Share price may exceed 10% over the next 12 months**Trading Buy:** Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain**Neutral:** Share price may fall within the range of +/- 10% over the next 12 months**Take Profit:** Target price has been attained. Look to accumulate at lower levels**Sell:** Share price may fall by more than 10% over the next 12 months**Not Rated:** Stock is not within regular research coverage

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