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MALAYSIA EQUITY
Investment Research
Daily News

1QFY08 Results Review

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PROPERTY

Mervin Chow Yan Hoong
+60 (3) 2333 8203
mervin.chow@osk.com.my

Hunza Properties

BUY	**Maintain**
Price	**RM2.69**
Target	**RM4.00**

Heading For Another Year Of Excitement

Hunza Properties began its FY08 with a strong YoY growth of 86.3% and 66.8% in 1QFY08 for turnover and net profit respectively, coming largely in-line with our full year projection. Backed by strong unbilled sales of RM194m (1.02x of FY07 turnover), robust outlook for luxurious condos in Penang Island at least in the near term and intact fundamentals, we reckon the recent share price weakness (in tandem with the overall market weakness) represents an excellent opportunity to accumulate at current level. The stock is currently trading at an attractive FY08 PER of 8.3x and a steep 39.4% discount to estimated fully-diluted RNAV of RM4.44, a very compelling proposition to investors who wish to tap on the Penang Island property boom. Target price maintained at RM4.00 (+48.6% upside).

Stock Profile/Statistics

Bloomberg Ticker	HPB MK Equity
KLCI	1,383.43
Issued Share Capital (m)	136.35
Market Capitalisation (RMm)	366.77
52 week H | L Price (RM)	3.88 | 1.64
Average Volume (3m) '000	491.86
YTD Returns (%)	0.93
Net gearing (x)	0.61
Altman Z-Score	2.42
ROCE/WACC	0.68
Beta (x)	1.23
Book Value/share (RM)	1.96

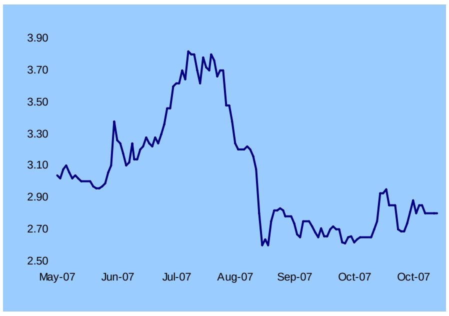
Major Shareholders (%)

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

Share Performance (%)

Month	Absolute	Relative
1m	(8.19)	(8.73)
3m	(15.94)	(20.72)
6m	(10.10)	(13.04)
12m	66.67	18.52

6-month Share Price Performance



Some projects updates. Hunzapty is currently sitting on strong unbilled sales of RM194m (0.72x FY08 turnover) as of 30th September '07. Some projects updates include: **(i)** the Alila development in Tanjung Bungah has achieved a strong take-up rate of 85.0% (vs 73.2% in 4Q07) with unbilled sales of RM65.3m; **(ii)** the RM153m semi-Ds and RM47m bungalows in Mutiara Seputeh, KL have achieved a take-up rate of 62.7% (vs 4Q07 62.7%) and 31.0% (vs 4Q07 0.0%) respectively with combined unbilled sales of RM42.5m; **(iii)** Phase 1 of Gurney Drive (Penang) comprising 272 units of service condos (GDV RM380m) has achieved an estimated take-up rate of 22.0% (vs 4Q07 11.1%) with unbilled sales of RM83.6m. 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 22.0% (vs 4Q07 10.8%).

Stronger balance sheet. With more cash flowing in from its property development projects as identified above, Hunzapty's net gearing position has improved further to 0.57x in 1Q08 from 0.67x in 4Q07.

Target price maintained at RM4.00, still a BUY. Hunzapty 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, Hunzapty for one is an interesting company for Penang Island luxurious property play. The stock is currently trading at a forward PER of only 8.3x in FY08, a definite good bargain for those who are still fishing around for quality property stocks. Target unchanged at RM4.00.

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 (%)	2.8	2.8	4.6	4.6	4.6
PER (x)	25.9	21.5	10.8	8.3	6.3
P/BV (x)	1.7	1.6	1.4	1.3	1.1
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)	1QFY08	4QFY07	% chg	YTD FY08	YTD FY07	% chg
Turnover	67.7	69.7	-2.8%	67.7	36.4	86.3%
EBITDA	17.5	25.3	-30.8%	17.5	10.7	63.7%
Depreciation	(0.2)	(0.2)	-0.6%	(0.2)	(0.2)	-17.1%
Net interest expense	0.0	0.0	-34.8%	0.0	0.0	-23.1%
Associates	0.0	0.0	0.0%	0.0	0.0	0.0%
PBT	17.5	25.1	-30.2%	17.5	10.8	61.6%
Tax	(5.1)	(8.4)	-39.5%	(5.1)	(3.1)	61.5%
MI	(0.4)	(0.6)	-38.0%	(0.4)	(0.5)	-17.2%
Net Profit	12.1	16.1	-25.0%	12.1	7.2	66.8%
EPS (sen)	8.8	11.9		8.8	6.2	
Gross DPS (sen)	0.0	7.5		0.0	0.0	
EBITDA margin	25.8%	36.2%		25.8%	29.4%	
NTA/share (RM)	1.96	1.89		1.96	1.72	

FYE 30 June (RMm)	FY03	FY04	FY05	FY06	FY07	FY08f	FY09f	FY10f
P&L Statement								
Turnover	112.53	117.30	112.26	116.64	189.98	269.97	333.24	478.91
EBITDA	23.98	29.20	34.36	35.71	61.29	80.19	107.41	140.53
PBT	22.60	27.02	31.82	34.81	60.74	77.76	105.04	138.29
Net Profit	11.14	15.93	16.36	19.78	39.40	51.30	67.30	84.23
FDEPS (sen)	18.42	15.25	10.37	12.53	24.96	32.50	42.64	53.37
GDPS (sen)	7.50	7.50	7.50	7.50	12.50	12.50	12.50	12.50
Margin (%)								
EBITDA	21.31	24.89	30.61	30.62	32.26	29.70	32.23	29.34
PBT	20.08	23.04	28.35	29.84	31.97	28.80	31.52	28.88
Net Profit	9.90	13.58	14.58	16.96	20.74	19.00	20.20	17.59
ROE	11.19	12.54	9.89	10.64	17.58	19.08	21.79	22.64
ROA	4.78	5.69	4.72	4.96	8.39	9.27	10.74	11.41
5-Year Net Profit CAGR (%)	-	-	-	-	41.20	35.71	33.40	38.78
Balance Sheet								
Fixed Assets	22.50	23.09	28.42	27.82	86.82	27.75	27.85	28.05
Current Assets	110.44	133.49	196.39	270.53	296.22	401.31	475.52	594.59
Total Assets	247.66	311.98	381.22	415.57	524.09	582.64	670.72	805.15
Current Liabilities	67.44	40.27	83.97	81.78	108.61	141.88	175.17	231.67
Net Current Assets	43.00	93.23	112.43	188.75	187.61	259.44	300.35	362.93
LT Liabilities	57.30	105.94	98.81	120.73	135.49	142.64	128.46	115.70
Shareholders Funds	103.07	150.96	179.88	191.88	256.32	281.41	336.19	407.90
Net Gearing (%)	59.58	43.32	70.59	80.24	66.64	61.75	46.27	38.66

Figure 1: Hunza Properties' Fully-Diluted RNAV-based Fair Value Of RM4.44, Target Price At RM4.00

	GDV (RM'm)	GDV Balance (RM'm)	Unbilled Sales @30th June 07 (RM'm)	NPV (RM'm)
Bandar Putra Bertam, Prai (Total 701 acres)				
Completed Projects				
Zone L1, Phase 4A	76.00	41.00	0.00	4.73
On-Going Projects				
Zone L1, Phase 2C	17.00	11.00	1.90	1.21
Sungai Petani (Total 584 acres)				
Completed Projects				
Tmn Seri Bayu II, Phase 3A	47.00	13.00	0.00	1.57
Tanjung Bungah, Penang (18 acres)				
On-Going Projects				
Alila, Phase 1 - Highrise	104.00	15.00	36.00	2.44
Alila, Phase 2 - Lowrise	101.00	40.00	39.00	6.35
Upcoming Projects				
Tanjung Bungah, Project Management (Nilai Arif)	260.00	260.00	0.00	35.10
Tanjung Bungah II, Project Management (Diamaward)	240.00	214.00	26.00	42.82
Mutiara Seputeh, Seputeh, Kuala Lumpur (15 acres)				
On-Going Projects				
Semi-D	153.00	57.00	36.00	9.32
Bungalows	47.00	47.00	0.00	7.04
Gurney Drive, Penang (10 acres)				
Upcoming Projects				
Phase 1: 2 Blocks of 43 storeys service condos	380.00	338.00	42.00	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)	12.30
Forecasted FY09 Fully-Diluted PER @ Target Price (x)	9.37
Historical FY07 Fully-Diluted P/NTA @ Target Price (x)	2.11
Forecasted FY09 Fully-Diluted P/NTA @ Target Price (x)	1.92
Forecasted FY08 Fully-Diluted P/NTA @ Target Price (x)	1.61
Current Price (RM)	**2.69**
Potential Capital Gain (%)	**48.59%**
Dividend Yield (%)	4.65%
Total Return (%)	**53.23%**
Call	**BUY**

Estimated NBV on Gurney Paragon are based on company's guidance.

*****Market Value assumption of RM1,000psf on Gurney Paragon is based on the most recently transacted market price of approximately RM929psf in Gurney Plaza, assuming a conservative 2-year (2007-2009) CAGR of 3.8% in capital appreciation.***

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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OSK RESEARCH SDN. BHD. (206591-V)
(A wholly-owned subsidiary of OSK Holdings Berhad)

Chris Eng

Kuala Lumpur **Hong Kong** **Singapore**

Malaysia Headquarters
OSK Investment Bank Bhd.
(Formerly OSK Securities Bhd)
20th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : + (60) 3 2333 8333
Fax : + (60) 3 2175 3333

Malaysia Research Office
OSK Research Sdn. Bhd. (206591-V)
6th Floor, Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel : + (60) 3 2333 8333
Fax : + (60) 3 2175 3202
E-mail : research2@osk.com.my

Hong Kong Office
OSK Asia Securities Ltd.
1201-1203, 12/F,
World-Wide House
19 Des Voeux Road
Central, Hong Kong
Tel : + (852) 2525 1118
Fax : + (852) 2537 1332

Singapore Office
DMG & Partners Securities Pte. Ltd.
#22-01 Ocean Towers
20 Raffles Place
Singapore 048620
Tel : +(65) 6438 8810
Fax : +(65) 6535 4809