

# Hunza Properties

Recommendation: **STRONG BUY**

Stock Code: 5018

Bloomberg: HPB MK

Price: MYR2.69

12-Month Target Price: MYR3.62

Date: November 14, 2007

**Board:** Main

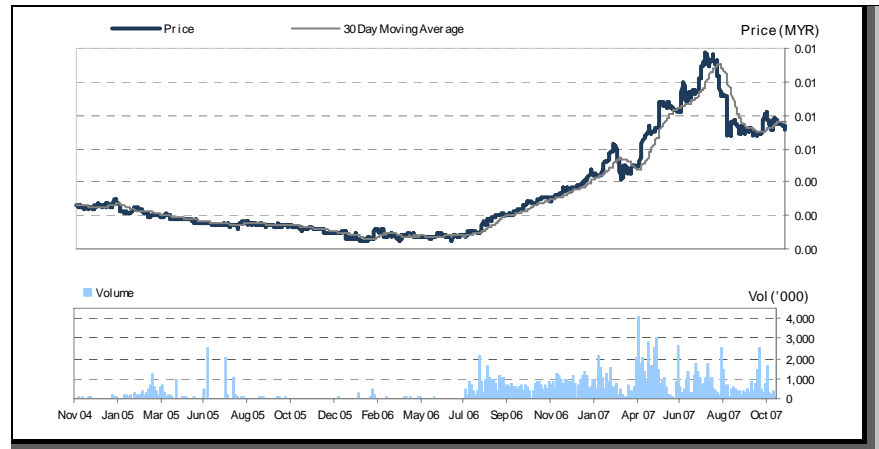
**Sector:** Property

**GICS:** Financials/Real Estate Management & Development

**Market Value - Total:** MYR364.1 mln

**Summary:** Based in Penang, Hunza Properties' (Hunza) primary business is property development, with current projects in Penang, Kedah and Kuala Lumpur.

**Analyst:** Geraldine Seah



## Results Review & Earnings Outlook

- Hunza's 1QFY08 (Jun.) results were within our expectations. 1QFY08 revenue of MYR67.7 mln and net profit of MYR12.1 mln made up about 27% and 22% of our full-year forecasts, respectively.
- The strong 86% YoY and 67% YoY jump in 1Q revenue and net profit respectively is mainly due to improved contributions from key projects Alila and Seputeh. 1QFY08 property development PBT margin declined slightly to 32% (from 34% a year ago).
- Sales of both Alila and Seputeh are within our expectations, with current sales to date at 85% and 70% respectively. Given that both projects are expected to be completed by FY08, we are likely to see continued strong billings for the next few quarters.
- We maintain our full-year FY08 revenue and net profit of MYR252.7 mln (+33.0% YoY) and MYR54.6 mln (+38.7% YoY) respectively. Our estimates are supported by locked-in sales from Alila and Seputeh, as well as maiden contributions from new projects Gurney and Infinity.

## Recommendation & Investment Risks

- We maintain both our Strong Buy recommendation and 12-month target price of MYR3.62.
- Our target price is derived by applying a 10x PER multiple on projected FY08 EPS of 35.2 sen (unchanged and adjusted for rights issue) and adding projected net DPS.
- Risks to our recommendation and target price include slower-than-expected construction progress and take-up rates for its projects, as well as execution risks in its maiden foray into retail management of its Gurney mall.

### Key Stock Statistics

	2007	2008E
FY Jun.		
Reported EPS (sen)*	33.0	35.2
PER (x)	8.2	7.6
Dividend/Share (sen)*	12.3	12.5
NTA/Share (MYR)*	1.86	1.88
Book Value/Share (MYR)*	1.86	1.88
No. of Outstanding Shares (mln)	135.3	
52-week Share Price Range (MYR)	1.66 - 3.82	
Major Shareholders:	%	
Dato' (Dr) Khor Teng Tong	54.9	
Yayasan Bumiputra Pulau Pinang	8.8	

\*Per share data adjusted for rights issue

### Per Share Data

	2005	2006	2007	2008E
FY Jun.				
Book Value (MYR)*	1.55	1.67	1.86	1.88
Cash Flow (sen)*	16.7	18.1	34.3	35.7
Reported Earnings (sen)*	15.1	17.0	33.0	35.2
Dividend (sen)*	7.4	7.4	12.3	12.5
Payout Ratio (%)	38.2	31.6	30.9	29.6
PER (x)	17.9	15.8	8.2	7.6
P/Cash Flow (x)	16.1	14.8	7.8	7.5
P/Book Value (x)	1.7	1.6	1.4	1.4
Dividend Yield (%)	2.7	2.7	4.6	4.6
ROE (%)	9.9	10.6	17.6	18.7
Net Gearing (%)	70.6	80.2	66.6	52.0

\*Per share data adjusted for rights issue

All required disclosures and analyst certification appear on the last two pages of this report. Additional information is available upon request.

Redistribution or reproduction is prohibited without written permission. Copyright © 2007 The McGraw-Hill Companies, Inc.

Page 1 of 4

**Quarterly Performance**

FY Jun. / MYR mln	1Q08	1Q07	% Change
Reported Revenue	67.7	36.4	86.3
Reported Operating Profit	17.5	10.9	61.6
Depreciation & Amortization	-0.2	-0.2	-17.1
Net Interest Income / (Expense)	0.0	0.0	-20.0
Reported Pre-tax Profit	17.5	10.8	61.6
Reported Net Profit	12.1	7.2	66.8
Reported Operating Margin (%)	25.9	29.9	-
Reported Pre-tax Margin (%)	25.9	29.8	-
Reported Net Margin (%)	17.8	19.9	-

Source: Company data

**Profit & Loss**

FY Jun. / MYR mln	2006	2007	2008E	2009E
Reported Revenue	116.6	190.0	252.7	290.3
Reported Operating Profit	34.3	60.8	72.4	83.6
Depreciation & Amortization	-0.9	-0.8	-0.8	-0.8
Net Interest Income / (Expense)	0.7	0.2	0.2	0.2
Reported Pre-tax Profit	34.8	60.7	79.4	108.3
Effective Tax Rate (%)	28.3	30.3	26.0	26.0
Reported Net Profit	19.8	39.4	54.6	74.6
Reported Operating Margin (%)	29.4	32.0	28.6	28.8
Reported Pre-tax Margin (%)	29.8	32.0	31.4	37.3
Reported Net Margin (%)	17.0	20.7	21.6	25.7

Source: Company data, S&amp;P Equity Research

**Standard & Poor's Equity Research Services**

Standard & Poor's Equity Research Services U.S. includes Standard & Poor's Investment Advisory Services LLC; Standard & Poor's Equity Research Services Europe includes Standard & Poor's LLC- London and Standard & Poor's AB (Sweden); Standard & Poor's Equity Research Services Asia includes Standard & Poor's LLC's offices in Hong Kong, Singapore and Tokyo, Standard & Poor's Malaysia Sdn Bhd, and Standard & Poor's Information Services (Australia) Pty Ltd.

**Glossary**

**Strong Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

**Buy:** Total return is expected to outperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months, with shares rising in price on an absolute basis.

**Hold:** Total return is expected to closely approximate the total return of the KLCI or KL Emas Index respectively, over the coming 12 months with shares generally rising in price on an absolute basis.

**Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months and share price is not anticipated to show a gain.

**Strong Sell:** Total return is expected to underperform the total return of the KLCI or KL Emas Index respectively, over the coming 12 months by a wide margin, with shares falling in price on an absolute basis.

**S&P 12 Month Target Price** – The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics.

**Required Disclosures**

All of the views expressed in this research report accurately reflect the research analyst's personal views regarding any and all of the subject securities or issuers. No part of analyst compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Additional information is available upon request.

**Other Disclosures**

This report has been prepared and issued by Standard & Poor's and/or one of its affiliates. In the United States, research reports are prepared by Standard & Poor's Investment Advisory Services LLC ("SPIAS"). In the United States, research reports are issued by Standard & Poor's ("S&P"), in the United Kingdom by Standard & Poor's LLC ("S&P LLC"), which is authorized and regulated by the Financial Services Authority; in Hong Kong by Standard & Poor's LLC which is regulated by the Hong Kong Securities Futures Commission, in Singapore by Standard & Poor's LLC, which is regulated by the Monetary Authority of Singapore; in Japan by Standard & Poor's LLC, which is regulated by the Kanto Financial Bureau; in Sweden by Standard & Poor's AB ("S&P AB"), in Malaysia by Standard & Poor's Malaysia Sdn Bhd ("S&PM") which is regulated by the Securities Commission, in Australia by Standard & Poor's Information Services (Australia) Pty Ltd ("SPIS") which is regulated by the Australian Securities & Investments Commission and in Korea by SPIAS, which is also registered in Korea as a cross-border investment advisory company.

The research and analytical services performed by SPIAS, S&P LLC, S&P AB, S&PM, SPIS and SPIAS LLC (Korea) are each conducted separately from any other analytical activity of Standard & Poor's.

A reference to a particular investment or security by Standard & Poor's and/or one of its affiliates is not a recommendation to buy, sell, or hold such investment or security, nor is it considered to be investment advice.

Standard & Poor's and its affiliates provide a wide range of services to, or relating to, many organizations, including issuers of securities, investment advisers, broker-dealers, investment banks, other financial institutions and financial intermediaries, and accordingly may receive fees or other economic benefits from those organizations, including organizations whose securities or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.

**CMDF-Bursa Research Scheme ("CBRS")**

This report has been prepared by S&PM for purposes of CBRS administered by Bursa Malaysia Berhad, independent from any influence from CBRS or the subject company. S&P will receive total compensation of RM15,000 each year for each company covered by it under CBRS. For more information about CBRS, please visit Bursa Malaysia's website at: <http://www.bursamalaysia.com/website/bm/>

**Disclaimers**

This material is based upon information that we consider to be reliable, but neither S&P nor its affiliates warrant its completeness, accuracy or adequacy and it should not be relied upon as such. With respect to reports issued by S&P LLC-Japan and in the case of inconsistencies between the English and Japanese version of a report, the English version prevails. Neither S&P LLC nor S&P guarantees the accuracy of the translation. Assumptions, opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Neither S&P nor its affiliates are responsible for any errors or omissions or for results obtained from the use of this information. Past performance is not necessarily indicative of future results.

This material is not intended as an offer or solicitation for the purchase or sale of any security or other financial instrument. Securities, financial instruments or strategies mentioned herein may not be suitable for all investors. Any opinions expressed herein are given in good faith, are subject to change without notice, and are only correct as of the stated date of their issue. Prices, values, or income from any securities or investments mentioned in this report may fall against the interests of the investor and the investor may get back less than the amount invested. Where an investment is described as being likely to yield income, please note that the amount of income that the investor will receive from such an investment may fluctuate. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. This material does not take into account your particular investment objectives, financial situations or needs and is not intended as a recommendation of particular securities, financial instruments or strategies to you. Before acting on any recommendation in this material, you should consider whether it is suitable for your particular circumstances and, if necessary, seek professional advice.

For residents of the U.K. This report is only directed at and should only be relied on by persons outside of the United Kingdom or persons who are inside the United Kingdom and who have professional experience in matters relating to investments or who are high net worth persons, as defined in Article 19(5) or Article 49(2) (a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, respectively.

For residents of Malaysia. All queries in relation to this report should be referred to Alexander Chia, Desmond Ch'ng or Ching Wah Tam.

**Recommendation and Target Price History**

Date	Recommendation	Target Price
22-Aug-07	Strong Buy	3.62
8-May-07	Buy	3.55
24-Apr-07	Strong Buy	3.51
7-Feb-07	Strong Buy	2.66
21-Nov-06	Buy	1.98
31-Aug-06	Buy	1.65
25-Aug-06	Buy	1.61
1-Aug-06	Hold	1.30
6-Jun-06	Buy	1.30
22-Nov-05	Strong Buy	1.50
8-Sep-05	Strong Buy	1.63

