

## Hunza Properties

Recommendation: **STRONG BUY**

Stock Code: 5018

Bloomberg: HPB MK

Price: MYR2.50

12-Month Target Price: MYR3.62

Date: February 22, 2008

Board: Main

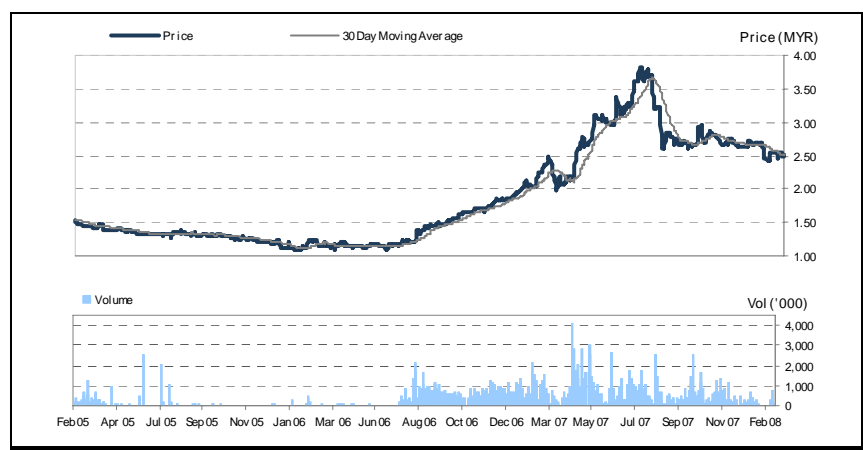
Sector: Property

GICS: Financials/Real Estate Management &amp; Development

Market Value - Total: MYR349.8 mln

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

Analyst: Ching Wah Tam



## Results Review &amp; Earnings Outlook

- Hunza's 2QFY08 (Jun.) results were above our expectations. 2QFY08 net profit of MYR16.6mln made up about 30.4% of our full-year forecasts. The variance was due mainly to a MYR1.4 mln write back of provision, and also higher-than-expected contributions from its property projects.
- The strong 97.2% YoY jump in 2Q net profit was due mainly to improved contributions from key projects Alila and Seputeh, and also maiden contributions from its two new projects, Gurney Paragon and Infinity.
- Sales of both Alila and Seputeh are within our expectations, with current sales to date at 89% (vs 85% in 1QF08) and 74% (vs 70% in 1QF08) respectively. Given that both projects are expected to be completed by FY08, we are likely to see continued strong billings for the next two quarters.
- We maintain our full-year FY08 net profit of MYR54.6 mln. Our estimates are supported by locked-in sales from Alila and Seputeh, as well as maiden contributions from new projects Gurney and Infinity.

## Recommendation &amp; Investment Risks

- We maintain both our Strong Buy recommendation and 12-month target price of MYR3.62.
- Our target price is based on a FY08 PER of 9x 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.	2007	2008E
Reported EPS (sen)	33.6	38.7
PER (x)	7.4	6.5
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)	139.9	
52-week Share Price Range (MYR)	1.98 - 3.82	
Major Shareholders:	%	
Dato' (Dr) Khor Teng Tong	54.9	
Yayasan Bumiputra Pulau Pinang	8.8	

## Per Share Data

	2005	2006	2007	2008E
FY Jun.	2005	2006	2007	2008E
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)	15.4	17.4	33.6	38.7
Dividend (sen)	7.4	7.4	12.3	12.5
Payout Ratio (%)	38.2	31.6	30.9	29.6
PER (x)	16.3	14.4	7.4	6.5
P/Cash Flow (x)	15.0	13.8	7.3	7.0
P/Book Value (x)	1.6	1.5	1.3	1.3
Dividend Yield (%)	2.9	2.9	4.9	5.0
ROE (%)	9.9	10.6	17.6	18.7
Net Gearing (%)	70.6	80.2	66.6	52.0

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## Quarterly Performance

FY Jun. / MYR mln	2Q08	2Q07	% Change
Reported Revenue	70.1	39.3	78.4
Reported Operating Profit	22.5	13.3	68.9
Depreciation & Amortization	-0.4	0.0	NM
Net Interest Income / (Expense)	0.0	0.1	NM
Reported Pre-tax Profit	22.5	13.3	68.9
Reported Net Profit	16.6	8.4	97.2
Reported Operating Margin (%)	32.1	33.9	-
Reported Pre-tax Margin (%)	32.1	33.9	-
Reported Net Margin (%)	23.7	21.4	-

Source: Company data

## Profit &amp; 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

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**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.

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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

