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Company Update

Hunza Properties

NEUTRAL ↔

Target Price RM1.30
Previous Price RM1.27
Price RM1.23

PROPERTY

HUNZA PROPERTIES is principally involved in property development with main exposure on Penang Island and the Klang Valley.

Stock Statistics

Bloomberg Ticker	HPB MK
Share Capital (m)	195.9
Market Cap (RMm)	240.9
52 week H L Price (RM)	1.69 0.85
3mth Avg Vol ('000)	259.3
YTD Returns	-11.2
Beta (x)	0.69

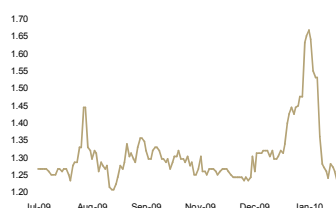
Major Shareholders (%)

Khor Teng Tong	26.2
Yayasan Bumiputra Pulau Pinang	9.4
Lembaga Tabung Haji	8.3

Share Performance (%)

Month	Absolute	Relative
1m	-13.7	-14.7
3m	-1.6	-5.3
6m	-0.2	-12.2
12m	9.2	-23.0

6-month Share Price Performance



Better Mid-term Earnings Outlook

Coming out from the analyst briefing on 5 Feb 2010, we feel more positive on Hunza's mid-term earnings prospects, backed by improving: (i) new property sales; and (ii) progress billings, particularly for its colossal Gurney Paragon (Penang). As such, we are upgrading our FY10 earnings forecast accordingly but finetuning our FY11 forecast slightly downward, which implies an upgrade in CY10 TP to RM1.30 (from RM1.27) based on 0.6x CY10 P/NTA. Maintain Neutral.

Good progress on projects in hand. Construction on the Gurney Paragon condo project is progressing well at 40% completion (vs 33% in 1QFY10). Progress on the superstructure is also good, with work on the East Tower currently at level 24 while that on West Tower is up to level 20. Meanwhile, the architectural works for Infinity project are at the finishing stage and infrastructural works is in progress. Vacant possession is targeted by next month.

Penang new property sales show signs of life. After 2 quarters of sustainable and encouraging new property sales on Penang Island in 2HCY09, it appears that the island's property market is now on a firmer footing. Recent buying activities, particularly on the island's high-end condos segment, is said to have been sustained by domestic real demand. The situation is unlike that for the Klang Valley's luxury condos, for which an oversupply is imminent and developers still have to offer attractive discounts and easy financing schemes to draw buyers. In 2QFY10, Hunza's Gurney Paragon achieved a take-up rate of 58%, up from 55% in 1QFY10, while that for Infinity and the low-rise Alila improved further to 75% and 99% respectively (from 71% and 94% in 1QFY10 respectively). In the Klang Valley, the take-up for the bungalows in Mutiara Seputeh improved further to 25% from 15% in 1QFY10.

It's time for some upgrades. After adjusting for better progress billings, particularly for Gurney Paragon, and expectation of better new property sales in Penang in the mid-term, we are upgrading our FY10 earnings forecast by some 23% but finetuning our FY11 earnings forecast downwards by some 5%. Another potential surprise upside catalyst is its upcoming high-rise project in Segambut, KL, worth an estimated GDV of RM300m sometime in FY11, which we have yet to incorporate into our earnings forecast.

TP up slightly to RM1.30; maintain Neutral. Pegging its higher CY10 NTA of RM2.16/share after our earnings upgrade at a P/NTA of 0.6x (from 0.52x), we are upgrading our TP slightly to RM1.30 from RM1.27. Despite the upgrade, however, we maintain our Neutral call as the potential upside based on the current share price does not as yet warrant an upgrade on our call to buy.

FYE June (RMm)	FY07	FY08	FY09	FY10f	FY11f
Revenue	186.7	245.3	91.8	124.7	225.6
Net Profit	39.2	48.4	27.6	45.9	53.9
% chg y-o-y	98.4	23.4	-43.0	66.2	17.5
Consensus	-	-	-	42.4	45.7
EPS (sen)	24.9	30.7	17.5	23.4	27.5
DPS (sen)	12.5	12.4	7.5	9.3	14.7
Dividend yield	10.2	10.1	6.1	7.6	11.9
PER (x)	4.9	4.0	7.0	5.3	4.5
BV/share (RM)	1.89	2.08	2.21	2.08	2.25
P/BV (x)	0.6	0.6	0.6	0.6	0.5
ROE	17.5	17.2	8.7	12.5	12.7
ROA	8.3	9.2	5.3	8.4	8.9

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 (NR): Stock is not within regular research coverage

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Published and printed by :-

OSK RESEARCH SDN. BHD. (206591-V)

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