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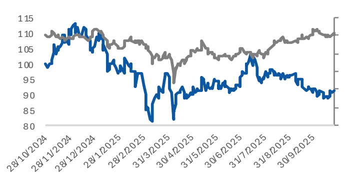
Recommendation:	**BUY**
Current Price:	RM 0.80
Previous Target Price:	N/A
Target Price:	RM 0.93
Capital Upside/Downside:	16.3%
Dividend Yield (%):	1.2%
Total Upside/Downside:	**17.5%**

Stock information	
Board	MAIN
Sector	Property
Bursa / Bloomberg Code	3417 / EASTMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	2,492.1
Market Cap (RM' m)	1,993.7
52-Week Price Range (RM)	0.999-0.675
Beta (x)	1.2
Free float (%)	31.3
3M Average Volume (m)	2.1
3M Average Value (RM' m)	1.7

Top 3 Shareholders	**(%)**
Amazing Parade Sdn Bhd	26.7
Kerjaya Prospek Dev Sdn Bhd	18.2
Paramount Spring Sdn Bhd	9.3

Share Price Performance



	1M	3M	12M
Absolute (%)	-1.2	-3.6	-8.1
Relative (%)	-1.4	-9.0	-8.0

Earnings Summary	**FY26F**	**FY27F**	**FY28F**
Revenue (RM'm)	952.58	1015.8	1846.3
PATAMI (RM'm)	216.5	228.9	502.5
Adjusted CNP (RM'm)	216.5	228.9	258.3
EPS - core (sen)	8.6	9.1	20.0
P/E (x)	9.3	8.8	4.0

Eastern & Oriental Bhd

Capturing Growth in the Premium Housing Market

- **E&O is poised to benefit from a long-term landbank with a potential GDV of c.RM65.4bn across 1,426.2 acres.**
- **Core earnings growth will be driven by (i) recognition of unbilled sales of RM1.3bn, providing earnings visibility through FY29F, (ii) four new targeted launches in FY26F worth c.RM2.3bn, (iii) remaining projects in Andaman Island, Penang yet to be developed, with an estimated long-term GDV of c.RM56.0bn over 30 years, and (iv) the Group's expertise in the premium residential segment.**
- **We initiate coverage on E&O with a BUY recommendation and a target price of RM0.93, derived from a 55% discount to RNAV of RM5.2bn, incorporating a three-star ESG rating.**

Key Investment Highlights

Specialist in Premium Housing: Less Cyclical Demand vs Affordable Housing. E&O is a specialist in the premium residential segment, with strong take-up rates and pricing power. At its flagship Andaman development, three of five projects (The Meg, Arica, Senna/Ferra Phases 1 & 2) achieved 100% sales. Its Kuala Lumpur project, The Conlay, commands ~RM2,400 psf versus ~RM1,700 psf for nearby serviced apartments, reflecting strong brand equity and resilient, less cyclical demand compared to affordable housing. E&O's Penang developments on reclaimed land are largely exempt from affordable housing obligations, enabling the Group to focus on premium projects and maintain healthy margins and earnings visibility.

Prime Landbank in Penang: Strategic Positioning in a Growth Hub. E&O holds a 1,426-acre strategic landbank valued at RM17.1bn, providing long-term earnings visibility and flexibility to time project launches. Its Penang stronghold includes 735.9 acres for the remaining Andaman 1 and 2 phases, with an estimated GDV of RM56.0bn over 30 years and reclamation approximately 50% complete as of end-June 2025, with full completion targeted by end-CY2027. These scarce seafront parcels offer a clear competitive edge. Supported by Penang's robust economy anchored in manufacturing, electronics, and services, and strengthened by FDI as the state cements its role as a semiconductor and E&E hub, E&O is well-positioned to benefit from sustained demand for premium housing and long-term growth in the region.

Robust Sales Performance. E&O's emphasis on premium residential developments has translated into consistently strong market performance. Its booking to sales conversion rate stands at approximately 90%, well above the national average of 39% and the 60% typical for low to mid-range projects. This superior conversion rate reflects strong market confidence in E&O's offerings and highlights the resilience of demand for its developments.

Diversified Revenue Stream. Its hospitality arm (E&O Hotel, The Lincoln Suites in London, and E&O Residences in Kuala Lumpur) together with its property investment assets, provides recurring income streams. These businesses contribute approximately 15% of total revenue, offering diversification benefits and supporting cash flow stability.

Financial Highlights. We project core net profit growth of 11%/6%/13% in FY26F/FY27F/FY28F, respectively. Growth will be driven by the progressive recognition of unbilled sales of RM1.3bn, an active landbank for Andaman Phase 1 & 2 with a remaining GDV of RM56.0bn providing earnings visibility until 2057, the upcoming Elmina development with a GDV of RM990m, and a strategic landbank with a market value of RM17.1bn potentially yielding ~RM65.4bn.

Valuation & Recommendation. We initiate coverage on Eastern & Oriental Berhad with a **BUY** recommendation and a target price of **RM0.93**, applying a 55% discount to our RNAV and supported by a three-star ESG rating.

Business Overview

Business Model. Eastern & Oriental Berhad (E&O) is a premier lifestyle property developer renowned for its high-end products. The group offers landed and high-rise properties. Its property development activities are driven by three main growth engines in Kuala Lumpur, Penang, and Johor. In addition to its core property development business, E&O also owns and operates in the hospitality segment such as hotels and serviced apartments.

Figure 1: Business Activities

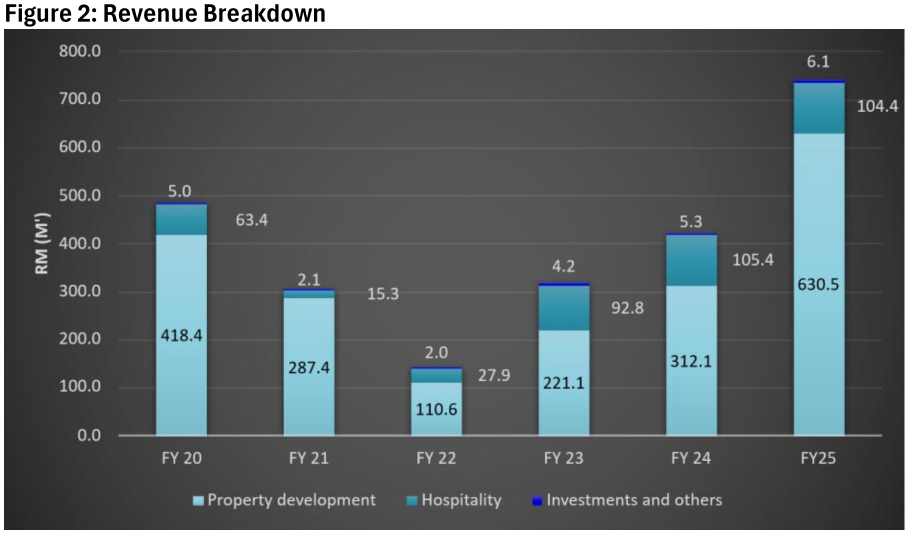
Business Divisions	Explanation
Property development	Development and investment in residential and commercial properties.
Hospitality	Management and operations of hotels, serviced apartments and restaurants.
Investment properties and others	Management of properties, investment holding and provision of management services.

Source: E&O, Apex Securities

Revenue Breakdown

The property development segment has been the key contributor to E&O's revenue. In FY25, it accounted for the largest share at 85.1%, followed by hospitality at 14.1%, and a minor 0.8% from investments and others as illustrated in **Figure 2**.

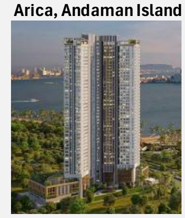
Figure 2: Revenue Breakdown



Source: E&O, Apex Securities

Ongoing Projects: The Group maintains a robust pipeline of ongoing and upcoming projects, as shown in **Figure 3**, ensuring sustained growth visibility. We expect approximately RM2.4bn in remaining GDV to be recognised from these ongoing developments.

Figure 3: Ongoing Projects

The Meg, Andaman Island		Arica, Andaman Island	
			
Type	Freehold serviced apartments	Type	Freehold serviced apartments
Location	Pulau Pinang	Location	Pulau Pinang
GDV	RM691m	GDV	RM415m
Remaining GDV	c.RM289m	Remaining GDV	c.RM279m
Number of units	1,034	Number of units	380
Land size	4 acre	Land size	2 acre
Launch date	Dec-21	Launch date	Mar-23
Expected completion	Apr-26	Expected completion	Mar-27
Take up	100%	Take up	100%

The Lume, Andaman Island

Type	Freehold condominiums
Location	Pulau Pinang
GDV	RM689m
Remaining GDV	c.RM535m
Number of units	261
Land size	3.16 acre
Launch date	Jul-24
Expected completion	Dec-28
Take up	60%

Maris, Andaman Island

Type	Freehold serviced apartments
Location	Pulau Pinang
GDV	RM690m
Remaining GDV	c.RM714m
Number of units	524
Land size	3.2 acre
Launch date	Dec-24
Expected completion	Dec-28
Take up	45%

The Peak

Type	Freehold condominiums
Location	Damansara Heights
GDV	RM369m
Remaining GDV	c.RM137m
Number of units	54
Land size	3.94 acre
Launch date	Dec-21
Expected completion	Dec-25
Take up	100%

The Conlay

Type	Freehold serviced apartments
Location	Kuala Lumpur
GDV	RM968m
Remaining GDV	c.RM229m
Number of units	491
Land size	1.44 acre
Launch date	Low zone (serviced residence): 4Q19 High zone (signature suites): Dec-21
Expected completion	Completed
Take up (Low zone)	100%
Take up (High zone)	40%

Senna & Fera - Phase 1 & 2, Andaman Island

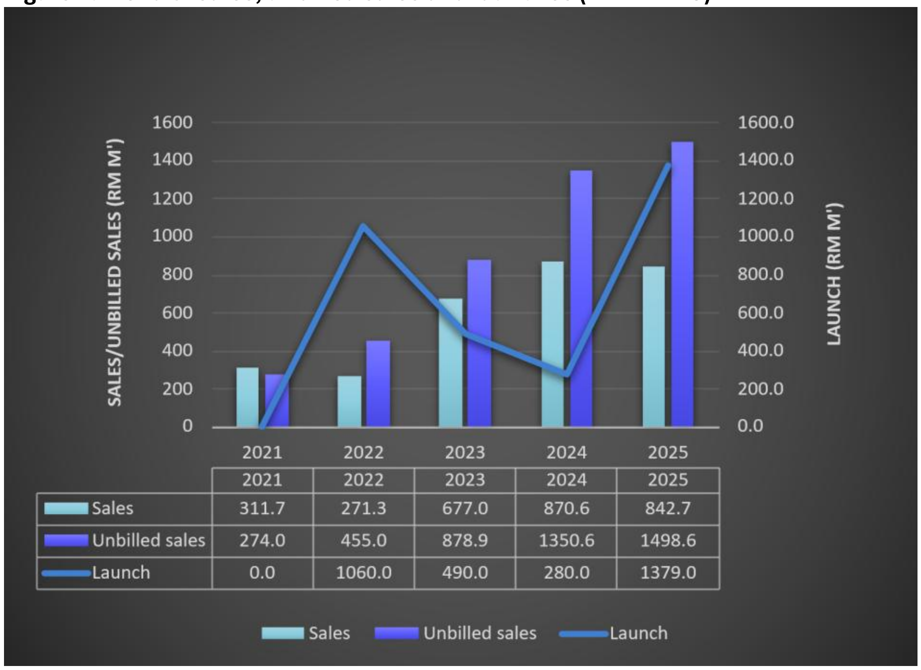
Type	Freehold 3 storey semi-d & terraces
Location	Pulau Pinang
GDV	RM280m
Remaining GDV	c.RM190m
Number of units	69
Land size	3.96 acre
Launch date	Jan-24
Expected completion	Jan-26
Take up	100%

Source: E&O, Apex Securities

Sales and Unbilled Sales

Reflecting the strength of its core property segment, E&O recorded RM153.3m in sales and RM1.3bn in unbilled sales as of 1QFY26. Of the total sales, 56% were contributed by Penang and 44% by Klang Valley. Unbilled sales were more concentrated in Penang (87%) versus Klang Valley (13%). The trend in sales, unbilled sales, and launches is illustrated below, with the FY26 launch target of RM2.3bn remaining on track.

Figure 4: Trend of sales, unbilled sales and launches (FY21-FY25)



	2021	2022	2023	2024	2025
Sales	311.7	271.3	677.0	870.6	842.7
Unbilled sales	274.0	455.0	878.9	1350.6	1498.6
Launch	0.0	1060.0	490.0	280.0	1379.0

Source: E&O, Apex Securities

The rise in unbilled sales, alongside stable reported sales, suggests that construction progress has advanced ahead of sales/billings, in line with E&O's build-first, launch-later approach. Under this model, the company initiates or partially completes construction before officially launching the project for sale, ensuring product quality and timely delivery. This approach, however, results in a timing gap in revenue recognition, as revenue is recognised progressively based on the project's take-up rate and construction progress, in accordance with accounting standards.

Revenue recognition = Sales take-up x Construction progress

Notably, no new projects were launched in FY2021 due to the COVID-19 pandemic, while launches declined to RM280m in FY2024 as management tested market pricing and buyer preferences. With confidence restored, larger-scale launches resumed in FY2025, driving a rebound in sales volume.

Buyer Profile. In Penang, 75–80% of buyers are locals, while the remainder are foreigners from Hong Kong, Taiwan, China, and Korea. By contrast, The Conlay in the Klang Valley has recorded around 80% foreign participation, mainly from Hong Kong, Taiwan, China, and Singapore. Looking ahead, the Group plans further expansion in Penang, supported by the state's relative affordability and a mean household income of RM8,267 (the 5th highest among 13 states).

Profit maximisation approach. Most of the Group's residential projects are structured as serviced apartments rather than condominiums, as commercial plots offer a higher plot ratio of 4.5 to 5.0 compared to around 3.0 for residential land. The plot ratio represents the allowable built-up area relative to land size; for example, a ratio of 5 means 1 m^2 of land can accommodate 5 m^2 of floor area. This higher ratio enables 50 to 67% more built-up space, allowing the Group to maximise unit density, development potential, and returns. The comparison is illustrated in **Figure 5** below.

Figure 5: Plot ratio comparison

Ratio	Total floor area
3	4,000 x 3 = 12,000 m^2
5	4,000 x 5 = 20,000 m^2

Land size: 1 acre = 4,000 m^2

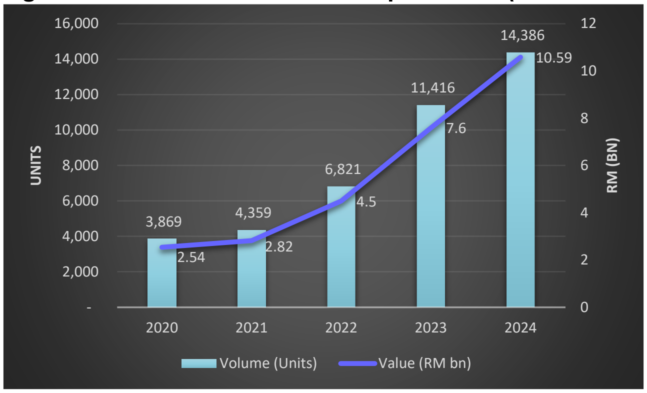
However, as serviced apartments are built on commercial land, utilities such as electricity are initially charged under commercial tariff rates. Residents may subsequently apply to change to the residential tariff, subject to approval from the relevant authorities.

Margins. Overall, high-rise projects are expected to generate higher average margins than landed developments. E&O achieves around 10% margins for landed projects, with stronger margins for high-rise units given greater space efficiency. Margin resilience is further supported by the Group's control over land costs, as most developments are located on Andaman Island, Penang, a reclaimed landbank owned by E&O. This provides a strategic cost advantage that differentiates the Group from other developers, who typically rely on purchased land.

Prime Connectivity Advantage. The project further benefits from its shorter distance to Gurney and the upcoming Gurney Bridge, which is expected to be completed by Oct 2025, reducing travel time by 15 minutes. This improved accessibility enhances the appeal of the development, making it more desirable for buyers and reinforcing its status as a premium residential project in a strategic location. Coupled with Penang's growing reputation as a tourism and retirement hub, the development is well-positioned to capture both local and foreign demand.

Sustainability of Serviced Apartments. Transactions of serviced apartments have been rising steadily each year, reflecting firm and growing market demand. With the majority of E&O's high-rise projects structured as serviced apartments, the Group is well-positioned to capitalise on this trend, supporting sustained demand and the long-term viability of its development pipeline. The trend is illustrated in **Figure 6.**

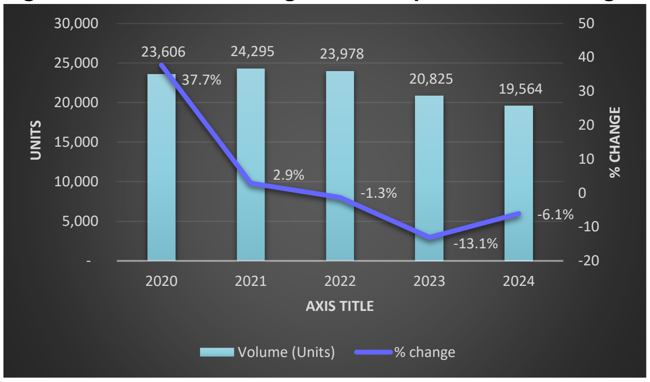
Figure 6: Transactions of serviced apartments (Value and volume) - Penang



Source: NAPIC, Apex Securities

Overhang Trend in Serviced Apartments: In recent years, Penang has recorded a decline in unsold serviced apartment units, signalling easing overhang pressures. This trend reduces the risk of oversupply in E&O's core market and supports healthier demand dynamics for its upcoming projects.

Figure 7: Trend in overhang serviced apartment - Penang



Source: NAPIC, Apex Securities

Future projects

The Group is targeting at least four projects in FY26 with a combined GDV of approximately RM2.3bn. The planned new projects are summarised below:

Figure 8: Breakdown of planned project launches

	Project	Type	Estimated GDV (bn)
FY26	16E Condo, Andaman	Waterfront high rise	1.0
FY26	Senna & Fera	Landed	0.3
FY26	Undisclosed project	TBC	0.6
FY26	Undisclosed project	TBC	0.4
		TOTAL	**2.3**

Source: E&O, Apex Securities

Other segments

Hospitality Performance. E&O's hospitality segment benefits from strong demand in Penang, a leading tourist destination, though performance remains subject to seasonal fluctuations. Despite this, the Group maintains commendable occupancy rates:

- E&O Hotel, Penang: 80–90%
- E&O Residence, Kuala Lumpur: 55–60%

These figures are relatively high compared to both industry and national averages:

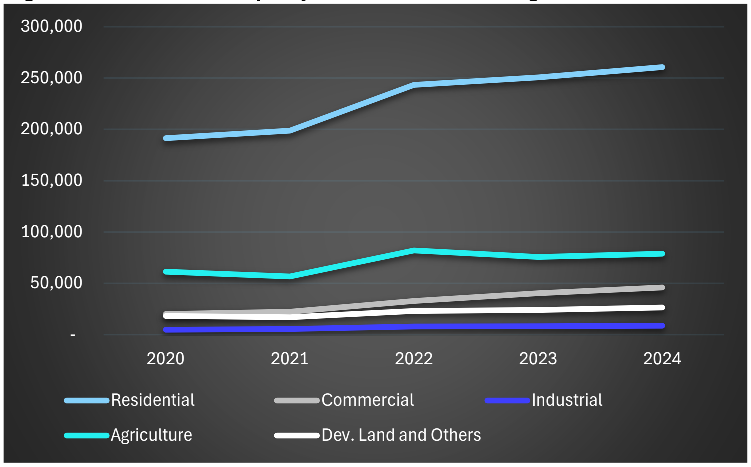
- Penang industry average: 60.3%
- National average: 50.6% (as of April 2025)

Industry Sustainability: While concerns over hotel oversupply persist, strong demand continues to provide support. In 2024, Penang welcomed 8.2m hotel guests, a 13.3% increase from 2023, highlighting sustained growth momentum in the hospitality sector.

Penang Property Market Overview

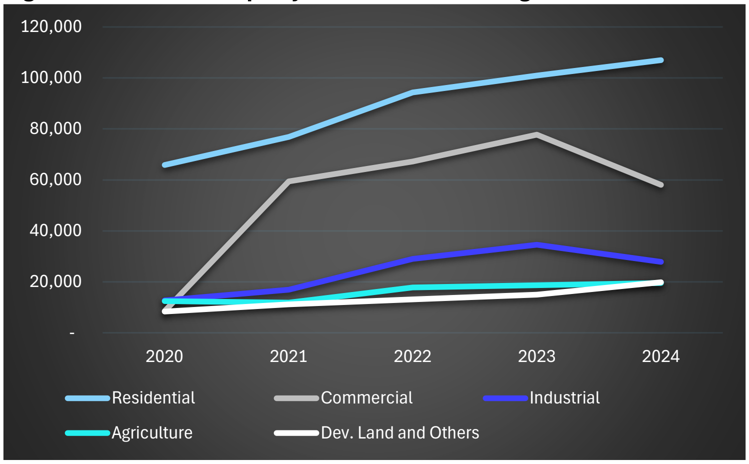
Penang Property Market. The residential sector dominates Penang's property market, contributing 63.6% of total transaction volume and 46.8% of overall transaction value. Its growth trajectory is underpinned by steady population expansion, ongoing urbanisation, rising household formation, and sustained demand from high-income professionals and expatriates. This trend is illustrated in **Figure 9 and Figure 10**, which track transaction volume and value by property type over time.

Figure 9: Volume of Property Transacted - Penang



Source: NAPIC, Apex Securities

Figure 10: Value of Property Transacted - Penang

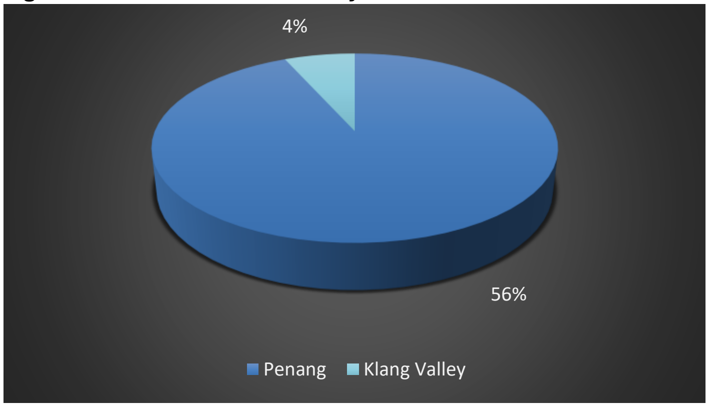


Source: NAPIC, Apex Securities

Residential Market Overview

With sales heavily concentrated in Penang, the Group's performance is closely tied to property market conditions in the state. The breakdown by state is illustrated in **Figure 11.**

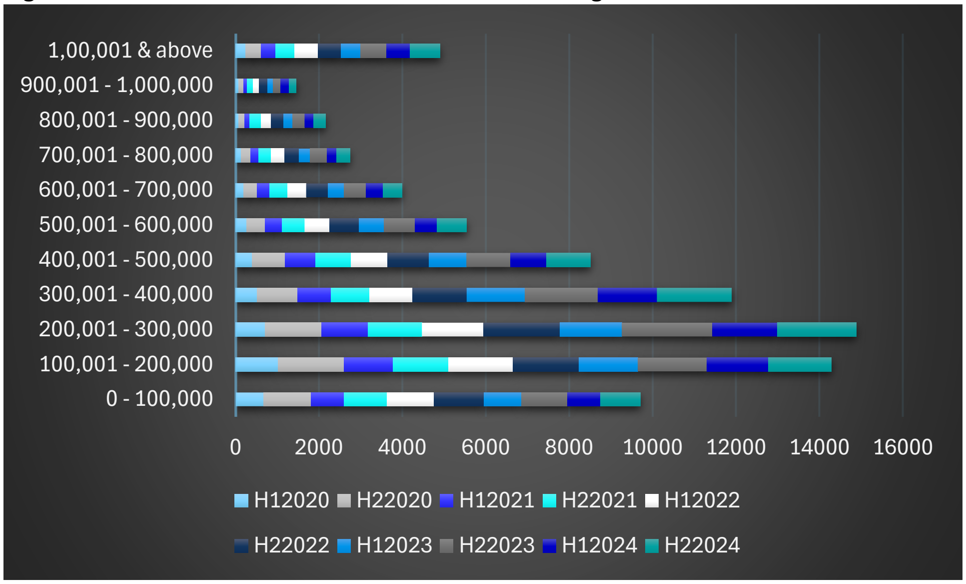
Figure 11: Breakdown of sales by E&O



Source: E&O, Apex Securities

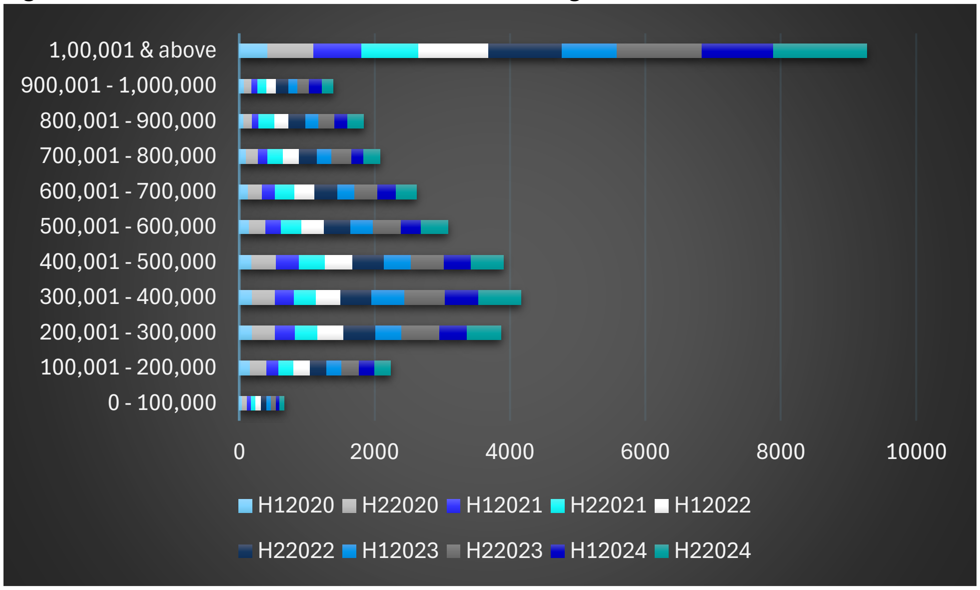
Overall Residential Market in Penang: Transaction activity is most concentrated in the RM200,001–RM300,000 range, reflecting strong demand for affordable to mid-range housing. In contrast, transaction value is highest in the RM1,000,001-and-above segment, indicating that while luxury properties change hands less frequently, their premium pricing and prime locations contribute disproportionately to overall market value. This dual-tier market trend is illustrated in **Figure 12 and Figure 13.**

Figure 12: Volume of Residential Transactions - Penang



Source: NAPIC, Apex Securities

Figure 13: Value of Residential Transactions - Penang

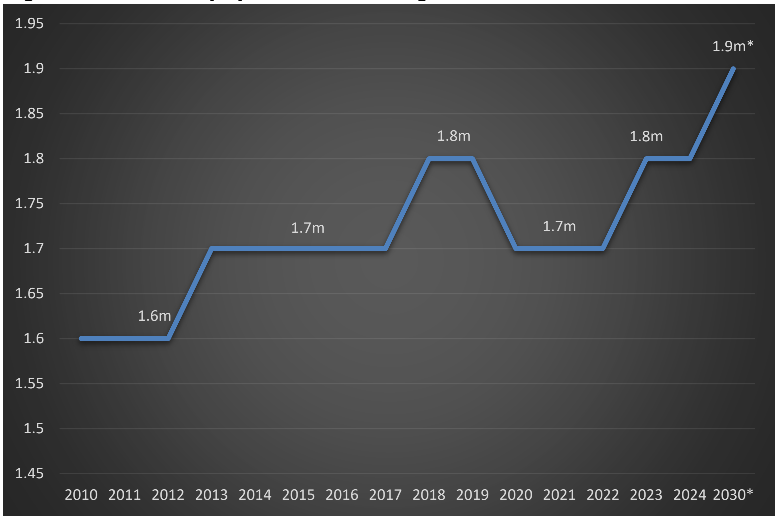


Source: NAPIC, Apex Securities

Population & Housing Demand in Penang – Demand Catalyst

Population. Penang's population has grown from 1.6m in 2010 to 1.8m in 2024, with further expansion expected to sustain strong housing demand. This demographic trend underpins the need for additional residential supply and provides upside potential from foreign buyers. E&O is well-positioned to capture this demand through its prime, limited-supply developments such as Andaman Island and other waterfront projects, supported by strong buyer interest and premium product positioning **(Figure 14).**

Figure 14: Trend of population - Penang

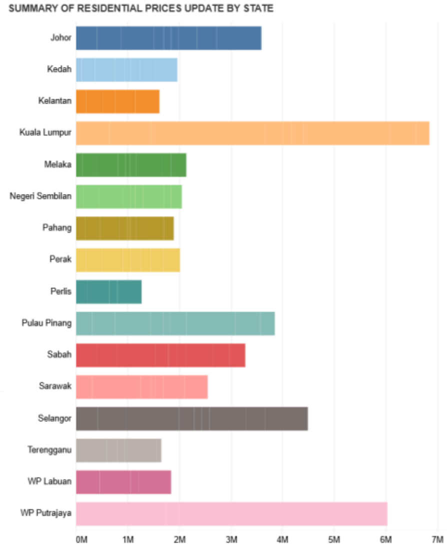


Source: NAPIC, Apex Securities

Geography. Penang's geographic constraints intensify competition for housing. With a total land area of just 1,046 km^2 (as of 2020), the state is smaller than the national median, reflecting its island nature. As Malaysia's third most densely populated state, demand is concentrated in urban areas where developable land is limited. Population growth from 1.7m in 2020 to 1.8m in 2024, with projections of 1.9m by 2030, is expected to further heighten competition for available land and housing.

House Price Trends. Strong demand coupled with limited land supply continues to drive property prices higher, positioning Penang as the fourth most expensive state based on the latest residential price data. This dynamic has prompted developers, including E&O, to undertake land reclamation projects to expand available supply. A summary of residential price trends is presented in **Figure 15.**

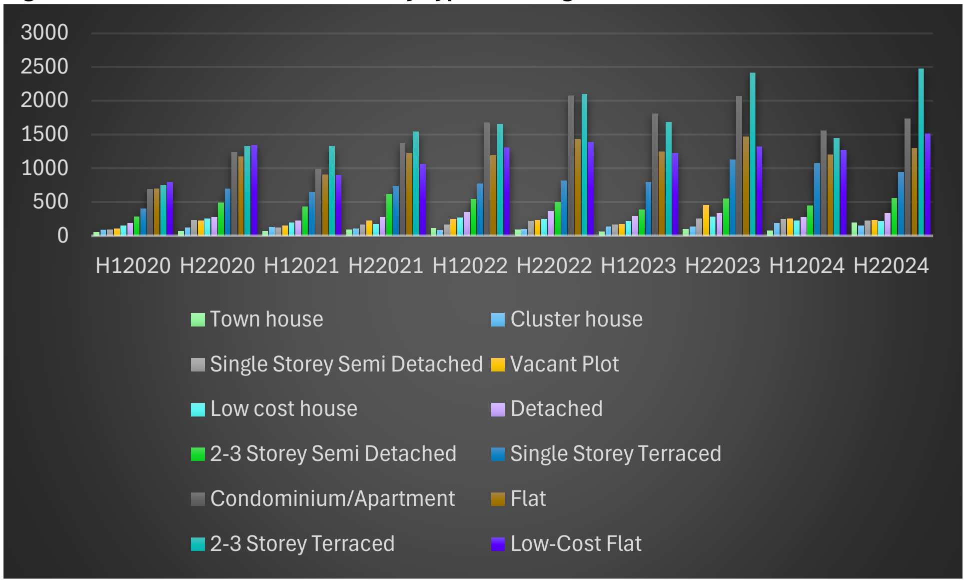
Figure 15: Residential Prices Update by States



Source: NAPIC, Apex Securities

Demand. Our findings indicate strong demand for 2–3 storey terrace houses as well as condominiums/apartments, as illustrated in **Figure 16.**

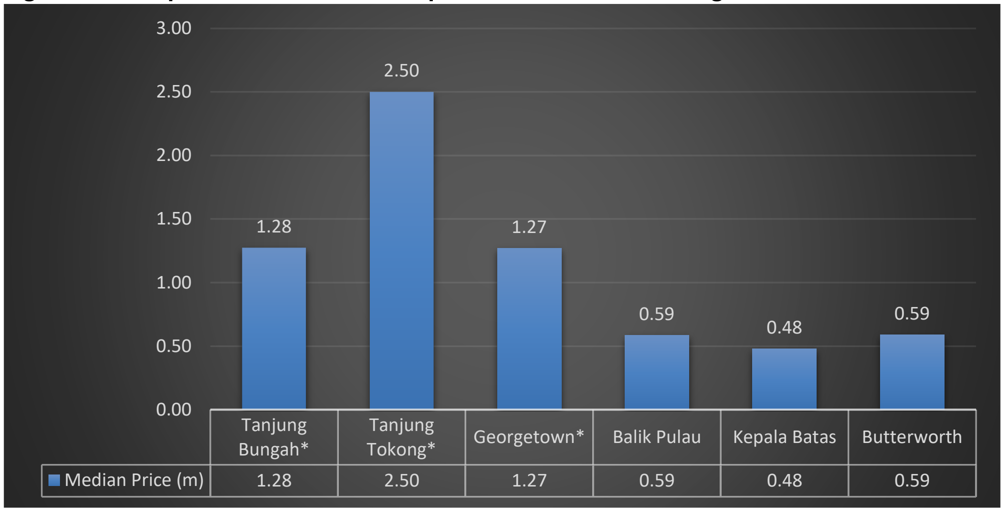
Figure 16: Residential Transactions by Type - Penang



Source: NAPIC, Apex Securities

Terrace House Prices: The overall median price of terrace houses in Penang stands at approximately RM400k. Prices are significantly higher in urban centres such as Northeast Penang Island, reflecting stronger demand in prime locations. This disparity highlights the value of city-centric sites and aligns with E&O's strategy of targeting the high-end segment for professionals and affluent buyers **(Figure 17).**

Figure 17: Comparison between house prices in Northeast Penang Island and other districts



* Same district as E&O projects – Northeast Penang Island; others are in different districts.
Source: Brickz, Apex Securities

Foreign Buyer Market: Approximately 20% of E&O's sales come from foreign buyers, supported in part by the **Malaysia My Second Home (MM2H) scheme**. Approvals under the programme have risen to 58,468 (28,528 principals and 29,940 dependents), up from 56,066 previously. This underscores Malaysia's continued appeal as a premium property investment and long-term residency destination, providing E&O with steady demand from affluent overseas buyers.

Figure 18: MM2H approvals

Country	Principals	Dependents	%	Total
China	11,502	13,263	44.2%	24,765
South Korea	2,263	2,677	8.8%	4,940
Japan	2,678	2,055	8.4%	4,733
Bangladesh	1,356	2,248	6.4%	3,604
United Kingdom	1,557	677	4.0%	2,234
Taiwan	882	729	2.9%	1,611
United States	694	646	2.4%	1,340
Singapore	789	493	2.3%	1,282
India	619	604	2.2%	1,223
Australia	683	386	1.9%	1,069
Others	4,736	4,529	16.5%	9,265
TOTAL	**27,759**	**28,307**	**100.0%**	**56,066**

Source: Parliament, Apex Securities
Data as at 11 March 2024.

With stricter conditions under the revamped MM2H scheme (2024), we expect the premium segment to benefit most. The scheme now comprises three tiers: Silver, Gold and Platinum, each with distinct financial and property investment requirements.

Silver Tier
- Fixed deposit requirement of RM500k
- Minimum property purchase of RM600k
- At least 90 cumulative days of stay per year

Gold Tier
- Fixed deposit requirement of RM2.0m
- Minimum property purchase of RM1.0m
- At least 90 cumulative days of stay per year

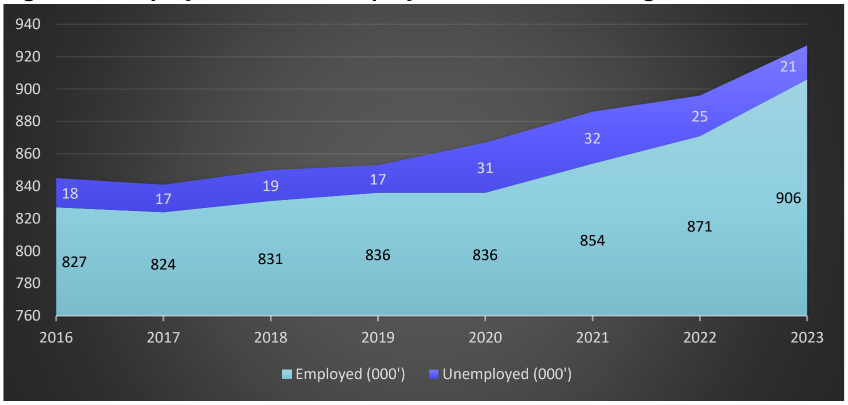
Platinum Tier
- Fixed deposit requirement of RM5.0m
- Minimum property purchase of RM2.0m
- At least 60 cumulative days of stay per year

Since the revamped MM2H programme targets high-net-worth individuals, developers in the premium segment stand to benefit the most. Our channel checks indicate that E&O has successfully attracted buyers under this scheme, particularly from China, Taiwan, and South Korea. These buyers are motivated by property investment opportunities and the education of their children in Malaysia. Importantly, while E&O's units are positioned at the premium end of the local market, they are still relatively more affordable compared to property prices in their home countries, making them an attractive option for foreign buyers.

Growth catalyst - Employment & Economic Drivers

We expect Penang's population growth to remain resilient, underpinned by the state's strong labour market. The unemployment rate stands at 2.2%, below the national average of 3.1%, alongside higher labour force participation. The presence of high-skilled jobs in manufacturing, services, and multinational corporations continues to attract new residents and support household formation, sustaining demand for both residential and commercial properties. This is illustrated in **Figure 19**, which highlights employment and unemployment trends in Penang.

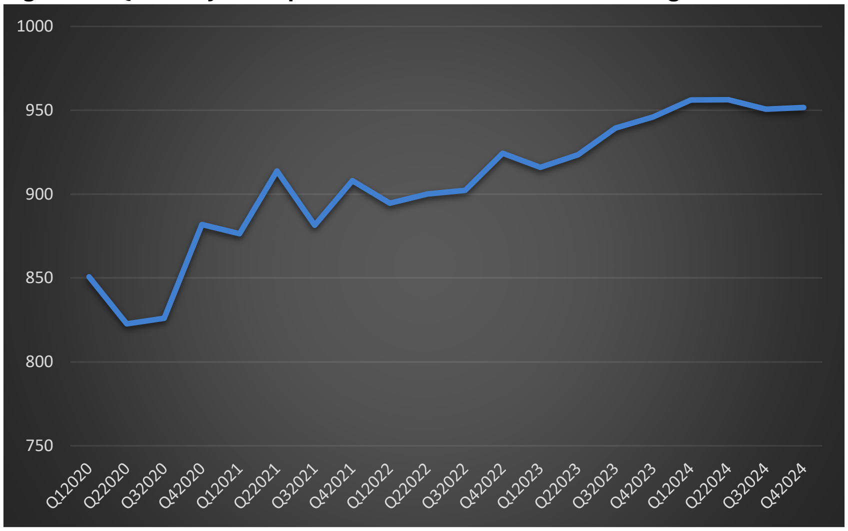
Figure 19: Employment and Unemployment Trends - Penang



Source: Penang Institute, Apex Securities

The quarterly breakdown of employment in Penang has also increased, reflecting the steady availability of jobs across key industries. This sustained labour force expansion underscores the state's economic resilience and the continuous creation of opportunities for both local and foreign professionals **(Figure 20).**

Figure 20: Quarterly Principal Labour Force Statistics - Penang



Source: Penang Institute, Apex Securities

Premium Residential Demand Driven by High-Income Professionals

E&O's focus on premium residential developments aligns well with the income levels and buyer profiles in Penang. The state's economy, anchored by the manufacturing and services sectors, has created a strong base of high-value jobs in electronics, IT, and professional services. Foreign Direct Investment (FDI) has reinforced this trend by attracting and expanding multinational corporations, further boosting the availability of high-skilled employment.

The presence of global companies not only strengthens Penang's industrial ecosystem but also draws a diverse pool of expatriates. These foreign professionals, together with local high-income earners, drive demand for premium residential properties as they seek high-quality living standards that match their professional and lifestyle expectations.

Economic Strength – Sector Highlights

Penang's GDP growth reflects the strength and diversification of its economy, underpinned by steady inflows of FDI and the expansion of multinational corporations. These factors have boosted investment, production, and overall economic activity, translating into higher disposable incomes and greater purchasing power among both local and foreign professionals. In 2023, the state secured RM71.9bn in approved investments, with manufacturing contributing

RM63.4bn, underscoring Penang's sustained international appeal. This resilience continues to drive demand for premium residential and commercial properties, particularly in prime locations such as Andaman Island. Penang's GDP sectoral breakdown over the years is presented in **Figure 21.**

Figure 21: Penang's GDP performance

	2020		2021		2022		2023	
Total GDP (m)	92,691		99,124		112,281		115,957	
Sectors:								
Services	45,979	50%	47,080	47%	52,490	47%	55,658	48%
Manufacturing	41,627	45%	46,768	47%	54,188	48%	53,893	46%
Construction	2,234	2%	2,521	3%	2,721	2%	3,364	3%
Agriculture	2,049	2%	2,000	2%	2,095	2%	2,231	2%
Others	803	1%	755	1%	787	1%	812	1%

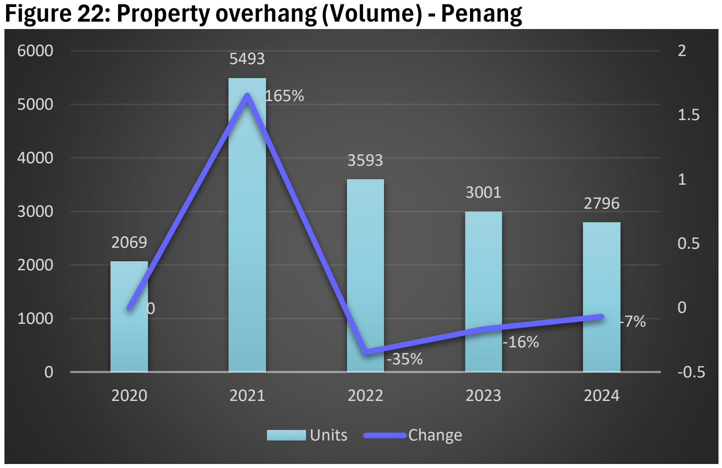
Source: DOSM, Apex Securities

Manufacturing sector. Penang, known as the "Silicon Valley of the East," is anchored by a strong Electrical & Electronics (E&E) industry. Key hubs include Bayan Lepas and Perai FIZ, which host over 300 MNCs, while newer clusters such as Batu Kawan Industrial Park, Penang Science Park, and Digital Penang further support growth. In 2024, the state secured RM17.3bn in approved manufacturing investments across 182 projects, generating nearly 16,254 jobs and reinforcing Penang's role as a global trading hub.

Services Sector. The proposed RM10bn Penang International Financial Centre (PIFC), expected to gain approval later this year, aims to strengthen the state's position in finance and business. E&O has submitted a bid to allocate 100 acres at Andaman Island, while other potential sites include Gurney Bay, Pulau Jerejak, and Batu Kawan. Spanning 20 years, the PIFC will include fund management offices, private banking, fintech zones, a convention centre, and logistics facilities. The project is expected to drive demand for quality commercial and residential properties, particularly mid- to high-end urban housing. Securing the PIFC at Andaman would serve as a direct catalyst for E&O, though spillover benefits remain even if located elsewhere.

Residential Overhang. The residential overhang has been on a gradual decline, with the exception of 2021 when unsold units accumulated due to COVID-19 disruptions. As shown in **Figure 22**, the overhang was primarily driven by subdued market activity in 2020 during the pandemic, but improving absorption has since reduced unsold inventory.

Figure 22: Property overhang (Volume) - Penang



Source: NAPIC, Apex Securities

Key Investment Highlights

Specialist in Premium Housing: Less Cyclical Demand vs Affordable Housing. E&O is a specialist in the premium residential segment, with strong take-up rates and pricing power. At its flagship Andaman development, three of five projects (The Meg, Arica, Senna/Ferra Phases 1 & 2) achieved 100% sales. Its Kuala Lumpur project, The Conlay, commands ~RM2,400 psf versus ~RM1,700 psf for nearby serviced apartments, reflecting strong brand equity and resilient, less cyclical demand compared to affordable housing. E&O's Penang developments on reclaimed land are largely exempt from affordable housing obligations, enabling the Group to focus on premium projects and maintain healthy margins and earnings visibility. Channel checks indicate that incorporating low-cost housing could potentially dilute profitability.

Prime Landbank in Penang: Strategic Positioning in a Growth Hub. E&O holds a 1,426-acre strategic landbank valued at RM17.1bn, providing long-term earnings visibility and flexibility to time project launches.

Figure 23: Landbank

Locations	Size (acre)	Market Value/Sq ft	Market Value/Sq ft*	Market Value (m)	Estimated GDV (m)^
Klang Valley					
Kemensah Heights, Ulu Kelang	309.5	150.0	650.0	2022.3	5257.9
	309.5				
Penang					
Seri Tanjung Pinang, Phase 1	0.7	436.0	700.0	13.3	14.9
Andaman Island, Phase 1	228.9	436.0	1599.6	4346.5	15947.0
Andaman Island, Phase 2	507.0	436.0	1811.2	9629.0	40000.0
Gertak Sanggul	347.2	64.0	320.0	967.9	3387.8
	1083.8				
Johor					
Avira, Medini, Iskandar Malaysia	32.9	110.0	770.0	157.6	772.5
	32.9				
TOTAL	**1426.2**			**17,136.7**	**65,380.1**

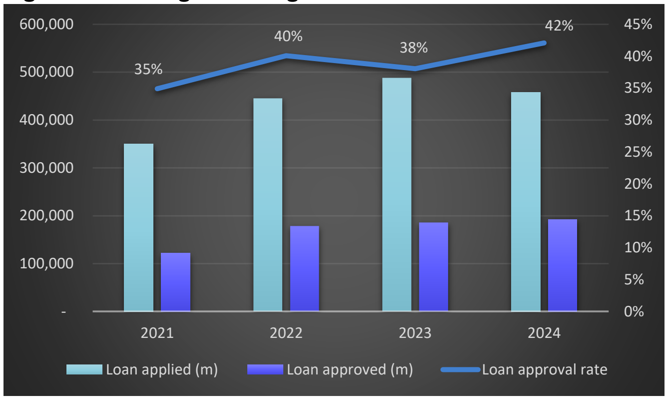
1 acre = 43,560 sqft
* Market value (inclusive of land and building)
^ Net developable area assumption: 60–75% of total land area

Source: E&O, Apex Securities

Its Penang stronghold includes 735.9 acres for the remaining Andaman 1 and 2 phases, with an estimated GDV of RM56.0bn over 30 years and reclamation approximately 50% complete as of end-June 2025, with full completion targeted by end-CY2027. These scarce seafront parcels offer a clear competitive edge. Supported by Penang's robust economy anchored in manufacturing, electronics, and services, and strengthened by FDI as the state cements its role as a semiconductor and E&E hub, E&O is well-positioned to benefit from sustained demand for premium housing and long-term growth in the region.

Robust Sales Performance: E&O's emphasis on premium residential developments has translated into consistently strong market performance. Its booking to sales conversion rate stands at approximately 90%, well above the national average of 39% and the 60% typical for low to mid-range projects. This superior conversion rate reflects strong market confidence in E&O's offerings and highlights the resilience of demand for its developments.

Figure 24: Average Housing Loan Conversion Rate



Source: BNM, Apex Securities

Diversified Revenue Stream. Its hospitality arm (E&O Hotel, The Lincoln Suites in London, and E&O Residences in Kuala Lumpur) together with property investment assets provide recurring income streams. These businesses contribute around 15% of total revenue, offering diversification benefits and supporting cash flow stability.

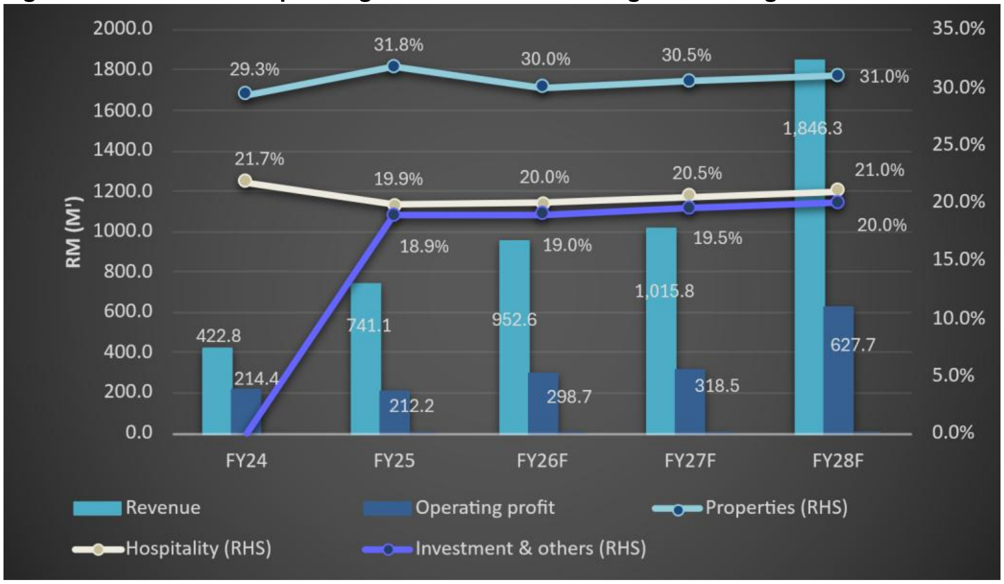
Prime Connectivity Advantage: The project further benefits from its shorter distance to Gurney and the upcoming Gurney Bridge, which is expected to be completed by Oct 2025, reducing travel time by 15 minutes. This improved accessibility enhances the appeal of the development, making it more desirable for buyers and reinforcing its status as a premium residential project in a strategic location. Coupled with Penang's growing reputation as a tourism and retirement hub, the development is well-positioned to capture both local and foreign demand.

Financial Highlights

Strong unbilled sales. In 3MFY26, E&O recorded a 22.6% YoY increase in CNP to RM45.4m (from RM27.5m), driven by a 10.8% rise in revenue as all segments improved. The Group's unbilled sales of RM1.3bn are expected to sustain earnings visibility until FY29F, supported by RM2.3bn worth of targeted launches in FY26F.

Earnings Outlook. Including land sales, we project core net profit growth of 11%/6%/120% in FY26F/FY27F/FY28F, respectively. The 120% growth in FY28F is after accounting for the planned sale of the Hammersmith land in the UK, which is targeted for completion by FY28 and expected to contribute approximately RM427.8m in revenue. After adjusting for this land sale, FY28F core net profit growth would be 13%. Growth will be driven by the progressive recognition of unbilled sales of RM1.3bn, an active landbank for Andaman Phase 1 & 2 with a remaining GDV of RM56.0bn providing earnings visibility until 2057, the upcoming Elmina development with a GDV of RM990m, and a strategic landbank with a market value of RM17.1bn potentially yielding ~RM65.4bn. Net gearing is expected to remain stable at ~0.6x, in line with the industry average of 0.4x–0.8x.

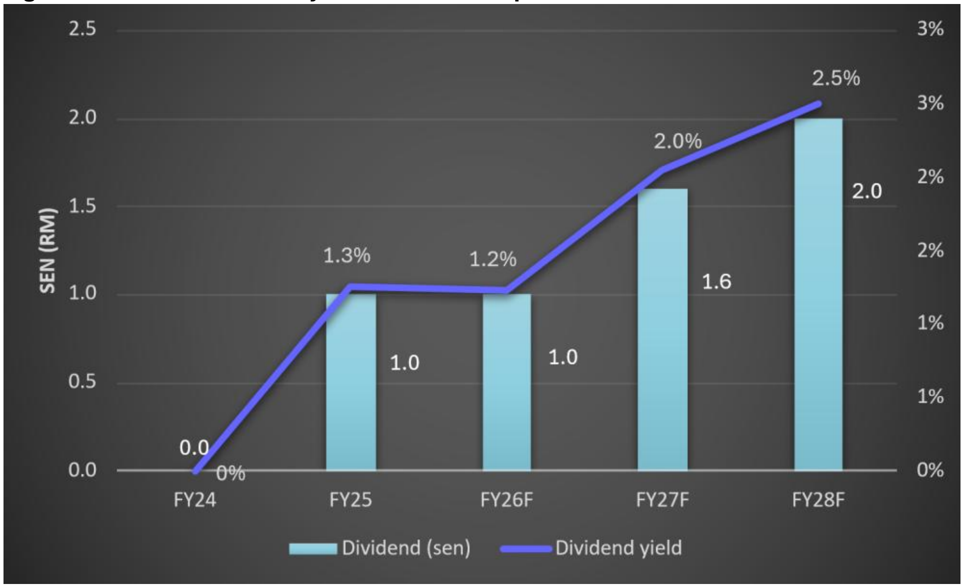
Figure 25: Revenue and Operating Profit Overview with Segmental Margin Breakdown



Source: E&O, Apex Securities

Dividend. E&O does not have any formal dividend policy. We project dividend yields of 1.2%/2.0%/2.5% for FY26F, FY27F, and FY28F, respectively **(Figure 26).**

Figure 26: Trend of dividend yield and dividend per share.



Source: E&O, Apex Securities

Sensitivity Analysis

Given that operating profit is influenced by both project value and cost efficiency, we conducted a sensitivity analysis to assess the impact of changes in GDV launches for FY26F and operating profit margin on our base-case FY26F operating profit of RM298.7m, which assumes a GDV of RM2.3bn and a 31% margin.

As illustrated in **Figure 27 and 28**, at a GDV of RM2.3bn, every 2%-pt increase in operating profit margin raises earnings by 6%. Conversely, at a 31% margin, every RM100m change in GDV launches, impacts earnings by 2.0%.

Figure 27: Earnings Sensitivity to GDV and Margin (RM m)

		Operating profit margin (%)				
		27%	29%	31%	33%	35%
GDV of launches (RM m)	2,100	250	269	287	305	324
	2,200	255	274	293	311	330
	2,300	261	280	299	318	337
	2,400	266	285	305	324	343
	2,500	271	291	310	330	350

Figure 28: Percentage Change in Earnings Under Varying GDV and Margins

		Operating profit margin (%)				
		27%	29%	31%	33%	35%
GDV of launches (RM m)	2,100	-16%	-10%	-4%	2%	8%
	2,200	-14%	-8%	-2%	4%	11%
	2,300	-13%	-6%	0%	6%	13%
	2,400	-11%	-5%	2%	8%	15%
	2,500	-9%	-3%	4%	11%	17%

Valuation & Recommendation

Initiation Coverage. We initiate coverage on Eastern & Oriental Berhad with a **BUY** recommendation and a target price of **RM0.93** based on 55% discount to RNAV and three-star ESG rating. We apply a 55% discount to our RNAV to derive the target price, reflecting a conservative approach that accounts for competitive pressures in the property market, the need to balance affordability with premium positioning, and potential macroeconomic risks.

We favour E&O for its: (i) strong position in the premium residential development segment; (ii) expertise in island reclamation, being one of the few developers capable of executing large-scale seafront projects; (iii) sustained earnings visibility supported by a high-value, strategically located landbank with a potential GDV of c.RM65.4bn; (iv) high ROE of 8.5%, well above the peer average of 5.2%; (v) strategic advantage from government policy exemptions, as reclaimed-land developments are not subject to low-cost housing requirements; and (vi) diversified business segments, including hospitality and property investment, which provide multiple streams of recurring income.

We have performed a DuPont analysis to break down E&O's forward ROE for FY26F, allowing us to assess the drivers of return on equity by decomposing it into net profit margin, asset turnover, and equity multiplier:

ROE = Net profit margin x Asset turnover x Equity Multiplier

Profitability	22.7%
Efficiency	19.2%
Leverage	1.95x

The Group converts nearly a quarter of its revenue into net profit, reflecting strong margins. Its asset turnover of 18.2% indicates efficient revenue generation from assets. Financial leverage is moderate at 1.95x, with approximately 51% of assets funded by shareholders' equity and 49% by borrowings, suggesting prudent use of debt without overreliance on external financing.

Peers Comparison

Company	FYE	Market Cap (RM m)	Rec.	Price as at 28Oct25	P/E (x)		P/B (x)		Div Yield (%)		TP (RM)	Potental Upside	ESG Rating
					CY26	CY27	CY26	CY27	CY26	CY27			
Eastern & Oriental Bhd	**Mar**	**2,014**	**Buy**	**0.80**	**9.6**	**5.6**	**0.7**	**0.7**	**8.0**	**8.0**	**0.93**	**16.3%**	★★★
SP Setia*	Dec	4,428	N/A	0.89	10.1	9.5	0.3	0.5	2.6	2.7	1.25	41.0%	N/A
UEM Sunrise*	Dec	3,389	N/A	0.67	26.8	23.1	0.5	1.0	2.1	2.4	0.87	30.2%	N/A
Matrix Bhd	Mar	2,553	Buy	1.36	9.2	8.0	1.0	0.9	5.5	6.3	1.72	26.5%	★★★
Average ex-E&O BHD					**15.4**	**13.5**	**0.6**	**0.8**					

** Based on Bloomberg consensus*

Source: Apex Securities

Investment Risk

High Concentration in the Penang Market: E&O's earnings are heavily reliant on its Penang developments, particularly Andaman Island. Any adverse changes in local property demand, state policies, or infrastructure timelines in Penang could materially affect the Group's performance.

Affordability Concerns Amid Premium Positioning. While the premium segment supports higher margins, it may limit the buyer pool, especially during economic slowdowns or tighter credit conditions. This could impact take-up rates for upcoming launches if affordability becomes a wider market concern.

SST Exposure on Construction Services: Effective 1 July 2025, Malaysia's SST was extended to construction work services at 6% for contractors exceeding RM1.5m. Residential buildings and related public facilities are exempt, but mixed-use or commercial components, such as parts of Andaman Island, are subject to the tax. Channel checks with some developers indicate construction costs could rise 3–4% due to SST, potentially affecting margins and project viability.

Results Comparison

FYE Mar (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue	183.5	165.7	*10.8*	236.7	*(22.5)*	183.5	165.7	*10.8*	
Cost of sales	(102.7)	(87.2)	*17.8*	(167.8)	*(38.8)*	(102.7)	(87.2)	*17.8*	
Other income	7.4	5.4	*38.1*	14.2	*(47.8)*	7.4	5.4	*38.1*	
Administrative expenses	(11.4)	(11.1)	*3.3*	(16.8)	*(31.9)*	(11.4)	(11.1)	*3.3*	
Selling and marketing expenses	(4.0)	(4.6)	*(12.9)*	(2.9)	*36.0*	(4.0)	(4.6)	*(12.9)*	
Other expenses	(5.6)	(14.0)	*(59.8)*	9.4	*nm*	(5.6)	(14.0)	*(59.8)*	
Operating profit	67.1	54.1	*24.0*	72.7	*(7.7)*	67.1	54.1	*24.0*	
EBIT	64.2	51.8	*23.9*	66.7	*(3.7)*	64.2	51.8	*23.9*	
Depreciation and amortisation	5.5	5.8	*(4.6)*	84.9	*(93.5)*	5.5	5.8	*(4.6)*	
EBITDA	72.6	59.9	*21.2*	84.9	*(14.5)*	72.6	59.9	*21.2*	
Finance income	3.0	2.3	*26.6*	4.2	*(29.1)*	3.0	2.3	*26.6*	
Finance cost	(7.9)	(8.9)	*(10.9)*	(4.8)	*65.8*	(7.9)	(8.9)	*(10.9)*	
Share of JV	4.2	7.0	*(40.8)*	4.2	*(0.3)*	4.2	7.0	*(40.8)*	
Pre-tax profit	63.4	52.3	*21.2*	72.1	*(12.1)*	63.4	52.3	*21.2*	
Taxation	(13.2)	(11.3)	*16.8*	1.9	*nm*	(13.2)	(11.3)	*16.8*	
Net profit	45.4	37.5	*21.1*	69.8	*(35.0)*	45.4	37.5	*21.1*	
Core net profit	45.4	37.1	*22.3*	65.7	*(31.0)*	45.4	37.1	*22.3*	
Core EPS (sen)	2.4	2.0	*22.3*	3.5	*(31.0)*	2.4	2.0	*22.3*	
EBITDA margin (%)	39.6	36.2		35.9		39.6	36.2		
PBT margin (%)	34.5	31.6		30.5		34.5	31.6		
Core net profit margin (%)	24.7	22.4		27.8		24.7	22.4		

Source: Company, Apex Securities

Segmental Breakdown

FYE Mar (RM m)	1QFY26	1QFY25	yoy (%)	4QFY25	qoq (%)	3MFY26	3MFY25	yoy (%)	Comments
Revenue									
Properties	160.1	140.8	*13.8*	211.1	*(24.1)*	160.1	140.8	*13.8*	*The Lume and Maris launched in 2QFY25*
Hospitality	25.1	23.6	*6.4*	27.8	*(9.5)*	25.1	23.6	*6.4*	
Investments and others	10.2	4.3	*136.5*	16.2	*(36.7)*	10.2	4.3	*136.5*	
Elimination	(12.0)	(3.1)	*290.0*	(18.4)	*(34.7)*	(12.0)	(3.1)	*290.0*	
Total	**183.5**	**165.7**	**10.8**	**236.7**	**(22.5)**	**183.5**	**165.7**	**446.6**	
Operating profit									
Properties	57.4	52.6	*9.1*	45.4	*26.5*	57.4	52.6	*9.1*	*In line with increase in revenue*
Hospitality	4.8	4.4	*10.2*	7.6	*(36.4)*	4.8	4.4	*10.2*	
Investments and others	10.4	(1.8)	*nm*	25.5	*(59.3)*	10.4	(1.8)	*nm*	
Elimination	(5.5)	(1.1)	*420.6*	(5.8)	*(4.2)*	(5.5)	(1.1)	*420.6*	
Total	**67.1**	**54.1**	**439.9**	**72.7**	**(73.4)**	**67.1**	**54.1**	**439.9**	
Operating profit margin			*%-pts*		*%-pts*			*%-pts*	
Properties	35.9%	37.4%	-1.5%	21.5%	14.4%	35.9%	37.4%	*(0.0)*	
Hospitality	19.3%	18.6%	0.7%	27.4%	-8.1%	19.3%	18.6%	*0.0*	
Investments and others	101.3%	-41.8%	143.1%	157.5%	-56.2%	101.3%	-41.8%	*1.4*	
Elimination	45.9%	34.4%	11.5%	31.3%	14.6%	45.9%	34.4%	*0.1*	
Aggregate Total	**36.6%**	**32.7%**	**3.9%**	**30.7%**	**5.8%**	**36.6%**	**32.7%**	***0.0***	

Source: Company, Apex Securities

Financial Highlights

Income Statement

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**422.8**	**741.1**	**952.6**	**1015.8**	**1846.3**
Gross Profit	**204.5**	**306.5**	**393.9**	**420.1**	**830.8**
EBITDA	**220.0**	**224.7**	**311.4**	**329.2**	**637.9**
Depreciation & Amortisation	-20.2	-23.2	-23.7	-22.0	-21.9
EBIT	**199.7**	**201.6**	**287.7**	**307.2**	**616.1**
Net Finance Income/ (Cost)	-21.5	-23.7	-26.1	-26.8	-22.8
Associates & JV	-11.1	38.7	15.6	12.6	9.1
Pre-tax Profit	**167.2**	**216.6**	**277.2**	**293.0**	**602.4**
Tax	-26.0	-34.9	-44.3	-46.9	-84.3
Profit After Tax	**141.1**	**181.7**	**232.8**	**246.1**	**518.1**
Minority Interest	7.5	13.1	16.3	17.2	15.5
Net Profit	**133.6**	**168.6**	**216.5**	**228.9**	**502.5**
Exceptionals	60.9	-26.2	0.0	0.0	0.0
Core Net Profit	**72.7**	**194.9**	**216.5**	**228.9**	**502.5**
CNP (Excluding sales of land)	**72.7**	**194.9**	**216.5**	**228.9**	**258.3**

Key Ratios

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	2.9	7.7	8.6	9.1	20.0
P/E (x)	27.7	10.3	9.3	8.8	4.0
P/B (x)	0.9	0.9	0.8	0.7	0.6
EV/EBITDA (x)	4.3	2.7	1.6	1.6	1.2
DPS (sen)	0.0	1.0	1.0	1.6	2.0
Dividend Yield (%)	0.0%	1.3%	1.2%	2.0%	2.5%
EBITDA margin (%)	52.0%	30.3%	32.7%	32.4%	34.6%
EBIT margin (%)	47.2%	27.2%	30.2%	30.2%	33.4%
PBT margin (%)	39.5%	29.2%	29.1%	28.8%	32.6%
PAT margin (%)	33.4%	24.5%	24.4%	24.2%	28.1%
NP margin (%)	31.6%	22.8%	22.7%	22.5%	27.2%
CNP margin (%)*	17.2%	26.3%	22.7%	22.5%	27.2%
ROE (%)	3.4%	8.3%	8.5%	8.3%	15.6%
ROA (%)	1.8%	4.3%	4.4%	4.4%	9.2%
Gearing (%)	67.7%	73.3%	72.9%	69.3%	53.5%
Net gearing (%)	49.9%	61.4%	61.3%	56.6%	40.0%

* Inclusive sales of land

Valuations	FY28F	Valuation methodology
Total RNAV (RM' m)	5245.0	(ke: 12%)
Discount Rate	55.0%	
Discounted RNAV (RM' m)	2360.2	
Enlarged Sharebase	2564.7	
Fair Value (RM)	**0.93**	

Source: Company, Apex Securities

Balance Sheet

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	385.4	278.5	295.7	350.1	434.3
Receivables	25.7	104.1	115.1	96.4	126.2
Inventories	462.7	572.6	713.3	632.8	684.0
Other current assets	107.8	184.5	191.2	196.7	206.7
Total Current Assets	**981.7**	**1139.7**	**1315.3**	**1276.0**	**1451.2**
Fixed Assets	226.1	227.0	219.3	217.2	213.4
Intangibles	0.2	0.1	0.1	0.1	0.1
Other non-current assets	2835.0	3208.3	3423.9	3686.5	3812.0
Total Non-Current Assets	**3061.2**	**3435.4**	**3643.3**	**3903.9**	**4025.5**
Short-term debt	197.4	244.5	264.9	272.2	245.8
Payables	143.0	375.3	407.7	371.6	387.1
Other current liabilities	99.1	47.9	48.2	49.1	47.0
Total Current Liabilities	**439.5**	**667.7**	**720.8**	**692.9**	**679.9**
Long-term debt	1265.1	1468.2	1590.6	1634.2	1475.9
Other non-current liabilities	179.0	102.8	101.9	102.6	103.0
Total Non-Current Liabilities	**1444.0**	**1570.9**	**1692.5**	**1736.8**	**1578.9**
Shareholder's equity	2152.1	2316.3	2508.7	2696.4	3148.5
Minority interest	7.2	20.3	36.6	53.8	69.4
Total Equity	**2159.4**	**2336.5**	**2545.3**	**2750.2**	**3217.9**

Cash Flow

FYE Mar (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**167.2**	**216.6**	**277.2**	**293.0**	**602.4**
Depreciation & amortisation	20.2	23.2	23.7	22.0	21.9
Changes in working capital	-158.9	-443.4	-326.0	-192.4	-375.4
Others	-122.4	-131.6	-59.9	-59.5	-337.7
Operating cash flow	**-93.9**	**-335.2**	**-85.0**	**63.1**	**-88.8**
Capex	-2.8	-13.3	-10.0	-12.0	-10.0
Others	-33.8	16.9	1.1	1.1	425.5
Investing cash flow	**-36.6**	**3.6**	**-8.9**	**-10.9**	**415.5**
Dividends paid	0.0	-24.9	-24.9	-41.2	-50.4
Others	-34.4	151.4	136.0	43.3	-192.2
Financing cash flow	**-34.4**	**126.6**	**111.1**	**2.1**	**-242.5**
Net cash flow	**-164.9**	**-205.1**	**17.2**	**54.4**	**84.2**
Forex	-17.8	10.6	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	537.0	354.4	159.9	177.1	231.5
Ending cash & cash equivalent	354.4	159.9	177.1	231.5	315.6
Bank overdraft and cash restricted	31.1	118.6	118.6	118.6	118.6
Total cash and bank	**385.4**	**278.5**	**295.7**	**350.1**	**434.3**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 2 emissions rose 7.4% yoy to 6.7m/kg in FY23
Waste & Effluent	★★★	Co2 emissions reduced from 3.0m kg in FY21 to 2.5m kg in FY23
Energy	★★★	Energy consumption reduced from 8,014,556 kWh to 7,810,114 kWh
Water	★★★	Water consumption rose 5.4% yoy to 112,658m3 in FY23
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★★	73% of average employees age below 40, 21% of employees are female
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★	292 hours of OSH trainings completed, one worksite incidence in FY23
Labour Practices	★★★	Pay scale based on prevailing industry market rates as stipulated by the Act 732 National Wages Consultative Council Act

Governance

CSR Strategy	★★★	Donation to Sekolah Semangat Maju and participated in the Pesta Makanan Amal 2023
Management	★★	Average board members age @ 53, 2/9 female board composition, 4/9 Independent Directors
Stakeholders	★★★	4x analyst briefings per annum, 1x AGM per annum

Overall ESG Scoring: ★★★

Recommendation Framework:
BUY: Total returns* are expected to exceed 10% within the next 12 months.
HOLD: Total returns* are expected to be within +10% to – 10% within the next 12 months.
SELL: Total returns* are expected to be below -10% within the next 12 months.
TRADING BUY: Total returns* are expected to exceed 10% within the next 3 months.
TRADING SELL: Total returns* are expected to be below -10% within the next 3 months.
*Capital gain + dividend yield

Sector Recommendations:
OVERWEIGHT: The industry defined by the analyst is expected to exceed 10% within the next 12 months.
NEUTRAL: The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.
UNDERWEIGHT: The industry defined by the analyst, is expected to be below -10% within the next 12 months.

ESG Rating Framework:
★★★★★ : Appraised with 3% premium to fundamental fair value
★★★★ : Appraised with 1% premium to fundamental fair value
★★★ : Appraised with 0% premium/discount to fundamental fair value
★★ : Appraised with -1% discount to fundamental fair value
★ : Appraised with -5% discount to fundamental fair value

As of **Wednesday, 29 Oct, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:
(a) nil.