Maybank interviews 5 candidates for CEO

Malayan Banking Bhd (Maybank) has interviewed five candidates for the post of chief executive officer, says chairman Tan Sri Megat Zaharuddin Megat Mohd Nor. >4

Ringgit likely to be volatile

The ringgit is likely to experience volatile trade in the RM3.15 to RM3.25 band versus the US dollar over the next three months. >5

Vodafone to buy Kabel for US$10.1bil

Vodafone Group Plc reached a preliminary agreement to buy Kabel Deutschland Holding AG after increasing its bid for Germany's largest cable company to about 7.7 billion euros (US$10.1bil). >12

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MARKET MOVEMENTS

FBM KLCI	1,738.19	-17.66
Nikkei-225	13,062.78	-167.35
Hang Seng	19,813.98	-449.33
Shanghai	1,963.24	-109.86
Sensex	18,540.89	-233.35

DAILY TOP ACTIVE

BURSA MALAYSIA

Counter	Close	Vol('00)
Luster	0.19	2082925
TMS	0.07	525945
MAS	0.295	409207
Asiapac	0.13	406516
IDMENSN	0.155	375573
JCY	0.67	375152

Curbs on property scheme?

Bank Negara said to be relooking at popular, easy developer interest-bearing scheme

By GURMEET KAUR
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PETALING JAYA: Bank Negara is studying the risks arising from the developer interest-bearing scheme (DIBS) with a view of potentially imposing curbs on it, sources said.

Although it is unclear if or when such curbs would be put in place, Hong Leong Investment Bank (HLIB) said that it may be "later this week", adding that such a move would be a negative for future sales in the primary property market.

Other industry players think that the measures might be introduced in the second half of the year.

DIBS has become a popular easy financing package offered by property developers in joint-promotión activities with banks in recent years.

Under the scheme, buyers need not fork out much initial downpayment to buy properties, as the developer supposedly absorbs the initial interest. This is until the buyer takes

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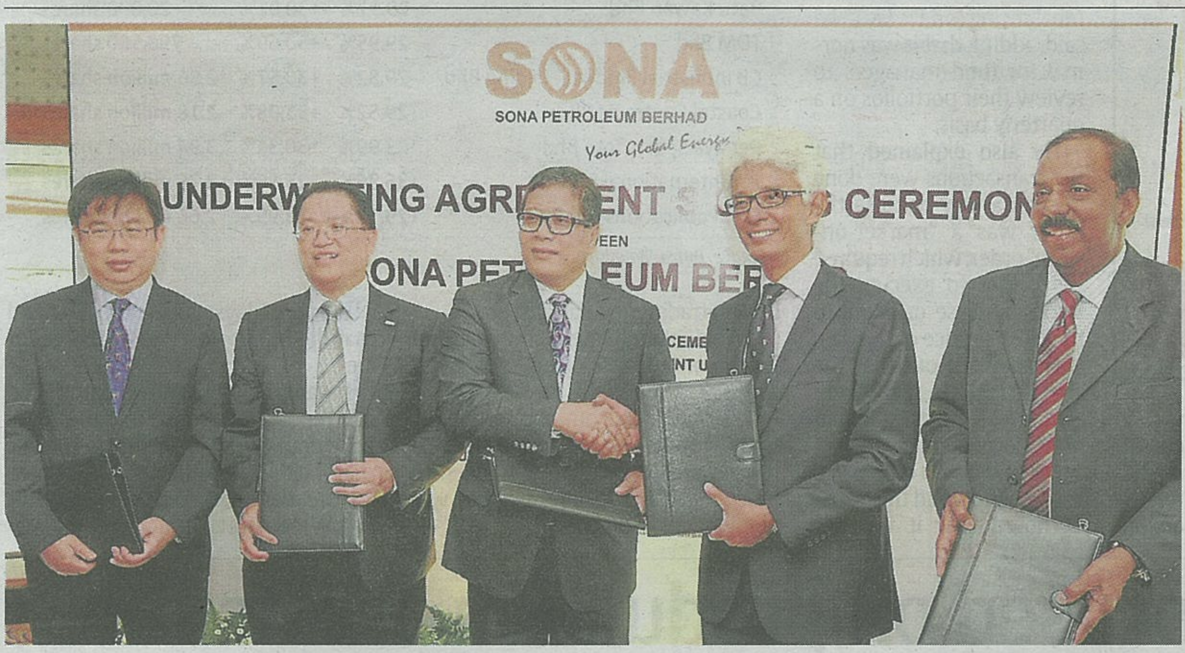

At Sona Petroleum's underwriting ceremony. From left: Kenanga Investment Bank group MD Chay Wai Leong, RHB Investment Bank officer-in-charge Mike Chan, Hadian, CIMB Investment Bank CEO Datuk Charon Wardini Mokhzani and MIDF Amanah Investment Bank corporate investment banking head Jeyaratnam Tamotharam Pillai.

Sona Petroleum gets its SPAC underwritten

By LIZ LEE
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KUALA LUMPUR: Sona Petroleum Bhd, the latest special-purpose acquisition company (SPAC) to be approved for listing, is poised to hit a record-breaking RM550mil in initial public offering (IPO) proceeds for a SPAC, having just inked an underwriting agreement with four local banks.

Asked if the management was confident of hitting the ambitious fund-raising target, managing director Datuk Seri Hadian Hashim said: "Yes, the first two investors have given us that level of confidence. The response has been good."

Although Hadian declined to provide specifics on the investors, sources told *StarBiz* that two funds were close to investing in the SPAC, namely, Hong Kong-based hedge fund Segantii Capital and a unit of the Hong Leong group.

He said that one of Sona's selling points was its management team, comprising experienced oil and gas (O&G) individuals. Hadian himself is a major shareholder in O&G upstream services provider Integrated Petroleum Services Sdn Bhd, an approved vendor to Petroliam Nasional Bhd.

Chief financial officer Datuk Maznah Abdul Jalil is a well-known corporate figure, having been a key lieutenant of the late Tan Sri Yahaya Ahmad of

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World Bank officials: Malaysia needs to manage resources sustainably

By INTAN FARHANA ZAINUL
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KUALA LUMPUR: Malaysia needs to manage its natural resources sustainably and also ensure that the transformation of its economy continues apace via deep-seated reforms under the strategic reform initiatives under the Economic Transformation Programme for growth to be maintained.

World Bank economists said the country had done extremely well so far in managing natural resources and spending the revenues derived from commodities to diversify into other sectors of the economy.

However, spending in recent years has been skewed towards the oil and gas industry due to high prices. As a result, World Bank senior country economist Fredrico Gil Sander said the trend in diversification seemed to have slowed down.

Sander and country director Annette Dixon were here to present the World Bank's annual country report on Malaysia.

Sander said that without the rise in commodity prices, Malaysia would have experienced a current account deficit. He said the reliance on revenues derived from commodities had also been used on subsidies instead of more targeted measures to buffer vulnerable segments of the population while the economy underwent a transformation.

Dixon said that although subsidies were not so easily discontinued, the longer the Government took to rationalise the various subsidy schemes, especially for fuel, the harder it gets.

She said the country needs to overhaul its subsidy system and spend revenues derived from the boom in commodity prices on initiatives that would enable the economy to move up the value chain.

Dixon acknowledged that it would be more challenging now to transform the economy as commodity prices had fallen across the board due to the slower global economic growth.

Preview: Dixon and Sander speaking to *StarBiz* yesterday.

Commodities Talk by **HANIM ADNAN**

Helping to clear the haze

Eight Malaysian-owned firms under Indonesian probe

THIS week all eyes will be on how Indonesia and Malaysia, the world's top two largest crude palm oil (CPO) producers, deftly tackle the issue on haze currently polluting the air over Singapore, Malaysia and Indonesia.

The crux of the thick smoke haze problem is the rampant open burning in Riau and Jambi, Sumatra carried out by planters to make way for new planting and replanting of oil palm.

While Malaysia had openly criticised Indonesia for its land-clearing method via the rampant "slash and burn" for oil palm cultivation, Indonesia then retaliated by claiming that the culprits for the open-burning were mostly subsidiaries of Malaysia-based plantation companies.

Generally, over 50% of oil palm plantations in Sumatra, Kalimantan and Sulawesi belongs to Malaysian planters either via long-term concession or joint ventures.

To stop the finger-pointing, Datuk Seri G. Palanivel, the newly appointed Environment and Natural Resources Minister will be in Jakarta tomorrow to meet representatives of Malaysian-owned plantations there and, also hold discussion with Indonesia's Environment Minister Balthasar Kambuaya.

Balthasar announced late last week that 14 companies had been identified and were being probed for open burning.

Of the total, eight are Malaysia-owned namely PT Langgam Inti Hiberida, PT Bumi Rakksa Sejati, PT Tunggal Mitra Plantation (PTTMP), PT Udaya Loh Dinawi, PT Adei Plantation, PT Jatim Jaya Perkasa, PT Multi Gambut Industri and PT Mustika Agro Lestari.

It is believed that PTTMP is a unit of Minamas Plantation which is a subsidiary of Sime Darby Bhd while PT Adei Plantation is a unit of Kuala Lumpur Kepong Bhd (KLK).

Hence, when the issue of open burning is linked to Malaysia's top plantation giants like Sime and KLK, one may wonder on the practice of "zero-burning" policy which are widely advocated among major local plantation companies.

In fact, zero-burning oil palm replanting technique was first introduced commercially by Sime Darby as far back as 1985.

Since then, zero burning has been made compulsory for all oil palm replanting activities in Malaysia through legislation whereby the traditional way of establishing new oil palm plantations or replanting via burning of old oil palm biomass are strictly prohibited.

The Government has also imposed a ban on open burning in 1998 and offenders will have to pay a maximum fine of up to RM500,000.

However, while Malaysian planters may strictly abide by the open burning ban here given the hefty penalty, some observers say there exist some "irresponsible" local planters who tend to overlook the zero-burning policy especially when their estates are located deep in the jungles of Kalimantan or Sumatra with minimal supervision from the relevant authorities.

On the other hand, both Sime Darby and KLK had reiterated on their strict practice of zero-burning policy.

Sime Darby while acknowledging the fact that its PTTMP concession area is one of the many hotspots identified but it is unable to exert control over the activities of local communities beyond its operating areas.

In Indonesia, it is quite common among farmers between June and September to undertake open burning for oil palm replanting at their small estate holdings, which are often adjacent to estates owned by big plantation companies.

● *Deputy news editor Hanim Adnan who misses the clear blue sky, hopes the Government will soon carry out cloud-seeding to clear the haze.*

Many buyers enter scheme with intention of flipping the property

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possession of the property.

A high number of buyers enter this scheme with the intention of flipping the property when they gain possession of it, making a profit without having to come up with much capital in the process. Such a scenario fuels speculation.

"Typically, under the scheme, buyers only foot between 5% and 10% of the house price upon signing the sale and purchase (S&P) agreement and only begin payment when the project is completed," a property consultant told *StarBiz*.

"There are caveats to this scheme, as buyers commit to a financial obligation upon the signing of the S&P and the interest cost has actually been already passed on to buyers via the higher selling prices."

DIBS is mainly offered to the high-rise residential segment. Some property consultants have opined that the presence of DIBS in the market has caused prices to be set on an artificially higher trajectory.

Notably, the Singapore government banned DIBS in 2009.

"While the exact measures are yet to be revealed, we believe the curbs would impact this easy financing scheme," HLIB said in a note yesterday.

According to analysts, most of the sales in the recent property bull cycle were tied to the attractive DIBS scheme at the expense of the secondary property market which has remained sluggish. And given the persistent rise in household debt, the Government is mulling over measures to limit it.

"In the recent past, Bank Negara has been compiling information on the scheme and studying its impact on the sector," a source said.

Bank Negara had yet to respond to *StarBiz's* queries as at press time.

"The difference between the non-DIBS and DIBS pricing can range from as low as 5% to as high as 30% if other incentives like early-bird discounts, stamp duty waivers and cash payments are taken into account," said Elvin Fernandez, managing director of Khong & Jaafar group of companies.

He advocates regulators to compel developers to be transparent on the various incentives, as it may be difficult to do away with DIBS packages.

"Developers should inform buyers and bankers of the actual value of the discounts they are getting so that house buyers know the true value of the house they are buying," he said.

UOB Kay Hian Research noted that new launches in selective high-rise projects in the suburbs of the Klang Valley were transacted at over RM1,000 per sq ft (psf) vis-a-vis RM450 psf two years ago.

"Household debt has risen to 80.5% of nominal gross domestic product as at end-December 2012, up from 60.4% as at end-2008.

"We also note that outstanding banking sector loans in the household sector has risen 3.6% year-to-date as at end-April to RM638.5bil from RM616.5bil as at December 2012. As the rise in consumer credit is partly linked to housing, curbs may be introduced to dampen speculation," UOB Kay Hian said in a report yesterday.

On the financial impact of curbing DIBS on property companies, HLIB said that it would be "negative for future sales in the primary market but the extent of damage varies with the degree of exposure to the high-rise segment for each individual developer".

UOB Kay Hian reckons that if DIBS or similar schemes were to be tightened, it could "significantly dampen new property launches as speculators will be filtered out".

The company also does not rule out the possibility of a further upward revision in real properties gains tax (RPGT) to dampen speculation.

In Budget 2013, the Government had raised the RPGT for the second time since 2011, stipulating a 10% to 15% tax for the disposal of properties within two years of purchase, and 5% to 10% for the disposal of properties within three to five years. However, properties sold five years after purchase are exempted from the RPGT.