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Bina Puri says slim construction margin will not hamper delivery of jobs

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KUALA LUMPUR: Bina Puri Holdings Bhd said thin construction margin would not hamper the realisation of its construction order book, which currently stands at RM2.67 billion.

Its group managing director Tan Sri Tee Hock Seng said that construction margins had been squeezed these past few years due to the rising costs of steel bar and other building materials. Meanwhile, as a turnkey contractor/developer for most of its projects, it had no choice but to absorb the increase in building materials costs.

"The price of steel has risen from RM2,000 per tonne to around RM4,000 at the moment. Also, take note that we are also the turnkey developer for some projects, which means that we would have to absorb the rising cost of materials," Tee said.

However, he said that Bina Puri is unperturbed as it has 35 years of experience in the industry, and has successfully delivered all the projects it secured.

Tee was responding to concerns that Bina Puri had been posting low construction margin compared to other construction outfits in the industry.

For 1HFY10 ended June 30, Bina Puri posted RM7.31 million in construction segment operating profit on the back of RM523.87 million in segment revenue. This translates into a slim construction operating margin of 1.4%.

In comparison, WCT Bhd's construction segment operating margin stood at 10.4% during the first half of the year, with segment op-



Bina Puri Holdings chairman Datuk Wong Foon Meng (left) exchanging documents with Chan at the signing ceremony between Superboom Projects and Bina Puri Holdings-Beijing Construction Engineering Malaysia. Looking on are Tee (2nd from left), Superboom project director David Yam (2nd from right) and Beijing Construction MD Wang Yan Shan.

erating profit of RM86.76 million and segment revenue of RM835.72 million.

Bina Puri closed yesterday at RM1.30. Based on Kenanga Investment Bank's forecast earnings per share (EPS) of 17.4 sen for FY10, the stock is trading at price-earnings multiple (PE) of 7.47 times.

Bina Puri's current order book stands at RM2.67 billion for various projects in Malaysia, Brunei, Indonesia, Pakistan and Thailand. The order book is expected to last the company for the next two to three years.

Tee was at the signing ceremony yesterday to receive the letter of award from Superboom Projects Sdn Bhd to construct The Haven luxury condominium project in Ipoh.

Bina Puri, together with the Beijing Construction Engineering Group (BCEG) secured the RM109 million job after beating six other bidders.

The Haven, which has a gross development value of RM250 million, consists of three condominium towers facing a natural lake and limestone hill. It is touted to become Perak's tallest building at 26 stories

when completed in 2013.

Superboom Projects CEO Peter Chan said that Bina Puri and BCEG were chosen as they were reputable construction outfits with proven records.

According to Chan, about 80% of the first block in The Haven was sold while 20% of the recently launched block C was taken.

The Haven consists of three towers totalling 489 units ranging from 868 sq ft to 5,510 sq ft. Selling price starts from RM250,000 to RM1.41 million.

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