DATE	1 MARCH 2013	**CATEGORY**	COMPANY
PUBLICATION	FOCUS MALAYSIA	**MEASUREMENT**	- CMSQ
SECTION	MAIN STREAM	**HEADLINE**	CREST BUILDER,A CONTRATIAN BUILDER

RM19.6m

FY12 core earnings outperformed Kenanga Research's estimates of RM17.1m

Crest Builder, a contrarian builder

PJ-based developer waiting for right time to jump onto the Iskandar Malaysia bandwagon

by DOREEN LEONG

photos by SAIFUL HIZAM MANSOR

MANY big property developers in the country have set their sights on having a slice of the cake on the Iskandar Malaysia development in Johor but Petaling Jaya-based Crest Builder Holdings Bhd is not ready to jump onto the Iskandar bandwagon just yet.

For Crest Builder, its current focus is still in the Klang Valley as the company secured two major projects in Kuala Lumpur last year with a total gross development value (GDV) of RM2.37 bil. The company, together with a China-based company, is also bidding for the RM3.7 bil Langat 2 water treatment plant in Selangor.

"We are adopting a wait-and-see approach for Iskandar, which I think is overheating at the moment. The recent policy from Singapore has helped Iskandar but at the same time this has also increased the overheating. This is our only worry," Crest Builder executive director Eric Yong tells ***FocusM*** in a recent interview.

The prices for high-end apartment and condominium units in Iskandar Malaysia were reported to be hovering at between RM700 and RM800 per sq ft.

"When everyone is chasing for projects there (Iskandar), it is time to let go. Likewise when everyone is letting go, it is time to go in. We are more contrarian in this sense," he explains.

Singapore had in January imposed its seventh round of property cooling measures since 2009 to curb speculation on residential and industrial properties after home prices climbed to a record high.

The measures introduced include higher stamp duty for buyers, which has been increased by between five and seven percentage points. Permanent residents will have to pay the additional tax when they buy their first home, while Singaporeans will have to pay the levy from their second purchase onwards.

Analysts reckon the curbs would fuel demand for Johor properties. Among the major local property developers that have benefited from these developments are Mah Sing Group Bhd, SP Setia Bhd and Sunway Bhd, which announced their intention to grow their presence in Iskandar Malaysia.

For Mah Sing, it plans to become one of the largest lifestyle developers in the Iskandar Development Region (IDR) with a minimum GDV of at least RM5 bil over the next few years.

Sunway's 60%-owned Harmony Impulse Sdn Bhd is teaming up with Iskandar Investment Bhd to undertake a mixed development project with a GDV of RM6 bil.

SP Setia's ongoing projects in Johor include Setia Tropika, Setia Indah, Setia Eco Cascadia and Setia Sky 88. The company's remaining landbank would keep the company busy in Iskandar Malaysia over the next 10 to 15 years with a GDV of RM8 bil.

In terms of property valuations, SP Setia president and CEO Tan Sri Liew Kee Sin says land prices in Iskandar Malaysia had appreciated from the time the company first went there 15 years ago. The asking price then was RM5.50 per sq ft and now it is between RM15 and RM20 per sq ft.

The rising interest in Iskandar, which was launched in 2006, had pushed the corridor's growth beyond the RM100 bil mark for investments last year.

Crest Builder may not be joining the Iskandar fray in the near term but it is not sitting idle as it is being kept busy with construction and property development projects in the Klang Valley.

The company, which has been known for its high-rise construction activities, hopes to balance its income stream by going big into property development projects.

"It is a natural graduation in the value chain for us to go into property developments," Yong says.

"The company aims to achieve an equal revenue contribution between construction and property development from the 70:30 revenue contribution in 2012. This year, we expect to see a 60:40 revenue contribution between the two divisions," he adds.

Crest Builder's net profit for the financial year ended Dec 31, 2012 grew 31.5% to RM40 mil or 30.7 sen a share from a year earlier, while revenue gained 39.1% to RM695.13 mil.

The group's core earnings of RM19.6 mil for FY12 outperformed Kenanga Research estimates of RM17.1 mil, it said in a statement recently. Its current order book stands close to RM2 bil with an unbilled order book of RM1.18 bil.

Continues on page 20

We are adopting a wait-and-see approach for Iskandar, which I think is overheating at the moment, says Yong

Crest Builder eyeing water treatment, sewerage jobs

From page 18

Last year, its property development division received a boost after securing the Dang Wangi light rail transit (LRT) mixed development project and the Malaysian Rubber Board (MRB) mixed development job with a total GDV of RM2.37 bil.

According to Kenanga Research, Crest Builder is at its inflection point with re-rating catalysts as it moves from its traditional construction business into the property development scene while riding on the Economic Transformation Programme (ETP) play with Dang Wangi and MRB jobs.

Monetising government assets

Yong says both the projects are part of its strategy to monetise government assets and is eyeing for one or two more such projects this year.

"We have been selective in our landbanking. We go for pocket land in matured areas as we get the fastest turnaround time of about five years, from purchase of land to vacant possession.

"Although we pay slightly more for matured land, it has a ready infrastructure, so we pay lesser on infrastructure compared with developing a township," he adds.

The Dang Wangi LRT project is part of Syarikat Prasarana Negara Bhd's move to unlock value from its real estate and has picked Crest Builder to build a billion-ringgit tower atop its Dang Wangi LRT station.

The project will see Crest Builder and its 49% joint-venture (JV) partner Detik Utuh Sdn Bhd developing a single-block mixed development atop the station. The development has a GDV of RM1.04 bil and will front Jalan Ampang.

Crest Builder has also proposed to upgrade some areas of the Klang River, where the Dang Wangi LRT project is located right next to it.

"We have submitted a proposal to improve the river bank area as we intend to offer al fresco dining along the river," Yong says.

The murky Klang River has been given a new lease of life via "The River of Life" project under the ETP, which involves the beautification and development of a 10.7km stretch of the river within the city centre. The project delivery partners are Ekovest Bhd and Malaysian Resources Corp Bhd.

Meanwhile, Yong says the MRB project will be a mixed property development in Ampang with a targeted completion in late 2018. The project has a GDV of RM1.33 bil.

He explains that it prefers development in Kuala Lumpur which has a high plot ratio with the density much higher. "A plot ratio of 1:8 for the land opposite MRB is ideal for us," he adds.

"For MRB land, we pay about RM1,400 per sq ft. If we take the price SP Setia paid for the British High Commission and versus ours, we would have made a paper gain on the difference.

Last December, SP Setia acquired the British High Commission's property near KLCC in Kuala Lumpur for RM294.96 mil and plans an integrated commercial development with a GDV of RM1.04 bil. The price tag would translate into RM2,200 per sq ft based on the land area of 134,075.14 sq ft (12,456 sq m).

Basic infrastructure projects

Apart from property development projects, Crest Builder has also put in bids for water treatment and sewage plants. "We need to develop basic infrastructure, ie water and sewerage. The current condition of the country's sewerage system is not up to mark," Yong says.

One notable project which the company hopes to secure is the RM3.7 bil Langat 2 water treatment plant in Selangor.

"We have submitted our proposal on Langat 2 project on Dec 27 and they are still evaluating the technical proposal.

We (have gone into a) tie up with a Chinese partner. This will be our biggest infra project if we succeed. If managed well, we can enjoy margins of about 20%," he adds.

The company is also adopting a contrarian approach when it comes to bidding for overseas projects.

"We should only look at overseas projects when we are full, not when we are hungry. Technically, we are still hungry, so we will look at local projects. When we are hungry, we tend to get more desperate and usually mistakes happen. We have seen a lot of other contractors make that mistake," Yong explains. FocusM

High expectations from only son of Crest Builder founder

CREST Builder Holdings Bhd's executive director Eric Yong knows that the expectation on him to do well in the company is high, especially when he is the only son of the group's managing director Yong Soon Chow.

Thus, Eric, who turns 30 this year, is expected to double his efforts as he is likely to step into the shoes of the senior Yong one day, to helm the family-run business.

"It is very challenging working with my dad but I love the challenge. My dad is very demanding. If the staff is putting in 100% effort, I have to put in 200%.

"My dad is very hands-on. He meets with his senior management once or twice every day. Because I stay with him, we have discussions during breakfast, lunch, dinner and late nights when we are watching TV. It's as good as being in a board meeting all day long," Eric tells ***FocusM***.

Nevertheless, Eric says being the only son does not necessarily mean he will definitely run the show in Crest Builder one day.

"My dad is not so typical. The succession planning does not rest on me alone. We are even grooming talents from within the company who are not family members to [possibly] take over the helm [when that day comes]. We would need a lot more talent than just the family members

"We are only the first generation. We are not like the YTL Group, whereby they are at the 3rd generation, with 60 to 70 family members ready to run the company. Our family is considered very small, so we still have to rely on professionals," he adds.

Eric has three sisters working at Crest Builder. The eldest sister handles mostly legal issues of the company, and the second sister is in finance. The youngest sister is Eric's "little apprentice", who is handling the company's operations.

Succession planning is being put in place at Crest Builder but senior Yong is not ready to retire just yet.

"My dad is a workaholic and will probably be working for the next 10 years or even more. He's only 62 and in the corporate world, he is still considered young. He tells me that [the late Tan Sri] Lim Goh Tong worked until 90 years old.

Similarly, he can't stop working. If he wants to continue contributing to the company, he should do so," Eric says.

Yong senior started his career as an engineer with Public Works Department from 1977 to 1981. In 1983, he formed Crest Builder Sdn Bhd and has successfully turned it into a mid-sized construction company.

Eric attributes the success of his father at that time to the vast opportunities available then with few players. "There were easily thousands of hectares of land available. The construction players went from mid to huge-sized companies because of the various infrastructure projects such as the construction of the North-South Highway."

"We were going on a safer path, building rural roads. You'll be surprised that margins were very good, easily about 25% to 30% for construction due to lack of competition. Today, there is a lot more competition," he adds.

Eric joined Crest Builder two weeks after he graduated from City University, London with an honours degree in Civil Engineering in 2003. Subsequently, he was appointed to the board in 2008.

> **"Branding is very important in today's business. Previously, house buyers did not care about who built the houses. They were just concerned about who the developer is."**
>
> — YONG

Open door policy

Fortunately, Eric's parents have been receptive to change to keep up with the fast-moving trend. "They were from [the] old school style but I am glad my parents are receptive to change. We practise open door policy. Anyone can walk into the MD's office and bring up issues/problems."

Eric is a firm believer in branding. "Branding is very important in today's business. Previously, house buyers did not care about who built the houses. They were just concerned about who the developer is," he says.

However, he adds that buyers nowadays are particular on who the contractors are. "We are keen to associate ourselves with premium property developers. One example is Wing Tai Asia, [where] we did The Meritz, along Jalan Ampang, Kuala Lumpur. To be a recognised contractor in Malaysia, we need to build along the roads surrounding KLCC."

Moving forward, Eric wants to rely more on internal projects and grow recurring income business.

"In five years, we are looking at managing two malls and double the value of the malls to be worth RM2 bil. Rentals will be our recurring income. As for development, we are focusing on boutique developments.

"Ideally, I want to, at any one time, run four to six massive projects, which are easier to manage. If you look at the top revenue generating developers in the country, they are running 50 to 60 projects concurrently. The market expects you to be constantly growing. Where does it stop? We [would] rather go on sustainable growth rather than bullish growth. The faster you jump, the faster you will fall," Eric says. — *Doreen Leong*