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

4Q2009 Results

Date: 25 August 2009

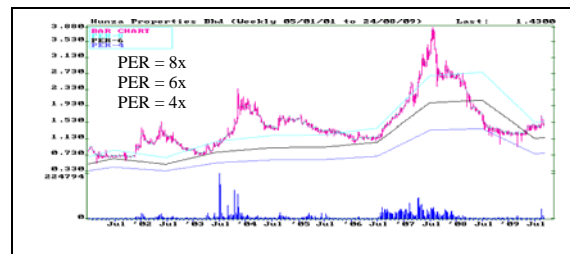
Name of PLCs: Hunza Properties <i>Beats Ours And Street Forecasts</i>	Price:	RM 1.43
	Market Capitalisation:	RM 215.5m
Board: Main Board		
Sector: Property		
Stock Code: 5018		
Recommendation: HOLD		
Index Component/Constituent : -		

<u>Key Stock Statistics</u>	2009	2010F
EPS (est.)	19.0	20.7
P/E (est.)	7.5	6.9
Dividend/Share (sen)	6.0	
NTA/Share (RM)	2.4	
Book Value/Share	2.4	
Issued Capital (mil shares)	150.7	
52-weeks Share Price Range	0.93-1.68	
Major Shareholders:		
Dato' Khor Teng Tong	54.5	
Lembaga Tabung Haji	8.3	
Yayasan Bumiputra Pulau Pinang	7.5	

<u>Per Share Data</u>	2009	2010F	2011F	2012F
Book Value (RM)	2.2	2.4	2.6	2.7
Cash Flow (sen)	10.4	21.7	23.8	23.5
Earnings (sen)	19.0	20.7	22.8	22.5
Dividend (sen)	5.6	6.0	6.0	6.0
Payout Ratio	29.5	28.9	26.3	26.6
PER (x)	7.5	6.9	6.3	6.3
P/Cash Flow (x)	13.7	6.6	6.0	6.1
P/Book Value (x)	0.6	0.6	0.6	0.5
Dividend Yield (%)	3.9	4.2	4.2	4.2
ROE (%)	8.5	8.7	8.9	8.3
Net Gearing (%)	0.3	0.3	0.3	0.3

<u>P&L Analysis (RM mil)</u>	2009	2010F	2011F	2012F
Year-end:				
Revenue	91.8	126.7	139.4	146.3
EBITDA	28.0	48.1	53.0	51.2
Depreciation	(0.7)	(0.7)	(0.7)	(0.7)
Interest Expenses	(1.1)	(1.4)	(1.6)	(1.8)
Pre-tax Profit	39.1	42.9	47.2	46.5
Effective Tax Rate	27.8	28.0	28.0	28.0
Net Profit	27.6	30.2	33.3	32.8
EBITDA Margin	30.5	38.0	38.0	35.0
Pre-tax Margin	42.6	33.9	33.9	31.8
Net-Margin	30.0	23.9	23.9	22.4

PE Band Chart



1. 4Q09 Result Highlights:

FYE June (RMm)	2008 4Q	2009 4Q	% YoY Chg
Turnover	53.4	23.3	(56.4)
Operating profit	15.3	13.2	(13.9)
Finance costs	(0.4)	(0.2)	(45.2)
Pretax profit	14.9	12.9	(13.0)
Taxation	(4.7)	(3.4)	(27.4)
Net profit	10.1	9.4	(6.9)
EPS (sen)	6.9	6.5	(5.7)
Operating margin (%)	28.6	56.6	
Pretax margin (%)	27.8	55.6	
Net margin (%)	18.9	40.5	
Effective tax rate	31.6	26.4	

FYE June (RMm)	2009 3Q	2009 4Q	% QoQ Chg
Turnover	18.6	23.3	24.9
Operating profit	9.3	13.2	42.0
Finance costs	(0.3)	(0.2)	(17.2)
Pretax profit	9.0	12.9	43.9
Taxation	(2.7)	(3.4)	26.6
Net profit	5.8	9.4	62.8
EPS (sen)	4.0	6.5	61.1
Operating margin (%)	49.8	56.6	
Pretax margin (%)	48.2	55.6	
Net margin (%)	31.1	40.5	
Effective tax rate	30.0	26.4	

- ◆ **Above expectations.** Hunza Properties reported FY06/09 net profit of RM27.6m (-43% yoy) on the back of lower revenue of RM91.8m (-62.6% yoy). This is 12% and 11% above RHBRI and consensus estimates, respectively. We attribute the variance in earnings to stronger-than-expected progress billing from the company's Infinity project and better-than-expected operating margin. The 43% yoy decline in earnings was mainly due to the slowdown in its property development division and delay in construction works for Gurney Paragon. The company's Penang projects i.e. Gurney Paragon and Infinity's take-up rates have picked up slightly in 2Q09, at 53% (from 51% in Mar 09) and 61% (58% in Mar 09) respectively. As at June 09, the company has unbilled sales of RM200m (vs. RM209m in 3QFY06/09), or 1.6x of our FY10 revenue projection. Out of the RM200m, about 75% is from Gurney Paragon (RM149m), whilst the remaining is derived from Infinity (RM51m). The company has declared 5.6 sen net dividend (-39.1% yoy) for FY06/09. This is below our expectation, only accounted for 61% of our FY09 dividend forecast.
- ◆ **Forecast.** We are upgrading our FY10-11 earnings forecasts by 3.5-8.4% to factor in: a) better-than-expected operating margin for the ongoing projects; and b) change in progress billing assumptions for Infinity and Gurney Paragon. However, we have lowered our FY10-11 dividend forecasts from 9.2 sen previously to 6.0 sen. Meanwhile, our RNAV per share has been raised from RM3.09 to RM3.12 after we adjusted the share capital (due to share buyback) post the FY09 results.
- ◆ **Risks.** The risks include: 1) potential negative perception on Gurney Paragon to the potential buyers after the stop-work incident; 2) competition from peers; and 3) delays in launches and approvals.
- ◆ **Investment case.** Our indicative fair value is fine-tuned to RM1.56, or 50% discount to its estimated RNAV/share of RM3.12. The discount is justified due to the company's small market capitalisation and low liquidity. We are maintaining **Hold** rating on the stock.
- ◆ **Has resumed construction works for Gurney Paragon.** To recap, the company had received a stop-work order from Majlis Perbandaran Pulau Pinang (MPPP) for the construction works of Gurney Paragon on 08 July 09 due to the subsidence of driveway of a neighbouring condominium. However, the stop-work order has been lifted on 7 Aug 09 after the company satisfactorily completed its remedial work on the driveway of the neighbouring condominium. Thus, it has resumed the construction works for Gurney Paragon.

Table 1: RNAV Estimate

Assets	Area (Acres)	Book (RMm)	Mkt Value (RMm)	Surplus (RMm)
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
Total	1337.4	214.77	393.2	178.4
For investment:				
Penang - Seberang Perai	43.87	22.5	9.6	(12.9)
Grand total	1381.27	237.27	402.8	165.5
Shareholder fund as at June 08				306.0
Total RNAV				471.5
Proceeds from outstanding warrants				15.6
Number of shares plus warrants (m)				156.1
Basic RNAV per share (RM)				3.12

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Outperform = The stock return is expected to exceed the FBM KLCI benchmark by greater than five percentage points over the next 6-12 months.

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.

Market Perform = The stock return is expected to be in line with the FBM KLCI benchmark (+/- five percentage points) over the next 6-12 months.

Underperform = The stock return is expected to underperform the FBM KLCI benchmark by more than five percentage points over the next 6-12 months.

Industry/Sector Ratings

Overweight = Industry expected to outperform the FBM KLCI benchmark, weighted by market capitalisation, over the next 6-12 months.

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

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

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