

MALAYSIA



PROPERTY DEVT & INVT

SHORT TERM (3 MTH)

LONG TERM

TRADING BUY

OVERWEIGHT

TRADING SELL

NEUTRAL

UNDERWEIGHT

SECTOR FLASH NOTE

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BNM curbs consumer debt

Bank Negara announced on Fri that it was imposing three measures to curb consumer debt that included reducing the maximum housing loan tenure from 45 years to 35 years. We believe its impact on property sales will be muted as the average loan tenure is 20-30 years.

Figure 1: Impact of shorter loan tenures

	Loan amount	Tenure	Monthly payment	Total payment	Interest paid
Housing loan 1	250,000	45 years	1,165	629,000	379,000
Housing loan 2	250,000	35 years	1,260	529,900	279,900
Difference		10 years	-7.5%	18.7%	35.4%
Personal loan 1	50,000	15 years	430	77,400	27,400
Personal loan 2	50,000	10 years	563	67,500	17,500
Difference		5 years	-23.6%	14.7%	56.6%

SOURCES: CIMB, COMPANY REPORTS

While such a policy is certainly not positive for the property sector, we believe its impact on developers' sales and profits would be mild. We remain Overweight on the sector, with continued robust sales and earnings growth as sector catalysts. Mah Sing is still our top pick for its strong execution and landbanking news flow.

What Happened ▶

Bank Negara Malaysia (BNM) on Fri rolled out several measures to pare down household indebtedness. The new measures, which will take immediate effect, are: 1) maximum tenure of 10 years (from 25 years) for financing extended for personal use, 2) maximum tenure of 35 years (from 45 years) for financing granted for the purchase of residential and non-residential properties, and 3) prohibition of the offering of pre-approved personal financing products.

What We Think ▶

In recent weeks, the press had speculated that BNM was planning to impose curbs on the developer interest-bearing scheme (DIBS). That would have had a direct impact on property sales and dampened property speculation (please refer to

our property sector report dated 25 June for details). Instead, BNM chose to address the balance sheet side of the average consumer due to their relatively high indebtedness levels. This, to us, would have a far milder impact on property sales than DIBS. We would not exclude the possibility of BNM eventually also imposing restrictions on DIBS, but our view remains that the fundamentals of the residential property sector is firm as affordability is near its highest levels. Also, the problem with the property sector currently is not overly-strong demand, but overly-weak supply growth.

What You Should Do ▶

Property stocks may come under some kneejerk selling pressure in the near term as BNM's move to curb consumer loans was not widely expected. However the real impact on property companies' sales and earnings will be mild as the average loan tenure is below 35 years (only 10% of loans are above 35 years) and those eligible to take loans will simply have to prioritise their monthly expenses towards higher mortgage payments rather than other consumer discretionary spending. We view any weakness in property stocks as an opportunity to accumulate positions.

Highlighted Companies

E&O

The average loan tenure for its buyers is a short 15-20 years. This could be due to the profile of its buyers being wealthier than average as E&O is a specialist in high-end residential properties.

Mah Sing Group

The average age of Mah Sing's buyers is 30-35 which means the loan tenures range from 35-40 years. The directive to shorten the maximum loan tenure to 35 years would increase mortgage payments for its younger buyers.

UOA Development

Like E&O, the average loan tenure for UOA Development's buyers is a short 15-20 years. This is due to its high percentage of commercial property sales (roughly 50% of total sales) where loan tenures are typically shorter.

Figure 2: Sector Comparison

Company	Bloomberg Ticker	Recom.	Price (local curr)	Tgt Px (local curr)	Mkt Cap (US\$ m)	Core P/E (x)		2-yr EPS CAGR (%)	RNAV CY2013	Prem./ (Disc.) to RNAV (%)	Gearing(%) CY2013	P/BV (x)		Recurring ROE (%)		Dividend Yield (%)	
						CY2013	CY2014					CY2013	CY2014	CY2013	CY2014	CY2013	CY2014
Bukit Sembawang Estates	BS SP	Outperform	6.33	7.41	1,281	13.4	13.4	-0.7%	10.58	-40%	Net Cash	1.43	1.43	10.1%	10.0%	2.6%	2.6%
CapitalLand	CAPL SP	Outperform	3.06	3.96	10,182	20.3	13.0	68.4%	4.95	-38%	51.9%	0.84	0.81	4.3%	6.3%	2.5%	2.7%
CapitaMalls Asia	CMA SP	Outperform	1.88	2.06	5,704	27.4	22.5	22.0%	2.29	-18%	52.6%	1.10	1.06	4.1%	4.8%	1.6%	1.6%
City Developments	CIT SP	Neutral	10.75	11.19	7,640	18.9	14.5	23.1%	13.17	-18%	22.0%	1.33	1.24	7.3%	8.8%	1.4%	1.5%
Fraser & Neave	FNN SP	Outperform	8.76	9.97	9,865	22.2	17.2	43.2%	10.94	-20%	Net Cash	0.99	0.95	5.3%	5.6%	2.1%	2.1%
Global Logistic Properties	GLP SP	Outperform	2.88	3.35	10,712	34.3	29.5	10.1%	3.35	-14%	10.2%	1.26	1.24	3.7%	4.2%	1.8%	1.8%
Ho Bee Investments	HOBE SP	Outperform	1.97	2.52	1,042	8.8	8.8	-0.5%	3.09	-36%	35.4%	0.77	0.77	8.5%	8.2%	2.5%	2.5%
Keppel Land	KPLD SP	Outperform	3.42	3.84	4,132	12.4	11.0	-1.0%	4.84	-29%	39.6%	0.79	0.75	6.9%	7.0%	2.4%	2.7%
Overseas Union Enterprise	OUE SP	Outperform	2.78	3.29	1,977	27.4	22.5	8.9%	4.11	-32%	75.3%	0.87	0.85	3.2%	3.9%	1.8%	2.2%
Singapore Land	SL SP	Outperform	9.03	8.52	2,911	16.2	14.5	1.1%	14.20	-36%	9.2%	0.71	0.68	4.5%	4.8%	2.2%	2.2%
UOL Group	UOL SP	Outperform	6.72	7.91	4,047	13.8	12.6	3.6%	9.89	-32%	32.7%	0.80	0.77	6.1%	6.2%	1.8%	2.0%
Wheelock Properties (S)	WP SP	Neutral	1.85	1.95	1,730	26.7	14.5	29.7%	2.60	-29%	Net Cash	0.71	0.69	2.7%	4.8%	3.2%	3.2%
Wing Tai Holdings	WINGT SP	Underperform	2.11	2.10	1,292	7.4	7.4	0.7%	2.80	-25%	Net Cash	0.76	0.76	9.9%	9.9%	4.0%	4.0%
Singapore average						19.5	15.6	14.8%		-28%	23.2%	0.97	0.93	5.2%	6.1%	2.0%	2.1%
Agile Property	3383 HK	Neutral	7.70	9.60	3,423	4.3	3.8	8.6%	19.54	-61%	60.8%	0.72	0.63	18.0%	17.6%	5.4%	6.0%
China Overseas Grand Oceans	81 HK	Outperform	9.70	13.33	2,855	8.0	5.9	33.0%	14.82	-35%	3.4%	2.12	1.60	29.9%	30.8%	1.2%	1.7%
China Overseas Land	688 HK	Outperform	20.05	25.65	21,132	8.6	7.4	18.6%	0.00	na	26.8%	1.60	1.36	20.0%	20.0%	2.3%	2.7%
China Resources Land	1109 HK	Outperform	20.60	26.50	15,486	12.6	9.7	30.4%	29.41	-30%	45.2%	1.59	1.39	13.1%	15.3%	2.1%	2.8%
Evergrande Real Estate	3333 HK	Neutral	2.98	3.10	6,160	4.7	3.8	22.6%	9.03	-67%	79.1%	0.76	0.63	18.1%	18.3%	0.0%	0.0%
Franshion Properties	817 HK	Outperform	2.53	3.18	2,989	8.2	6.3	28.2%	5.31	-52%	46.9%	0.75	0.69	9.4%	11.3%	2.6%	3.4%
Guangzhou R&F	2777 HK	Neutral	10.48	11.98	4,355	4.8	4.3	10.6%	19.97	-48%	83.2%	0.88	0.78	19.6%	19.0%	7.3%	8.0%
KWG Property Holding	1813 HK	Outperform	4.03	6.62	1,504	3.9	3.5	16.5%	11.04	-63%	56.4%	0.54	0.49	14.7%	14.7%	6.7%	7.5%
Longfor Properties	960 HK	Outperform	11.34	15.60	7,953	8.5	7.2	12.2%	22.35	-49%	60.5%	1.41	1.22	17.7%	18.1%	2.4%	2.8%
Poly Property	119 HK	Outperform	4.16	7.15	1,955	5.7	4.9	23.8%	11.91	-65%	83.0%	0.52	0.48	9.4%	10.1%	5.2%	6.1%
Shimao Property	813 HK	Outperform	14.66	20.45	6,565	6.7	5.1	34.1%	29.22	-50%	51.4%	1.03	0.90	16.1%	18.9%	4.7%	6.3%
Shui On Land	272 HK	Neutral	2.17	2.94	2,239	13.6	11.5	107.4%	5.87	-63%	81.1%	0.39	0.38	2.7%	3.4%	2.6%	2.6%
Sino-Ocean Land	3377 HK	Neutral	4.08	4.95	3,090	6.2	5.4	13.9%	9.91	-59%	52.1%	0.45	0.43	7.5%	8.2%	6.2%	6.6%
SOHO China	410 HK	Neutral	6.29	6.45	3,947	8.1	16.7	-29.0%	9.99	-37%	26.6%	0.79	0.78	10.0%	4.7%	5.0%	5.0%
Yuexiu Property	123 HK	Outperform	1.95	2.73	2,342	8.6	6.7	29.3%	4.97	-61%	69.6%	0.62	0.58	7.4%	9.0%	4.1%	5.3%
China/Hong Kong average						7.7	6.5	20.3%		-50%	54.5%	1.03	0.92	14.1%	14.8%	3.0%	3.6%
Alam Sutera	ASRI UJ	Outperform	740	1,300	1,462	9.7	6.7	32.6%	2,159	-66%	Net Cash	2.54	1.95	29.1%	32.9%	3.0%	4.4%
Bekasi Fajar	BEST UJ	Outperform	720	1,100	697	6.3	5.4	56.0%	1,126	-36%	Net Cash	2.40	1.80	45.4%	38.3%	2.8%	6.0%
Bumi Serpong Damai	BSDE UJ	Outperform	1,670	2,100	2,938	15.1	15.5	18.4%	2,667	-37%	Net Cash	3.05	2.63	22.3%	18.2%	0.9%	1.3%
Ciputra Development	CTRA UJ	Outperform	1,100	2,000	1,677	14.5	13.5	41.9%	2,147	-49%	Net Cash	2.60	2.29	19.6%	18.0%	1.1%	2.1%
Ciputra Property	CTRP UJ	Outperform	1,070	1,450	662	10.7	8.3	55.0%	2,748	-61%	2.3%	1.51	1.32	15.1%	16.9%	1.4%	2.8%
Lippo Karawaci	LPKR UJ	Outperform	1,330	1,850	3,086	15.7	16.7	26.6%	2,249	-41%	Net Cash	2.47	2.24	17.0%	14.0%	1.0%	2.0%
Metropolitan Land	MTLA UJ	Outperform	510	730	389	14.3	9.8	35.9%	1,198	-57%	2.3%	2.21	1.85	16.6%	20.6%	1.1%	1.4%
Summarecon Agung	SMRA UJ	Outperform	1,120	3,200	1,625	6.2	5.6	30.5%	4,366	-74%	Net Cash	1.72	1.40	31.2%	27.6%	3.0%	4.8%
Surya Semesta Internusa	SSIA UJ	Outperform	1,180	2,000	558	6.1	4.7	24.4%	2,124	-44%	Net Cash	2.38	1.69	46.8%	41.9%	2.9%	3.7%
Indonesia average						11.4	10.0	32.1%		-51%	Net Cash	2.44	2.05	23.6%	22.3%	1.6%	2.7%
Eastern & Oriental	EAST MK	Outperform	2.00	2.48	694	15.1	12.8	24.7%	3.10	-36%	20.2%	1.54	1.41	10.5%	11.5%	2.0%	2.2%
KLCC Property Holdings	KLCCSS MK	Outperform	6.62	8.00	3,749	19.8	18.8	-5.3%	6.42	3%	14.2%	1.63	1.62	8.2%	8.6%	4.8%	5.0%
Mah Sing Group	MSGB MK	Outperform	2.48	3.48	1,056	11.6	9.7	24.1%	3.17	-22%	17.3%	1.37	1.20	19.7%	19.0%	3.4%	3.8%
SP Setia	SPSB MK	Neutral	3.34	3.59	2,576	16.8	15.3	4.0%	3.99	-16%	46.9%	1.55	1.48	10.5%	9.9%	3.1%	3.1%
UEM Sunrise Bhd	UEMS MK	Outperform	3.08	4.28	4,202	24.4	21.7	16.4%	3.89	-21%	8.6%	2.34	2.19	10.1%	10.5%	1.3%	1.6%
UOA Development	UOAD MK	Outperform	2.31	2.76	921	8.6	7.4	14.5%	3.16	-27%	Net Cash	1.29	1.18	15.5%	16.6%	5.6%	6.1%
Malaysia average						17.1	15.3	20.0%		-15%	18.1%	1.74	1.65	10.7%	11.1%	3.2%	3.4%
Arrata Corporation	AMATA TB	Outperform	17.10	32.20	585	9.3	8.0	56.1%	21.77	-21%	43.9%	1.82	1.60	20.3%	21.4%	4.3%	5.0%
Ananda Development	ANAN TB	Outperform	2.74	6.16	293	5.4	4.4	na	2.34	17%	23.9%	1.32	1.02	28.5%	25.9%	0.0%	0.0%
AP (Thailand) PCL	AP TB	Neutral	6.35	9.03	582	7.7	6.0	16.8%	7.00	-9%	78.8%	1.27	1.10	17.4%	19.7%	5.2%	6.7%
Hemara	HEMRAJ TB	Outperform	3.14	4.14	977	10.7	9.9	20.1%	2.80	12%	56.7%	2.71	2.36	27.1%	25.6%	4.5%	5.0%
Land And Houses	LH TB	Outperform	10.50	9.19	3,376	23.9	19.7	13.1%	6.00	75%	54.0%	3.38	3.28	14.4%	16.9%	4.4%	5.1%
LPN Development	LPN TB	Outperform	23.60	30.63	1,117	12.5	10.8	21.6%	7.40	219%	5.4%	3.46	2.93	30.4%	29.4%	4.0%	4.6%
Pruksa Real Estate	PS TB	Outperform	20.70	40.22	1,475	8.6	7.7	27.0%	12.54	65%	50.1%	1.90	1.61	23.6%	22.6%	3.5%	3.7%
Quality Houses	QH TB	Outperform	2.96	5.38	872	10.5	8.3	69.1%	3.60	-18%	111.9%	1.59	1.43	15.7%	18.3%	5.0%	6.1%
Sansiri Public Co	SIRI TB	Outperform	2.94	5.88	899	7.5	5.9	24.9%	2.48	19%	89.9%	1.52	1.29	20.3%	23.5%	6.7%	9.2%
Supalai PCL	SPALI TB	Neutral	16.80	20.31	925	8.9	7.9	27.2%	9.05	86%	26.1%	1.92	1.65	22.8%	22.6%	4.5%	5.1%
Thailand average						11.2	9.4	33.1%		43%	58.6%	2.17	1.90	20.5%	21.7%	4.4%	5.3%

SOURCES: CIMB, COMPANY REPORTS, BLOOMBERG

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Score Range	90 – 100	80 – 89	70 – 79	Below 70 or No Survey Result
Description	Excellent	Very Good	Good	N/A

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Distribution of stock ratings and investment banking clients for quarter ended on 31 May 2013		
1042 companies under coverage		
	Rating Distribution (%)	Investment Banking clients (%)
Outperform/Buy/Trading Buy	52.1%	7.6%
Neutral	34.2%	4.9%
Underperform/Sell/Trading Sell	13.7%	5.5%

Recommendation Framework #1 *

Stock

OUTPERFORM: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 12 months.

NEUTRAL: The stock's total return is expected to be within +/-5% of a relevant benchmark's total return.

UNDERPERFORM: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 12 months.

TRADING BUY: The stock's total return is expected to exceed a relevant benchmark's total return by 5% or more over the next 3 months.

TRADING SELL: The stock's total return is expected to be below a relevant benchmark's total return by 5% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 3 months.

* This framework only applies to stocks listed on the Singapore Stock Exchange, Bursa Malaysia, Stock Exchange of Thailand, Jakarta Stock Exchange, Australian Securities Exchange, Taiwan Stock Exchange and National Stock Exchange of India/Bombay Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.

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Recommendation Framework #2 **

Stock

OUTPERFORM: Expected positive total returns of 10% or more over the next 12 months.

NEUTRAL: Expected total returns of between -10% and +10% over the next 12 months.

UNDERPERFORM: Expected negative total returns of 10% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 10% or more over the next 3 months.

TRADING SELL: Expected negative total returns of 10% or more over the next 3 months.

Sector

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, has either (i) an equal number of stocks that are expected to have total returns of +10% (or better) or -10% (or worse), or (ii) stocks that are predominantly expected to have total returns that will range from +10% to -10%; both over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 12 months.

TRADING BUY: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of +10% or better over the next 3 months.

TRADING SELL: The industry, as defined by the analyst's coverage universe, has a high number of stocks that are expected to have total returns of -10% or worse over the next 3 months.

*** This framework only applies to stocks listed on Korea Exchange, the Hong Kong Stock Exchange and China listings on the Singapore Stock Exchange. Occasionally, it is permitted for the total expected returns to be temporarily outside the prescribed ranges due to extreme market volatility or other justifiable company or industry-specific reasons.*

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (IOD) in 2012.

AAV – not available, ADVANC - Excellent, AEONTS – Good, AMATA - Very Good, ANAN – not available, AOT - Excellent, AP - Very Good, BANPU - Excellent, BAY - Excellent, BBL - Excellent, BCH – not available, BCP - Excellent, BEC - Very Good, BGH - not available, BJC – Very Good, BH - Very Good, BIGC - Very Good, BTS - Excellent, CCET - Good, CENTEL – Very Good, CK - Very Good, CPALL - Very Good, CPF - Very Good, CPN - Excellent, DELTA - Very Good, DTAC - Very Good, EGCO – Excellent, ERW – Excellent, GLOBAL - Good, GLOW - Very Good, GRAMMY – Excellent, HANA - Very Good, HEMRAJ - Excellent, HMPRO - Very Good, INTUCH – Very Good, ITD – Very Good, IVL - Very Good, JAS – Very Good, KAMART – not available, KBANK - Excellent, KK – Excellent, KTB - Excellent, LH - Very Good, LPN - Excellent, MAJOR - Good, MAKRO – Very Good, MCOT - Excellent, MINT - Very Good, PS - Excellent, PSL - Excellent, PTT - Excellent, PTTGC - Excellent, PTTEP - Excellent, QH - Excellent, RATCH - Excellent, ROBINS - Excellent, RS – Excellent, SAMART – Excellent, SC – Excellent, SCB - Excellent, SCC - Excellent, SCCC - Very Good, SIRI - Good, SPALI - Very Good, SRICHA – not available, SSI – not available, STA - Good, STEC - Very Good, TCAP - Very Good, THAI - Excellent, THCOM – Very Good, TICON – Very Good, TISCO - Excellent, TMB - Excellent, TOP - Excellent, TRUE - Very Good, TTW – Very Good, TUF - Very Good, VGI – not available, WORK – Good.