

# Corporate Highlights



**RHB Research  
Institute Sdn Bhd**  
A member of the  
RHB Banking Group  
Company No: 233327 -M

## Results Note

21 May 2009

# Hunza Properties

Take-up Rates Of Its Property Launches Remain Slow

Share Price : RM1.44  
Fair Value : RM1.54  
Recom : **Market Perform**

Table 1 : Investment Statistics (HUNZPTY; Code: 5018)

Bloomberg: HPB MK

FYE	Turnover (RMm)	Net					C.EPS*	P/CF (x)	P/NTA (x)	ROE (%)	Net	
		profit (RMm)	EPS (sen)	Growth (%)	PER (x)	Gearing (%)					GDY (%)	
June												
2008	245.3	48.4	34.5	3.1	4.2	-	1.7	0.7	15.8	0.2	6.4	
2009f	134.9	24.5	16.7	(51.7)	8.6	17.0	8.2	0.7	7.7	0.2	6.4	
2010f	168.6	30.8	20.9	25.6	6.9	26.0	6.6	0.6	9.2	0.4	6.4	
2011f	177.1	32.1	21.8	4.1	6.6	23.0	6.3	0.6	9.1	0.6	6.4	

Main Board Listing / Trustee Stock/Syariah Approved Stock By The SC

\* Consensus Based On IBES Estimates

- ◆ **Within expectation.** The company recorded 9MFY12/09 net profit of RM18.2m (-53% yoy). This accounted for 74% and 72% of RHBRI and consensus estimates, respectively. The yoy decline was mainly due to the slowdown in its property development division. Due to the current economic downturn, the company's Penang projects i.e. Gurney Paragon and Infinity's take-up rates remain slow, at 51% (vs. 51% in Dec 08) and 58% (56% in Dec 08) respectively. Meanwhile, the company's net gearing has increased from 0.27x (2Q09) to 0.30x (3Q09). As at Mar 09, the company has unbilled sales of RM209m (Gurney Paragon of RM141m and Infinity of RM68m), or 1.2x of our FY10 revenue projection. The company did not declare any dividend for the quarter.
- ◆ **Gurney Paragon back on track.** The super structure works for Gurney Paragon super-condominium will commence over the next few months after the delayed completion of its podium and basement. This will improve the progress billing for the project. Hence, significant contribution is expected to come in from FY10 onwards.
- ◆ **Improving Penang property market outlook.** The recent property launches in Penang like the Platino and Nautilus Bay have enjoyed decent sales in excess of 70%. We believe that demand for the Gurney Paragon will gain more traction as the economic situation improves amidst the low interest rate environment.
- ◆ **Forecast.** No adjustment to our earnings forecasts. We are expecting a stronger FY10 earnings performance due to improving sentiment among house buyers as well as stronger progress billing for Gurney Paragon. We understand that the company's property sales have started to pick up last month.
- ◆ **Risks.** The risks include: 1) potential cancellation of purchase agreement by buyers; 2) competition from peers; and 3) delays in launches and approvals.
- ◆ **Investment case.** Our indicative fair value is RM1.54, or 50% discount to its estimated RNAV/share of RM3.09. This is justified because of the current economic downturn as well as its small market capitalisation and low liquidity. We rate the stock as **Market Perform**.

RHBRI	Vs.	Consensus
✓	Above In Line Below	✓

Issued Capital (m shares)	150.7
Market Cap(RMm)	217.0
Daily Trading Vol (m shs)	0.0
52wk Price Range (RM)	0.93-1.87

Major Shareholders:	(%)
Dato' Khor Teng Tong	53.4
Lembaga Tabung Haji	8.3

FYE June	FY09	FY10	FY11
EPS chg (%)	-	-	-
Var to Cons (%)	(2.0)	(19.5)	(5.2)

### PE Band Chart



### Relative Performance To KLCI



### Coverage Under CMDF – Bursa Research Scheme

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**Table 2. Hunza Properties Quarterly Results**

FYE June (RMm)	3Q08	2Q09	3Q09	QoQ (%)	YoY (%)	9M08	9M09	YoY (%)	Comments
<b>Turnover</b>	<b>54.1</b>	<b>24.7</b>	<b>18.6</b>	<b>(24.6)</b>	<b>(65.5)</b>	<b>191.9</b>	<b>68.5</b>	<b>(64.3)</b>	Yoy decline was mainly due to slowdown in property demand and delay in construction works of Gurney Paragon project. As at Mar 09, the company has unbilled sales of RM209m, or 1.2x of our FY10 revenue projection.
EBIT	14.4	9.9	9.3	(6.8)	(35.4)	54.4	27.1	(50.2)	
Net interest	(0.9)	(0.3)	(0.3)	5.9	(68.8)	(0.9)	(0.9)	(3.4)	Net gearing has increased from 0.27x (2Q09) to 0.30x (3Q09).
<b>Pretax profit</b>	<b>13.4</b>	<b>9.7</b>	<b>9.0</b>	<b>(7.2)</b>	<b>(33.1)</b>	<b>53.5</b>	<b>26.2</b>	<b>(51.0)</b>	Filtered down from lower revenue.
Taxation	(3.7)	(2.6)	(2.7)	2.9	(27.9)	(14.6)	(7.5)	(48.9)	
Minority interest	(0.0)	(0.3)	(0.5)	67.0	>+100	(0.6)	(0.6)	(2.0)	
<b>Net profit</b>	<b>9.7</b>	<b>6.8</b>	<b>5.8</b>	<b>(14.4)</b>	<b>(40.1)</b>	<b>38.3</b>	<b>18.2</b>	<b>(52.6)</b>	
EPS (sen)	6.4	4.7	4.0	(14.1)	(37.0)	27.7	12.5	(54.7)	
Gross DPS (sen)	3.7	0.0	0.0	Na	Na	3.7	0.0	Na	
NTA/share (RM)	2.1	2.1	2.2			2.1	2.2		
EBIT margin (%)	26.5	40.3	49.8			28.4	39.5		
Pretax margin (%)	24.9	39.2	48.2			27.9	38.2		
Tax rate (%)	27.8	27.0	30.0			27.3	28.5		

Source: Company, RHBRI

**Table 3: RNAV Estimate**

	Area (Acres)	Book (RMm)	Mkt Value (RMm)	Surplus (RMm)
<b>Assets</b>				
For development:				
Kedah	585	15.14	10.2	(4.9)
Penang Island	29.4	128.45	153.7	25.2
Penang - Seberang Prai	701	18.84	152.7	133.8
Klang Valley	22	52.34	76.7	24.3
<b>Total</b>	<b>1337.4</b>	<b>214.77</b>	<b>393.2</b>	<b>178.4</b>
For investment:				
Penang - Seberang Perai	43.87	22.5	9.6	(12.9)
<b>Grand total</b>	<b>1381.27</b>	<b>237.27</b>	<b>402.8</b>	<b>165.5</b>
Shareholder fund as at June 08				306.0
<b>Total RNAV</b>				<b>471.5</b>
Proceeds from outstanding warrants				15.6
Number of shares plus warrants (m)				157.7
<b>Basic RNAV per share (RM)</b>				<b>3.09</b>

**Table 4. Earnings Forecasts**

FYE June (RMm)	FY08a	FY09F	FY10F	FY11F
Revenue	245.3	134.9	168.6	177.1
Operating profit	69.7	36.4	45.5	47.8
Interest expenses	(1.4)	(1.4)	(1.8)	(2.3)
PBT	68.3	35.0	43.7	45.5
Tax	(19.3)	(9.8)	(12.2)	(12.7)
Net profit	48.4	24.5	30.8	32.1
EPS (sen)	34.5	16.7	20.9	21.8
DPS (sen)	9.2	9.2	9.2	9.2

Source: Company data, RHBRI estimates

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Trading Buy = Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 15% or more over a period of three months, but fundamentals are not strong enough to warrant an Outperform call. It is generally for investors who are willing to take on higher risks.

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Neutral = Industry expected to perform in line with the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

Underweight = Industry expected to underperform the KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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