



I would probably be a lorry driver today if I had not become an entrepreneur.
J.C. PACIFIC SDN BHD CEO CHONG TZE VOON, a school drop-out who became MAA Assurance's youngest Million Dollar Round Table qualifier at 19 - B8

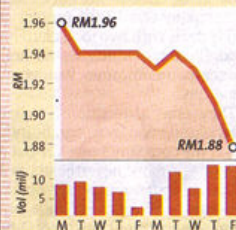


I love properties and when I go into a luxurious show unit, I get all excited. When the sales agents take a look at my face, they think they have a sale!
S.K. BROTHERS (M) SDN BHD general manager **CHAN AI CHENG** - B14-B15.

Stock Watch

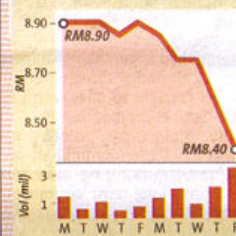
BY CHAN CHING THUT

Yeo Hiap Seng



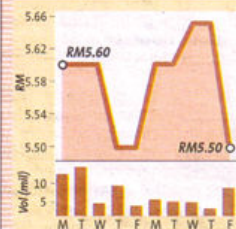
HLG Research said Yeo Hiap Seng (M) Bhd's net loss of RM4.7mil for Q2 ended June 30 were significantly below expectations. Operating margin collapsed to -5.5% from 1.3% year-on-year due to higher advertising, raw material and packaging costs. "As we do not foresee raw material and packaging costs coming off and with increasing competition, we are lowering our financial year revenue forecast by 5.8% to RM517.8mil and operating margin to 0.3%," it added.

SP Setia



RECENTLY, SP Setia signed a deal with Setia Haruman Sdn Bhd to buy 156.38 acres of land in Cyberjaya for RM190.6mil. Its proposed development, Setia Eco Villa, has a gross development value of RM1.2bil and is scheduled for launch in financial year (FY) ending Oct 31, 2008. A bank-backed brokerage estimated the project could potentially enhance FY2008 and FY2009 earnings by 3.5% and 5.8% respectively.

Hock Seng Lee



HOCK Seng Lee (HSL) has secured jobs worth RM418mil so far this year. Standard & Poor's (S&P) has estimated present order book to be about RM950mil, of which RM800mil is unbilled. HSL aims to add another RM1.2bil to its current order book from projects in Sarawak. "We are revising upwards our financial year (FY) ending Dec 31, 2007 and FY2008 net profit forecast by 8% and 5% respectively," S&P added.

● The comments above do not represent a recommendation to buy or sell

Record property values

MAH SING Group Bhd, which has proved itself as a housing developer, demonstrated last week it could also thrive in the commercial property sector.

It announced on Thursday the sale of one block of The Icon, the first grade A office complex it is constructing, for RM174.4mil cash. That works out to RM715 per sq ft of its proposed net lettable area.

That is a record transacted price of an office building in Kuala Lumpur, quite an achievement for Mah Sing on its first outing in this sector.

It is also a fair price for the buyer, Koperasi Permodalan Felda Bhd, which is assured a gross rental yield of 7% by Mah Sing. The lease-back arrangement will enable Mah Sing to manage tenancies so as to maintain the image of the first of its Icon series of office buildings.

For Felda, there is also the potential of appreciation in the value of the building by the time it is completed.

Mah Sing will also participate in that potential as it continues to own the second tower block of The Icon, which is located along Jalan Tun Razak.

In the current transaction, Aseambankers said in a note on Friday, a pre-tax profit margin of least 35% or about RM60mil is anticipated from the sale of the first tower block.

That works out to about RM30mil a year over the two-year construction period, which is significant for the group which earned a net profit of RM65mil last year.

Mah Sing is developing another office building in its Icon series in the high-end Mont' Kiara area of Kuala Lumpur. This, as well as the second block of The Icon at Jalan Tun Razak, could be sold this year, or at a higher price on their completion.

Malaysian Resources Corp Bhd set its own record in its Kuala Lumpur Sentral project area last week. It announced on Friday the sale of land and turnkey construction of an office tower for CIMB-Mapletree Real Estate Fund 1 for RM404mil cash, or RM663 per sq ft of net floor area.

This is believed to be the highest MRCB has transacted in its Sentral area. In an earlier transaction, it sold an office tower in the same area to Employees Provident Fund at RM525 per sq ft.

Among small property companies, **Land & General Bhd's** (L&G) share price rose 36% to 64.5 sen last week, raising its total market value to RM386mil, which is actually not small.

This market value is even larger than the RM363mil market value of **Giomac Bhd** which has a commercial property project - Giomac Tower - close to the Petronas Twin Towers. Giomac expects to launch that at about RM1,000 per sq ft, setting a record for an office building when it is transacted.

L&G is in a net cash position after disposal of much of its assets. **Lien**

Mah Sing Group Bhd announced the sale last week of its first office building project, which set a record transacted price of RM714 per sq ft for an office property in Kuala Lumpur.

Office building values in Kuala Lumpur

Owner	Property	Location	Valuation mode	Date announced	Price (RM/psf)
Mah Sing	One block of The Icon	Jln Tun Razak	Sold to Koperasi Permodalan Felda	July, 2007	741
MRCB	Proposed office tower	KL Sentral	Sold to CIMB-Mapletree	July, 2007	663
Tower REIT	Menara HLA	Jln Kia Peng	Revaluation exercise	Jan, 2007	605
MRCB	Block 1A	KL Sentral	Sold to EPF	Dec, 2006	525
Tower REIT	HP Towers	Bukit Damansara	Revaluation exercise	Jan, 2007	428

BETWEEN THE LINES

BY C.S.TAN

Hoe Corp Bhd, with a market value of RM108mil, is another property company that is successfully clearing its debts.

Lien Hoe announced last week it completed the sale of the Atria shopping centre in Petaling Jaya and the week before, the sale of Kompleks Lien Hoe in Johor Baru. As the Atria was sold for RM75mil cash, and Kompleks Lien Hoe for RM94.7mil cash, Lien Hoe received a total of almost RM170mil cash this month.

In addition, the company said in April it would sell a piece of land in Seri Kembangan, Kuala Lumpur, for RM65mil, and earlier this month, it announced the sale of its head office building, Lien Hoe Tower, for about RM53mil. When these asset sales are completed, Lien Hoe would have repaid almost all its borrowings.

That would leave it with the Hotel Armada and Plaza Armada complex in Petaling Jaya, which is carried in its books at about RM110mil.

It had earlier formed a joint venture with **Eksons Corp Bhd** to build shops and a hypermarket in Puchong, an arrangement in which Lien Hoe provided the land and cash-rich Eksons would make available the working capital.

As Lien Hoe would soon be debt-free, it is expected to undertake, on its own, a luxury condominium on a piece of land it still owns in Johor Baru.

Values for a long cycle

The listing of **Petra Energy Bhd** last week, correctly anticipated by analysts to be bullish, fuelled interest in the stocks of oil and gas (O&G) service companies.

In addition, as crude oil prices headed for the high US\$70's last week, O&G stocks were swooped up by foreign funds until Friday when the whole market swooned, in reaction to Wall Street's fears over conditions in the credit market.

As punters headed for the exits, longer-term investors would contin-

ue to gradually buy the stocks they want. In particular, O&G has become the favourite sector of foreign fund managers, displacing even plantations. O&G stocks are seen as necessary for an exposure to Malaysia.

One of the foreign investors that may be glad of the fearful mood in the stock market is Oslo-listed Seadrill Ltd, which is controlled by John Fredriksen, Norway's richest man.

Seadrill reported last Monday it had bought 12 million shares of **SapuraCrest Petroleum Bhd** between July 16 and 20, raising its stake to 12.6%. It is believed Seadrill continued its accumulation through the week and it is likely to have set an objective to attain a stake of at least 20%. The current market weakness enables Seadrill to buy SapuraCrest at lower prices.

As in many other stocks, a foreign investor, in this case Seadrill, understands the value of a Malaysian company better than Malaysian fund managers and analysts. Seadrill has, of course, the advantage of industry knowledge, being in the same industry.

SapuraCrest is the preferred O&G stock of Citigroup. In a report two weeks ago, Citigroup noted the company was awarded a RM606mil contract to lay pipes in the deep waters of the Kikeh Field. "We remain confident of SapuraCrest's ability to secure more installation of facilities in the near future," Citigroup said.

That conviction was well placed as SapuraCrest announced on Friday it received a letter of award for contract extension for a period between March this year till the same month in 2010. SapuraCrest said that with full performance of works, the renewed contract is worth RM3bil.

The initial response of some analysts was one of scepticism as SapuraCrest incurred losses in the earlier contract.

The contract extension showed, firstly, that the client, Petronas Carigali Sdn Bhd, was satisfied with SapuraCrest's operating performance, or it would not have renewed the contract.

Secondly, the first contract was signed in 2004 when diesel prices were much lower. It is believed SapuraCrest incurred losses when

the costs of diesel and other items later surged. An analogy would be a plantation company selling forward its output in 2004. It would have done poorly but if it sold forward its output now for the next three years, it should do very well indeed.

Thirdly, SapuraCrest made a smart strategic decision in 2004 when it made an order for the construction of a heavy lift derrick lay vessel, called Sapura 3000, jointly owned with Acergy Group on a 50:50 basis. Construction of Sapura 3000 at a cost of US\$150mil (RM510mil) is scheduled to be completed next month.

Sapura 3000 is believed to be one of only five such vessels in the world and it would enter into its maiden contract for Murphy Sabah Oil Co Ltd. In terms of revenue, Sapura 3000 would be paid RM606mil under that contract for just a few months work.

Profit margins for SapuraCrest's recent contracts are expected to be high, as would be the case for the whole sector.

Value of water

Market watchers would have noticed **Kumpulan Perangsang Selangor Bhd's** (KPS) share price rising 23 sen to RM2.09 on Friday, even as the rest of the market wobbled.

That was led by a **Bernama** report on the same day, which said the Energy, Water and Communications Ministry issued a pre-qualification notice of bidding for the Pahang-Selangor raw water transfer project. **Bernama**, quoting a ministry source, said the tender was for the 44.6km tunnel between the two states.

KPS has awaited the implementation of this project as it has a heads of agreement with the Selangor Government for its appointment as main contractor for the Langat 2 facility, which forms part of the water transfer project.

Langat 2, which is expected to cost about RM2.5bil, would be constructed simultaneously with the interstate tunnel so that when raw water flows through the tunnel, the Langat 2 reservoir and treatment plant would be ready to receive the raw water.