3 May 2007 | 32 pages

Asia Pacific Property Conference

23-24 April 2007 – In Case You Missed It

- About the event — Our inaugural Asia Pacific Property 2007 featured two tracks - plenary sessions with guest speakers on an array of real estate topics, as well as a separate track for one-on-one meetings. The conference was well-attended by 53 companies from across the Asia Pacific region, over 180 institutional clients and more than 150 private bank clients. In this note we highlight key themes and takeaways from our speakers and many of the companies presenting in the one-on-one meetings.

- Positive views over-all — Most of the speakers had positive views of their markets citing strong fundamentals due to structural change, strong economic fundamentals and demographics.

- Singapore speakers were positive — Our speakers covering Singapore and Singapore IR were positive about the outlook underpinned by strong demand for high end residential properties as well as favorable demand supply dynamics in the office market.

- Private Equity Investors venturing into property development — Speakers in this session shared that private equity investors saw opportunity in the emerging property markets like China and were also keen on property development.

- China, more value in second and third tier cities — The speakers felt that there was going to be more value investing in the second and third tier cities which would benefit from the underlying demand in housing. As regards to China hospitality, the speakers were positive about the outlook for hotels and serviced residences there.

- India, good fundamentals but short term concern — The speakers concurred with the long term fundamentals but at least one of the speakers voiced concern about the short term due to the strong price appreciation and rising interest rates.

- Vietnam, an emerging property market — Vietnam has been underpinned by strong fundamentals. The market is enjoying strong growth in all key sectors including residential, retail office and hotels.

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Plenary Session: Remaking Singapore – Is the Real Estate Boom Sustainable?

- Strategic location in a region of opportunities – Singapore is strategically located at the crossroads of the two fastest growing and largest economies in the world – China and India. With strong historical and cultural connections to these two countries, Singapore has the opportunity to be a key conduit for linking up these economies with those of North America and the European Union.

- New areas of growth – Biomedical, water technology and interactive digital media should be new growth areas in the manufacturing sector. Financial institutions and business services should remain an important sector as we further reinforce the country's reputation as an international financial centre. Tourism should also an important engine for growth.

- Pro-business government – Singapore has always been a choice city for investments and location for business. The government takes a pro-business approach and provides regulatory framework that is transparent and clear. Cost of living is more affordable than other comparable cities and Singapore offers good quality of living.

Developer's view point

- Property boom sustainable – Mr Kwek Leng Beng is highly optimistic on the outlook of the Singapore property market. He believes that the current property market boom is sustainable and is unlikely to peak until 2012 given the typical 7 year cycle.

- Growing wealth in Asia and good governance – He cited the different economic platform and the growing wealth in Asia as key reasons for his optimism. Being a safe and multicultural country with good governance also makes Singapore an attractive hub for Asia.

Plenary Session: China Real Estate – A New Era of Opportunities

Panelists were generally positive on China and shared with us their views on macro trends and challenges on operating in China.

Macro Trends

- Regional disparity will likely continue – The Eastern Coast remains more economically dynamic while the West Coast lags.
- Urbanisation trend – Rural urban migration movement of 200m to 300m farmers expected to move into urban cities over the next 10 to 20 years. Current average shows 20m to 30m moving into major cities annually. This presents a significant need for housing, coupled with the growth of a middle class segment of the population.
- Housing demand supply imbalance – 7m homes are required every year but housing starts show an average of 5m homes per year.
- Cost of capital is likely to rise – Long term Chinese Government bond is only yielding 3% to 4%. Chinese Central Bank expected to tighten monetary policy going forward as inflation continues to be ahead of the 3% policy target.

Operating Challenges in China

- Government concerned about rising prices – Inflation can threaten the stability of its financial system and create social instability. Monetary conditions could tighten going forward and could have a short term housing demand.
- Changes in Government policies – Introduction of the "70-90" rule which requires 70% of a residential development's GFA for units which are less than 90 sqm.
- Too many 2nd/3rd tier cities – Limited public information for analysis of demographic and income patterns for decisions on type and location of property development.
- Typical small and closed "brotherhood" network – Land ownership is fragmented and it is difficult to obtain information on land parcels.
- Limited supply of local talent – This is especially prevalent in the smaller cities where project development and managerial skills are scarce.
- Profit Margin on real estate in China narrowing – Increased competition and stricter enforcement of the Land Appreciation Tax (LAT) are some of the factors which have put pressure on real estate development margins.

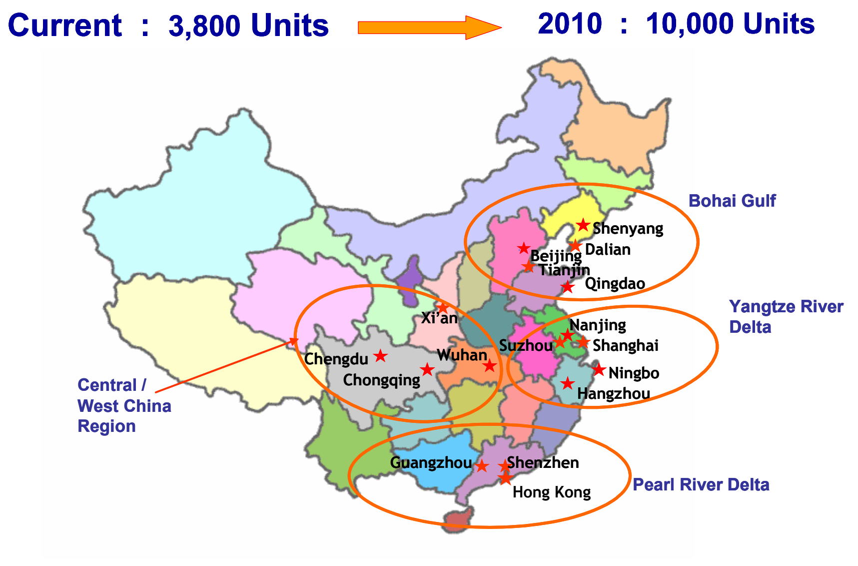
Plenary Session: China Hospitality – A New Investment Frontier

We had three speakers present on the outlook for the hospitality industry in China. Mr Yip Hong Mun, CEO of Asia Pacific and Gulf Region, of CapitaLand's serviced residence unit, provided interesting insights into their experience in China. Mr Paul Logan, VP of business development for Intercontinental shared the expansion plans for the Intercontinental group in China while Banyan Tree's Paul Chong, AVP of business development, highlighted that Banyan Tree is a niche player and positioning itself as a high-end hospitality provider in China.

Providing an overview on the long term prospects for serviced apartments in China, Mr Yip opined that demand was growing especially in the second and third tier cities. With 4billlion RMB in investments in China, Mr Yip shared his company's strategy in China as encapsulated in the acronym A-S-C-O-T-T. A stands for Adaptability to the local culture and mindset, S – System ie create infrastructure and systems, C- Cost – exploit cost and scale advantages, O – being number One , T – practice Taichi ie being able to balance relationships, T – setting Targets,

Mr Yip highlighted the importance of managing the relationships at all levels of the bureaucracy. In addition, he added that firm targets needed to be set, being persistent and staffing with the best people. In this regard, his company is looking to add up to 10,000 rooms to its portfolio in China by 2010 from the current 3,800 rooms.

The Ascott Group's Target for the China Market



Source: CapitaLand's serviced residences unit presentation

Plenary Session: Real Estate Private Equity – New Perspectives

David Schaefer of Citigroup Property Investors provided a broad overview of the major investment themes:

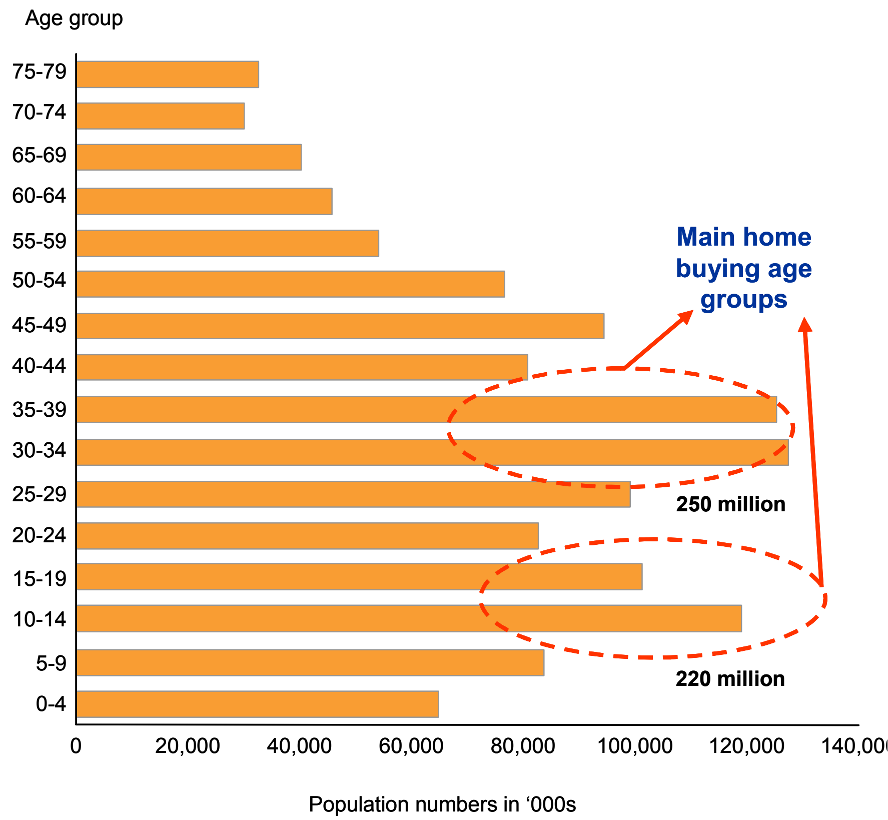
- Asia's growth and stabilization with China and India growing at twice the rate of rest of the world
- Emerging Great Exchange and Market Privatisation - recapitalization of property ownership from non-dedicated owners to dedicated investors and asset managers
- Improving Investment environment due to reforms in political, legal, tax and regulatory systems
- Securitization of Real Estate Market.

Richard Yue of ARCH capital painted out some interesting trends among private equity players. He noted that private equity funds were competing to acquire land and property assets. Sometimes these were done in partnership with local developers who had stronger local knowledge. In some instances private equities were going into property developments and meeting certain niche segments not met by other players. In the process, private equity funds were adding value in their investments.

Mr Yue observed that Asian property markets were still reliant on bank lending to finance assets. There appears to be room for private equity investors to facilitate the investment process.

Mr Rong Ren, CEO of Harvest Capital Partners (a unit of China Resources) was focused on the China real estate market, He noted favorable demographic factors where potential home buyers in the 30 to 39 age group was forming a bulge in the demographic profile. In addition he noted that the declining household size would also support demand for housing. He opined that the austerity policies implemented promoted long term stability enabling long term investors to participate in the long term demand for property by the local population. While Harvest has a clear preference for tier 1 cities, it made sense to move to tier 2 cities to create a portfolio effect.

China – Population Concentration in Home Buying Age Groups



Source: Harvest Capital Partners Presentation, ForecastAsia Asian Demographics April 2006 and UN 2003 Chinese demographic yearbook.

Plenary Session: India – Real Estate in Evolution

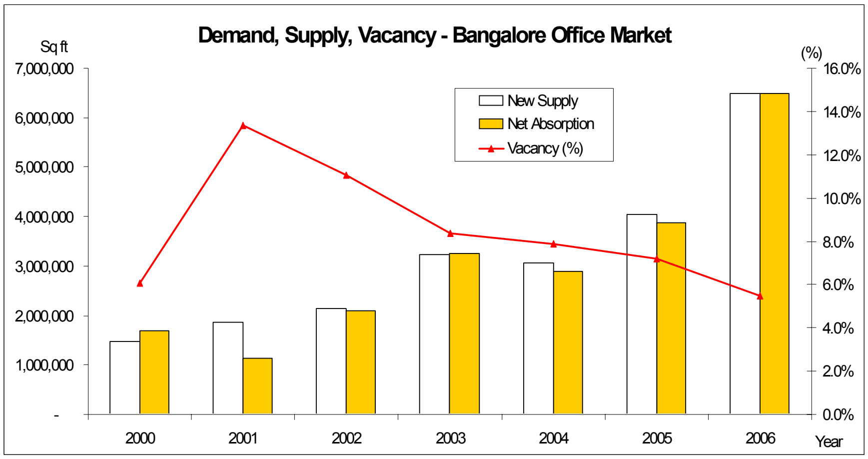
Mr Paul Weitzel, Vice President of Hirco provided an overview on the outlook for real estate and housing in India. With strong demographic factors and improving economic fundamentals, Hirco was optimistic about the long term prospects for housing in India. HIrco saw opportunity in developing large scale integrated townships.

Hirco – Integrated Township

Source: Hirco Presentation

Ms Chong Siak Ching, CEO of Ascendas provided a foreign investor's perspective on investing in India. Ascendas started investing in IT parks in Bangalore back in 1994. Ascendas was able to ride on the strong demand for IT business parks driven by the global outsourcing of IT services and has built business parks in Hyderabad, Nagpur, Pune and Chennai. Demand remains very strong and vacancy rates have fallen to very low levels in cities like Chennai, Hyderabad and Bangalore due to strong demand. Demand for office space was reported to be highest in the world in Bangalore. On the housing front, she quoted a shortage of 22.4m housing units in India with an estimated 80-90m housing units needed in the next 10-15 years.

Bangalore Office Market – Demand/Supply Analysis



Source: Ascendas Group Presentation, JLL India, Rents & CVs based on Grade A Office space

Ms Chong opined that the current regulation in India may not be conducive for Indian companies to set up REITs in India. However she felt that it was possible for companies in India to list their REITs in Singapore given the open regulatory environment.

Mr Akshaya Kumar, CEO Park Lane Property Investors, an independent consultant, provided statistics to show the strong demand experienced in housing, commercial and retail and the hotel sectors. He noted the advent of numerous overseas funds keen to tap into the growth of real estate in India. He however sounded a note of caution for the housing market in India as valuations appear overstretched in the short term while the rise in interest rates has affected demand.

Significant Foreign Investments in the Indian Real Estate Market

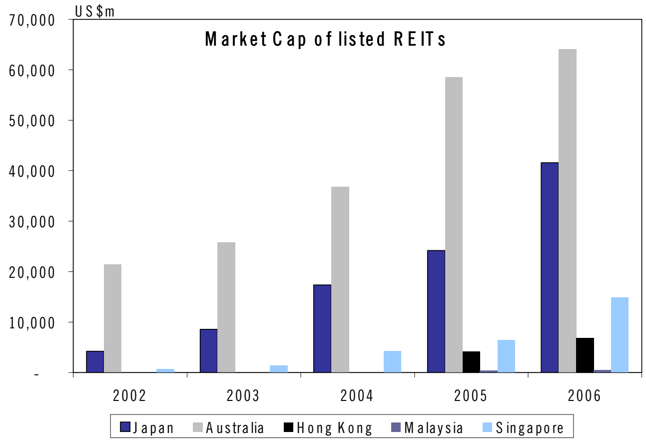
Investor	Entity	Type of Deal	Size (USD MN) (approx)
AIG	RMZ Corp	SPV	350
Morgan Stanley	Oberoi constructions	Equity Hold Co	150
Wachovia Capital	Wadhwa Constructions	SPV	100
Morgan Stanley	Alpha G:Corp	Equity Hold Co	65
Starwood	Vatika Group	SPV	167
Capitaland	Runwal Builders	SPV	50
Morgan Stanley	Mantri Developers	Equity Hold Co	70
Siachen Capital	Nitesh Estates	Equity Hold Co	100
HDFC Real Estate Fund	Vascon Engineers	Equity Hold Co	30

Source: Park Lane Property Advisors Presentation

Plenary Session: REITS – Lessons Learnt, What's Next?

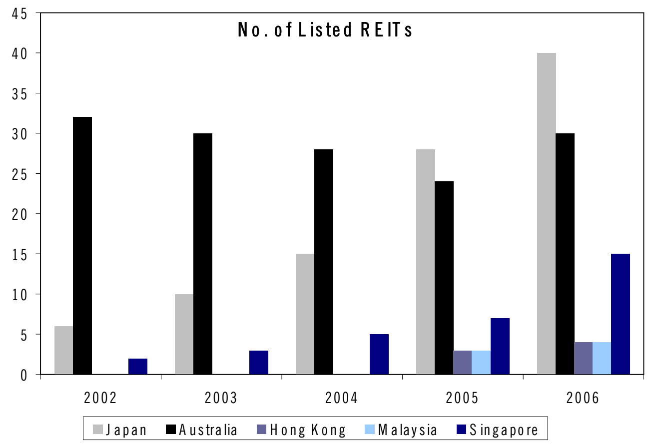
Mr Stephen Hawkins, Head of Funds Management at MacQuarie Goodman provided an overview of the growth of REITS in Asia Pacific noting the dramatic growth of emerging REIT centres like Singapore.

Market Cap of Listed REITs (in Asia Pacific)



Source: Macquarie Goodman Group, Citigroup Investment Research

No. of Listed REITs (in Asia Pacific)



Source: Macquarie Goodman Group, Citigroup Investment Research

Mr Pua Seck Guan, CEO of CapitaMall Trust shared his perspective on how CMT had enhanced value for its unit holders through asset enhancement strategies. He also shared the view on the potential growth for the S-REITS.

Other panelists in the session included Mr Lawrence Wong, Head of Listings for the SGX and Mr Peter Mitchell, CEO of APREA. Mr Wong provided a good summary of the attractiveness of Singapore as a centre for cross border listings of REITS. On the question of potential consolidation, the panelists felt that this was not possible at this stage until the code of takeovers and mergers is amended to incorporate trusts.

Plenary Session: Singapore – Integrated Resorts

Mr George Tanasijevich, Vice President of Marina Bay Sand Pte Ltd provided an overview of the Marina Bay Sands integrated resort project. The resort will comprise three hotel towers with a total 2500 rooms connected by a roof-top terrace spanning the three hotel towers. There will also be more than 1m sq ft of convention and meeting space and 2,000 seat theaters. The Marina Bay IR has an aggressive time table and hopes to open by end 2009. The resort will be positioned to target the MICE segment where Las Vegas has a competitive advantage. It will also leverage off its Macau facilities in terms of entertainment engagements and provide clients with more variety in terms of locations.

The Marina Bay Sands (Artist's Impression)

Source: Las Vegas Sands

Mr Justin Tan, Managing Director of Genting International provided an overview of the Resorts World at Sentosa project. The project will boast four world class attractions including Universal Studios, Quest Marine Life Park, Equarius Water Park and Maritime Xperiential Museum. Six hotels with a combined 1,830 rooms will be planned in the resort. The resort hopes to attract 5 million visitors initially rising to 10m by 2015. There are provisions to add a few more attractions to the resort over time. The total project cost of the project is expected to exceed S$5b.

Sentosa Integrated Resort

Source: AsiaOne

Dr Chua Yang Liang, Head of Research for Jones Lang Lasalle analysed the impact that the 2 resorts would create on the Singapore economy and property. The direct impact will be increased construction activity and supporting infrastructure leading to the completion of the two IRs.

Indirectly, the IRs will create jobs and increase demand for housing. JLL estimates that 20,000 new jobs will be created from the IRs with 25%of the jobs going to foreigners. In addition, it expects demand for 5,000 new housing units over 2009 to 2015, i.e., an average 833 new housing new units per year. Demand will likely increase for residential property near the Sentosa/Harbor Front and Marina Bay/East Coast areas. This increased demand will likely support further improvement in residential values.

Questions for the speakers revolved around competition and the delays in construction due to the surge in price of construction materials. The speakers felt that the rise in construction costs was still manageable and that the authorities were working to secure sufficient supply. The time table for completion for Marina Bay and Sentosa is late 2009 and 2010 respectively.

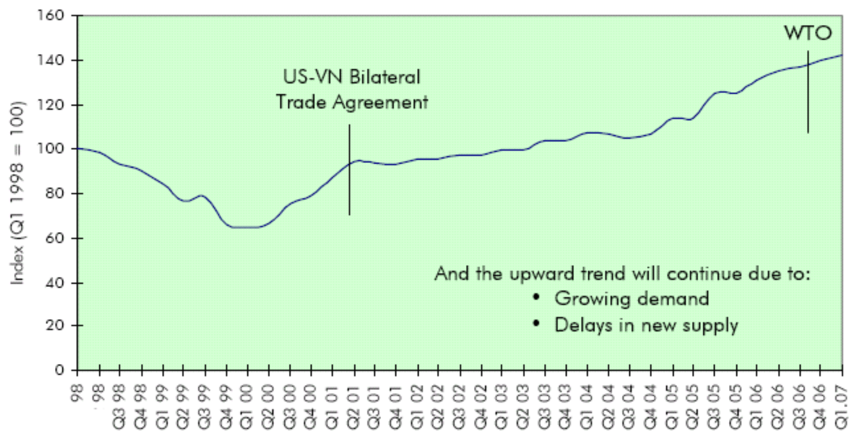
On competition to Genting Resorts in Malaysia from the two IRs, Mr Justin Tan felt that most of the visitors to Genting's resort in Malaysia were locals while Resorts World at Sentosa was targeted at foreign visitors.

Plenary Session: New Frontiers in Real Estate – Vietnam & IndoChina

Mr Marc Townsend CB Richard Ellis provided a comprehensive overview of the Ho Chi Minh city (HCMC) property market focusing on condominiums, serviced apartments, office, etail and hotel. Mr Townsend observed that the HCM property market has been supported since 2003 by strong consumption and economic fundamentals as well as a strong stock market. Availability of bank credit has also fuelled the property market.

The office market has seen strong demand amidst limited supply following the US-Vietnam bilateral trade agreement in 2001. Vacancy rates have fallen to 1 to 2% as 1Q07. Meanwhile new buildings coming on stream have already been pre-committed. Occupancy of grade A buildings in HCM is 100%.

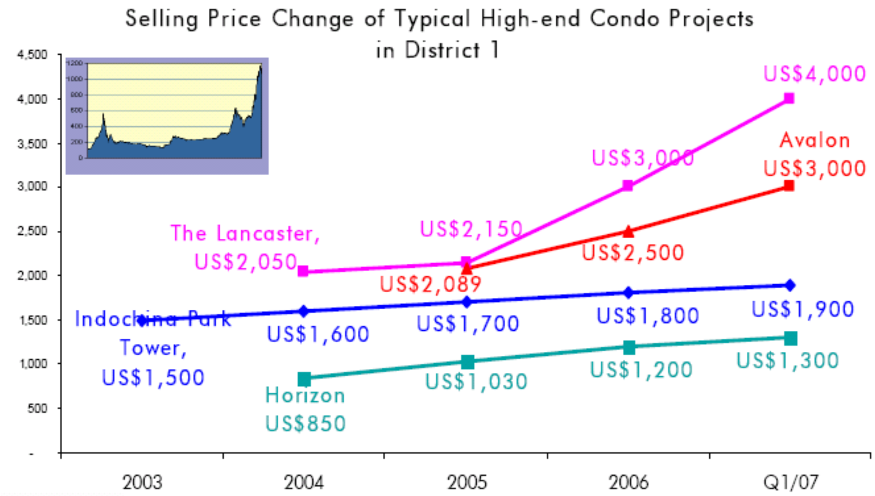
HCMC Office Market – Prime Office Rental Index



Source: CBRE presentation

The residential market has also seen strong uptrend supported by strong foreign investment flows and spillover benefit from the buoyant stock market. High end projects in good locations should remain in demand. Meanwhile demand for serviced residences has been strong with limited supply. Rents have escalated due to shortage of quality serviced residences.

Residential Condo – HCMC



Source: CBRE presentation

With a total stock of 6,824 hotel rooms and demand continuing to rise, room rates have risen by about 16% last year. Occupancy rates have remained steady with new supply.

Rick Mayo Smith from Indo China Capital shared his company's experience in investing in Vietnam. Indo China Capital has had a successful record of investing in property in Vietnam not withstanding the rules on foreign ownership. He noted that foreigners who work in Vietnam may be able to purchase a property in Vietnam but on 50-year leases. There was lobbying for the lease to be extended to 70 years. The government still appears concerned about the impact of foreign demand on local property prices if the market was liberalized. As with some other foreign developers like Keppel Land, Indo China capital has been successful in developing commercial and residential property for sale.

Lunch Presentation: Malaysian Property Market Outlook

- Overhang in two key property markets. Most of the overhang units in 2006 were located in Johor (8,215 units) and Selangor (5,233 units). There could be a structural mismatch of wrong products in poor location for the unsold stock. Also, 61.2% of these properties were below RM150,000 per unit.

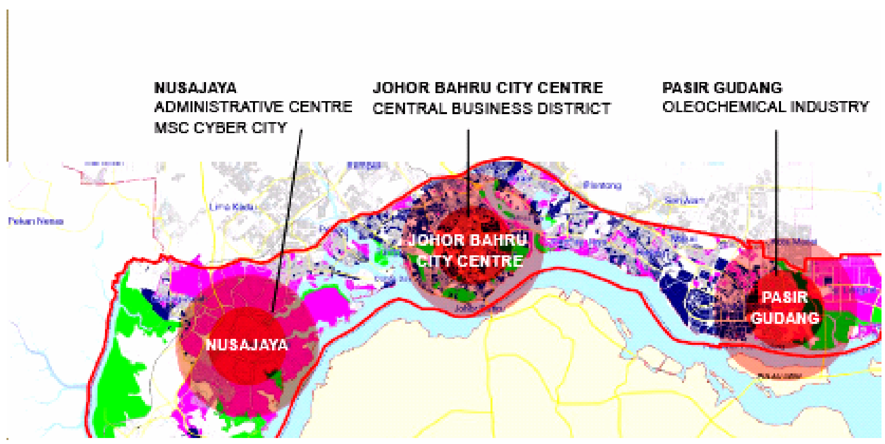
- Niche and premium developers in Klang Valley to do well in 2007. For 2006, the focus was on "pocket development" of niche high-end projects in Klang Valley. This segment is expected to continue to do well in 2007.

- Healthy demand for investment grade properties will likely follow through with the abolishment of Real Property Gains Tax (RPGT).

- Some excitement in Penang driven partially by announcement of major infrastructure projects in 2006. The upbeat mood is expected to continue in 2007. On Penang Island, the outlook for the residential sector is promising with more high-end landed property projects expected to be launched.

- A faster pace with Iskandar Development Region (IDR). Momentum of development in Johor is expected to be faster and intensified with IDR. As this development is spearheaded by Khazanah Nasional, parties and companies involved are confident that the IDR would be a success, leading to better property values and improvement in distribution of land utilization. The current population within that vicinity is about 1.4m but with IDR initiatives, the population size is expected to increase to about 3.0m by 2025 hence creating demand for new housing every year. Due to the large scale of the IDR project, a common question asked by fund managers - whether there is risk to execution?

Iskandar Development Region – Special Economic Zone



Source: KVG-Lambert Smith Hampton Presentation

- Spillover effects from development of Integrated Resorts (IR) should also benefit South Johor given its close proximity to Singapore. Housing demand is expected to exceed supply in Singapore once the development of the Integrated Resorts kicks in. With a growing pool of the population with higher purchasing power close to South Johor, there should be demand for niche high-end development from upgraders and foreigners.

China/HK Companies

Champion REIT (2778.HK - HK$4.5; 1L)

- Spot rent of Citibank Plaza hits HK$85psf per month – nearly tripling the passing rent. It expects to revise upward the passing rent to a level close to the spot rent gradually, with about 1/3 of the lease expiring every year.

- No plans for further acquisitions – There is no plan of further acquisition for the REIT in the short term, after its purchase of 3 floors at Citibank Plaza from Kerry Properties last year.

- Positive on Central Grade A office market – Due to limited supply in Central, it remains positive on the Central Grade A office market and expects a 15% growth in rental for 2007.

- Rising interest cost – The interest cost of the swap embedded in Champion REIT will be rising over time. However, management is confident that the increase in rental will more than offset the rising interest cost, indicating sufficient room for earnings growth.

China Resources Land (1109.HK - HK$9.47; 1M)

- Management expects exponential growth in profit from 2008 – as the projects acquired by CR Land in the past 3 years and injected by parents should start contributing to revenue by then, plus the company will be benefiting from the drop in tax rate with the tax equalization in place from Jan 1, 2008.

- Expects strong cash inflow in 2007 – Pre-sale of the projects completed in 2008 will start in 2007, so a strong cash inflow is expected in 2007. YTD, at least 40% of 2007 property sales proceeds have already been locked in. This enhances the company's financial capacity for further landbanking.

- Maintain earnings split – CR Land plans to keep its earnings split between development and investment properties as 40:60. EBITDA margin of its rental property is about 70%, relatively low compared to an average of 80% in SG and HK, mainly due to the business tax imposed in PRC.

- Landbanking policy – On its landbanking policy, CR Land currently only acquires site via land auction to ensure clear land titles. Meanwhile, the company will keep using the incubator system (i.e. parent acquires land at early stages and injects into CR Land at a price close to the original price when CR Land is ready) as to combat against the rising land cost in China.

Greentown (3900.HK - HK$16.0; 1M)

- Positioning as a quality player – Greentown continues to position itself as a quality player based in Hangzhou and Zhejiang province. Its long-established brand name enables it to be a leading player in the said areas, seeing limited competition from both nationwide and local developers

- Management shares JV benefits – Management also shares the benefit from forming joint ventures in its development projects. On the one hand, Greentown can share the high land cost with its JV partners. On the other hand, it may have a better communication or be easier in lining up with local developers via JV.

- On tightening measures – Greentown believes it is bringing more benefit than harm to the industry in the long run. With a specific reference to the 70%-90sqm rule, Greentown sees 2 key market changes resulting from the policy. Firstly, there is a change in supply structure with more economic and public rental housing in the market. Secondly, there is delay in completion of some projects as it is required to increase the portion of 90sm units.

- Based on Greentown's understanding – Hangzhou government would not aggressively carry out the LAT settlement process. It also believes a nationwide clearing is unlikely as the developers subject to LAT payment would pay less enterprise income tax. However, the enterprise income tax for the past few years had already been paid and hence the refund by the central tax authority is highly unlikely.

- Greentown plans to complete about 1.8msm in 2007 – and hence total replenishment would be about 2-3msm. Net gearing by end-06 was about 74% and target net gearing is 60%.

Guangzhou R&F (2777.HK - HK$18.88; 1L)

- Investors were curious of GZ R&F's lower-than-expected FY06 results – The management explained there was delay in hand-over at year-end, as buyers became more cautious on checking upon delivery after revealing quality problems in a Beijing project by a HK developer. These units were already sold and would be booked in FY07.

- Current gearing is about 70% – with the investment properties sitting at book value as they are still under construction. It is expected the market value of these investment properties is about 1.2-1.3x the book cost.

- In 2007, GZ R&F will acquire landbank for the development in 2010 – They are actively looking for opportunities in the Huadong area, which has been experiencing high economic growth.

- The majority of its income is mainly from property sales in first-tier cities – GZ R&F expects the contribution from second-tier cities will be growing from the existing 10% of total income to a larger portion. Meanwhile, it will also continue to build up its investment property portfolio, expecting rental income to reach RMB1.5bn by 2010.

Henderson Land (0012.HK - HK$47.05; 1L)

- The unsold inventory in HK is about 2.4msf – HLD has set up a new sales department targeting to sell not less than half of the 2.4msf by end-07. HLD sees the unsold inventory as its valuable assets rather than burden, as selling them off helps smooth out the earnings in 2007 and 2008, particularly in times of improved market sentiment and fewer landbanking activities in HK by the company in the past few years due to rising land costs.

- HLD elaborated on its Two-Prone Approach for expansion into China – Since the early 1990's, they have been keen on getting the prime sites in first-tier cities for commercial development and retain them as long-term investment properties. Starting 2006, they initiated "Second-Tier Provincial-Capital City Site" Strategy. That means they are trying to set up footing in the provincial capital city in second-tier cities by positioning themselves as residential property developers.

- Raising completion volume in China – The company expects to significantly raise its completion volume in China to 2-3msm per annum, a level similar to a nationwide developer in China. By end 1H07, its landbank in China should increase to 14msm.

Hopson (0754.HK - HK$18.5; 3H)

- Hopson will maintain a key focus in first-tier cities – as it believes the demand in first-tier cities is stronger with rich people moving from second-tier cities and more international companies setting up their offices in China, therefore, property price is more likely to enjoy a high and sustainable growth.

- Acquiring landbank from secondary market – It mainly acquires landbank in the secondary market rather than via auction to ensure low land cost. As of end-06, about 5.6msm of the total 14msm landbank is without title. Outstanding land premium is HK$4.2bn, with 1.9bn to be paid in 2007.

- Hurdle rate for development – The hurdle rate for development projects is set to be gross profit margin not less than 25%. According to Hopson, gross profit margin for development properties in FY06 was 39% (versus the stated 35%), as the sale of revalued investment properties has dragged down the overall gross margin.

Hysan (0014.HK - HK$20.85; 1L)

- Hennessy Centre in Causeway Bay in a redevelopment course – expecting to complete in 2010. Though it makes up about 16% of the total GFA of Hysan's portfolio, its impact on FY06 revenue is limited as it was vacant only in 4Q06. However, a significant drop in FY07 revenue is expected due to the full-year impact.

- Redevelopment helps better realize the value of Hysan's assets – For example, the average rental for office areas in Lee Garden is about HK$30psf while the older offices in the same area yield about HK$20-22psf.

- Abundant new office supply on Island East – There will be an abundant supply of new office space on Island East in 2007 and 2008, posing threat to Hysan's office portfolio in Causeway Bay. However, management believes this will not form direct competition. Office rental in Causeway Bay has been at a premium to that in Island East in the past 10 years and they believe the trend will continue due to Causeway Bay's proximity to Central and its well-established status as a shopping paradise.

New World Development (0017.HK - HK$18.56; 1L)/New World China Land (0917.HK - HK$5.51; 1M)

- The Hanoi Road project will be launched for pre-sale in 2H07 – expecting to enjoy a higher-than-expected selling price, under the improved market sentiment in Hong Kong.

- New World Development has successfully reduced its net gearing – from 68% in 03 to only 25% in 06 via a series of restructuring exercises. It will spin-off its China Department Store business into a REIT this year, expecting to further release the value of its assets.

- **New World China Land will speed up its completion volume in 2007** – In 2H FY07, it will complete a total GFA of 637,573sm, which is almost 5x that in 1H FY07. If successfully executed, it should drive up the earnings of the company significantly for FY07.

Shenzhen Investment (0604.HK - HK$4.67; 1L)

- **Company restructuring was basically completed in early 2007** – The company will focus on its property business and hence expects a strong earnings growth in the next 2 years. Shenzhen Investment expects earnings will increase to RMB700-900mn in 2007 and further to RMB1-1.3bn in 2008.

- **Shenzhen Investment to actively look for land acquisition opportunities** – preferably by acquiring from smaller players in the industry for lower land costs. It expects to spend about RMB1bn this year on the acquisition.

- **Road King** – the associate of Shenzhen Investment, will spin off its infrastructure business by end-07. After that, only its property business would be left. To date, the property business has not yet made any revenue contribution to Road King, as all the projects are still at a preliminary stage.

Malaysia Companies

E&O Property Development (EOPD.KL - RM3.6; 1M)

- Prime developments – Going forward, the plan is to increase landbank in prime locations within the Klang Valley.
- Pricing on an uptrend – Duo Residency has been completed, 87% of the units have been sold and current selling price for the project is about RM850 psf versus average selling price of RM600 psf at the initial launch.
- Doing well in Penang – Its development in Seri Tanjung Pinang in Penang is enjoying new benchmark pricing. For example, Ariza Duo courtyard terraces (launched on 18 November 2006) is priced from about RM795,000 and the Acacia semi-detached homes (launched on 21 April 2007) is priced from RM1.4m onwards.
- New launches – E&O Property Development (ENOP) will be launching its service apartments and bungalows at Seri Tanjung Pinang as well as the St Mary's project in Kuala Lumpur (proposed development comprises serviced apartments, including retail and food & beverage facilities).

Mah Sing Group (MAHS.KL - RM5.35; 1L)

- Target mix of contribution – 90% of the Group's pretax profit would be derived from the property segment. Of which, 70% would be from mid to high-end residential and another 30% from the commercial segment (Grade A offices, retail & shops).
- New projects to drive growth – Mah Sing expects to launch 7 new projects, of which 6 are in the Klang Valley (Kemuning Residence, The Icon, Hijauan Residence, One Residence, Duta Perdana, Mount Kiara Land) and 1 in Johor – Sierra Perdana in 2007. Combined GDV for the new projects is RM1.7bn.
- Future land acquisition – The Group is actively looking for land in Klang Valley, Penang and Johor with GDV of RM600m to RM800m annually.
- Marketing strategy to woo foreign investors – by providing a one-stop service as Mah Sing is licensed by the Ministry of Tourism under the Malaysia My Second Home programme.

UEM World (UEMW.KL - RM4.06; 1H)

- Headline KPI targets – The revenue target for UEM group for FY07 is RM6.5bn (+36% YoY), which excludes the degearing impact. ROE target for FY07 is 19%.
- Phase 1 of Johor State New Administrative Centre is on target for completion in 2007 with an estimated GDV of RM400m.
- Development of the Iskandar Development Region (IDR) likely to hasten – Recently announced incentives and support package for Iskandar Development Region (IDR) and the establishment of a 1 stop-centre that is linked to relevant government departments is expected to fasten the development of the IDR.
- New property launches – Phase 1 of Horizon Hills was launched in March 2007. The development is a 50:50 joint venture between UEM Land (100% subsidiary) and Gamuda Land. The project has a total GDV of RM2.6bn and will take 13 years to complete. While Ledang Heights 2 (a wholly owned development of UEM Land) is expected to be launched in 3Q 2007.

Singapore Companies

The underlying tone on the Singapore residential market remained strong, with developers upbeat about take-up and pricing at upcoming launches. Some common points mentioned were:

- Success of Government's marketing of Singapore as a "Global City" – High-end property prices in Singapore have been setting new benchmarks due to the effective overseas marketing of Singapore's transformation into a Global City by the Government.

- Broad-based property recovery – Mass market property developments have seen stronger uptake in the past 6 months and buyers have absorbed higher selling prices well.

- Landbanking opportunities more competitive – Potential enbloc owners are seeking higher prices for their units and more developers are competing for the same land opportunities as they replenish their landbank.

- Rising granite and sand costs having minimal impact on margins – Construction costs have risen some 20% in the past 2 years but land costs remain the largest cost component, usually between 60 to 80% of total development costs.

- Foreign buyers are more global in profile – While typical foreign buyers from Indonesia, HK, UK and US have been active, developers have seen buyers from newer destinations such as South Africa, Russia. They pointed out that Middle Eastern and Chinese buyers have not entered the local scene in a big way yet.

- Speculators formed only a handful of buyers – Developers noted that most foreigners were genuine buyers that were seeking to bring their families to their Singapore property investment for holidays.

- Deferred payment vs progressive payment evenly split for most projects – Some buyers chose progressive payment as there is a 2% to 3% discount off the purchase price compared to the full purchase price for deferred payment.

- Landlords' market in the office segment – Quasi-monopoly on new CBD office space exists as One Raffles Quay (ORQ) and Marina Bay Financial Centre (MBFC) is developed and owned by the same consortium, thus there is limited room for office tenants to create tension and demand competitive rents.

A-REIT (AEMN.SI - S$2.6; 1L)

- Strong demand for science and biz park and high tech industrial spaces – Demand stems from existing tenants, MNCs and financial services backroom operations. A-REIT currently has 38% share of the high tech sector and 29% share of the business park sector.

- Renewal – In 2008, an 11% area will be renewed (180k sq ft). Currently assuming 57% if this is under market rent. Science & biz park +13% rental reversions, while high tech industrials +18% rent reversions.

- Lease structure – Long term leases are usually for 10-29 years with upward only CPI adjusted rents (i.e. rents are adjusted upwards by the higher of 1.5-2.5% or CPI). Currently limited supply in the science and biz park areas and no supply in the high tech industrial area. Typically a 3 + 3 year lease agreement weighted renewals of 6.8 years.

- Investment target – Targets S$400m acquisition properties a year with AUM S$5bn by 2010. It uses cap rates of between 6-7% for fee income producing assets. For development projects, yield on construction costs is about 9% (but going forward, most likely to be 8%).

- Changi Business Park update – 200k sq feet, with 42% currently pre-committed. First signed at $2.2-2.3 psf in Sep 06 and recently signed at $2.7 psf.

- Financials structure – 95% of borrowings fixed at 3.4% for the next 4 years. Current gearing of 37% with an optimal target of 45%.

CapitaLand (CATL.SI - S$8.5; 3L)

- AUM to grow to S$18b by end of 2007 – Current AUM S$14.3b, including Ascott Residence Trust (ASRT.SI - S$1.95; Not Rated) and private equity funds. AUM blend is currently about 60% REITs and 40% private equity, with REITs which are open-ended and have a perpetual life likely to form a higher proportion of AUM vs private equity funds in the future.

- To launch more REITs and funds – REITs have to offer a compelling growth story to potential investors and will have the right of first refusal on properties from CapitaLand, the sponsor, so as to offer a clear pipeline of future growth for the REIT.

- Sale of Temasek Tower to party other than CCT – CCT was shortlisted party, but current office yields too low and the acquisition of Temasek Tower to CCT would not be yield accretive for between 2.5 to 3 years, which would have been unacceptable to CCT unit holders.

- India's retail strategy is 18-24 months behind China – Challenges on regulatory front as there is some level of protectionism on retail and foreign direct investment.

CapitaMall Trust (CMLT.SI - S$3.98; 2L)

- Potential for Growth in Singapore – Owns 11.5% of private retail stock in Singapore with fragmented ownership of 18.9% and 32.2% owned by developers, excluding CapitaLand (4.2%) and CapitaRetail Singapore (2.0%).

- S$7b asset size by 2009E in Singapore – Current S$4.8b, but is expected to rise on completion of CapitaRetail Singapore to S$5.4b.

- 1Q07 results – DPU of 3.00 cents exceeded company's forecast by 6.8%. Gross revenue +5.5%, operating expenses -0.6%, and net property income +8.6% vs forecasts. Higher committed occupancy rates across all malls.

City Developments (CTDM.SI - S$16.1; 1L)

- St Regis Residences project 86% sold – Of a total 173 units, 150 units have been sold. Company is still deciding on whether to keep remaining units or release for sale. 80% of buyers were foreigners. Only 2 to 3 sub-sales have been lodged.

- Beneficiary of rising office rentals – Republic Plaza recently transacted at $14psf for half a floor.

- **Landbanking to continue** – Has purchased 4 land parcels in 2006 at a total of S$1bn+. Landbank of 8m sq ft GFA that can last 5 years but will continue to make strategic and opportunistic purchases.

- **Deferred payment schemes (DPS) not significant** – DPS comprised less than 25% of all property transactions. Sub-sale owners not entitled to DPS but will be ported over to progressive payments.

- **Targets development margins of 15-25%** – Land cost is usually 70% of a high end project and 50-60% of a low end project. Increase in sand and labour costs not a concern. Should only increase costs by 1-2%.

- **Project pipeline target to launch 1000+ units** – 1 Shenton (launched already), Solitaire (100% sold), Clifton @ Grange, Quayside Collection, Botania (Westcoast – Mid-Tier segment).

- **2 pronged strategy for 55%-owned M&C** – Hotel management and underlying value of asset which can be unlocked.

- **Hotel business outlook positive** – Room rates in Singapore used to be at $60 to $70 per night but are now seeing $100-120 per night. In terms of REVPAR, Singapore is the best performing. In the US, occupancy over 90% with room rates back to pre-SARS levels. Overall hotel occupancy at 80+%.

- **Considering office REIT** – But unsure as to what to do with the cash raised should office asset be sold/injected into a REIT.

Suntec REIT (SUNT.SI - S$2.04; 1L)

- **Office occupancy risen 75% at IPO to 98.8%** – as at 31 December 2006, with closing rents between S$6.50 – S$8.00 psf per month during the quarter. The Manager expects occupancy and rental rates for the office portfolio to strengthen further given the positive office market moving forward.

- **Retail passing rents continues to rise** – Suntec City Mall's average committed passing rent was S$9.59 psf per month as at 31 December 2006, and should continue to strengthen in the upcoming quarters.

- **Organic growth** – The office portfolio of 1.4 million sf which will benefit from the rising market coupled with the asset enhancement strategies which could boost the retail revenue. In addition, the Manager continues to be proactive on the acquisition front.

Wing Tai (WTHS.SI - S$3.36; 1L)

- **Property market recovery is broad-based** – Recent sales at Casa Merah (at Tanah Merah) indicates pent-up demand in the mass market is coming onstream as potential upgraders have been staying at the sidelines for the past few years. The show flat was opened 2 weekends ago without advertising and more than 80% of the 556 units were sold at an average S$650psf, with the remaining units likely to be launched at S$700psf.

- **Land bank skewed towards the mid-to-high end and launch schedule** – Kallang River site (Mid-tier segment – over the next few weeks), Phoenix Mansion site (High-end segment – 2Q07), Belle View site (High-end Oxley area – 3Q07), Newton Meadows (Mid-high segment – 4Q07), Ardmore Point (High-end segment – 1Q08), Ardmore 18 (High-end segment – 2Q08).

- Winsland House enjoying improved office rentals – Signing rents now S$9psf compared to S$4.50psf a year ago.
- Simultaneous project sale with land acquisition – To replenish its landbank, Wing Tai targets purchase of a new site every quarter/two months simultaneously with its new project launches.

Appendix A-1

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