

City & Country



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BEST

property developers

The Edge ranks Malaysia's top players —
from the consumer's perspective

TOP 30 (in alphabetical order)

| COMPANY | COMPANY |
|--|-------------------------|
| Asia Pacific Land Bhd | MK Land Holdings Bhd |
| Bandar Raya Developments Bhd | Negara Properties Bhd |
| BCB Bhd | Paramount Corp Bhd |
| Country Heights Holdings Bhd | Pelangi Bhd |
| Dijaya Corp Bhd | Petaling Garden Bhd |
| FACB Resorts Bhd | PK Resources Bhd |
| Glomac Bhd | Selangor Properties Bhd |
| Gold Bridge Engineers & Construction Bhd | SHL Consolidated Bhd |
| Hong Leong Properties Bhd | Sime UEP Properties Bhd |
| IGB Corp Bhd | SP Setia Bhd |
| IOI Properties Bhd | Sunrise Bhd |
| Island & Peninsular Bhd | Sunway City Bhd |
| Land & General Bhd | Talam Corp Bhd |
| Malton Bhd | UDA Holdings Bhd |
| Metro Kajang Holdings Bhd | WCT Engineering Bhd |

TOP 10

| RANKING | COMPANY | SOME SIGNIFICANT PROJECTS* |
|---------|-------------------------------------|--|
| 1 | IGB Corp Bhd | Mid Valley Megamall, Sierramas, Desa Kudalari |
| 2 | SP Setia Bhd | Taman Bukit Indah (Johor), Pusat Bandar Puchong, Duta Nusantara |
| 3 | IOI Properties Bhd | Bandar Puchong, IOI Palm Garden Resort, Bandar Putra Senai (Johor) |
| 4 | Bandar Raya Developments Bhd | Taman Permas Jaya (Johor), Sri Penaga Condominium, Tivoli Villas Condominium |
| 5 | MK Land Holdings Bhd | Damansara Perdana, Damansara Damai, Bukit Merah Laketown Resort (Perak) |
| 6 | Sunway City Bhd | Bandar Sunway, Pusat Bandar Seberang Jaya (Seberang Prai), Sunway City Ipoh (Ipoh) |
| 7 | Sime UEP Properties Bhd | Subang Jaya, UEP Subang Jaya, Ara Damansara |
| 8 | Island & Peninsular Bhd | Bandar Kinrara, Taman Setiawangsa, Desa Mutiara (Penang) |
| 9 (tie) | Sunrise Bhd | Mont'Kiara, Seremban Forest Heights (Seremban) |
| 9 | Pelangi Bhd | Taman Pelangi Indah (Johor), Taman Perling (Johor), Taman Sutera (Johor) |

*Unless stated the projects are located in the Klang Valley

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Qualitative attributes

| RANKING | COMPANY |
|----------|--|
| 1 | Sunrise Bhd |
| 2 | IGB Corp Bhd |
| 3 | Sime UEP Properties Bhd |
| 4 | SP Setia Bhd |
| 5 | Bandar Raya Developments Bhd |
| 6 | MK Land Holdings Bhd |
| 7 | Sunway City Bhd |
| 8 | Pelanggi Bhd |
| 9 | Island & Peninsular Bhd |
| 10 (tie) | Dijaya Corp Bhd Negara Properties Bhd |

Quantitative attributes

| RANKING | COMPANY |
|----------|---|
| 1 | IOI Properties Bhd |
| 2 | SP Setia Bhd |
| 3 | IGB Corp Bhd |
| 4 (tie) | Bandar Raya Developments Bhd MK Land Holdings Bhd Sunway City Bhd |
| 7 | UDA Holdings Bhd |
| 8 | Sime UEP Properties Bhd |
| 9 | Talam Corp Bhd |
| 10 (tie) | Island & Peninsular Bhd Malton Bhd |

Malaysia's best

BY SREEREMA BANOO I

What does it take to be a top property developer as far as the consumer is concerned?

Should the title go to one which churns out huge profits selling hundreds or thousands of conventional housing units each year? Or should a developer that builds fewer homes but which showcase quality, innovation and creativity be the more deserving one?

In short, are quantitative attributes alone enough to place a property developer in high regard by the market? Or are qualitative attributes just as, if not more, pertinent?

Results of *The Edge's* inaugural Ranking of Top Property Developers in Malaysia confirm that from the perspective of a property investor, the top developer has to have both sets of attributes — and in large doses.

The ranking, which covered all property development companies listed on the property sector of the Kuala Lumpur Stock Exchange and several property development arms of listed companies, was based on five quantitative attributes — group pre-tax profit; revenue; size of shareholders' funds; gearing; and cash position for financial year 2002 — and five qualitative attributes — product qual-

ity; innovation and creativity; value creation for buyers; image; and expertise. (See Page 6 on the methodology.)

While data for the quantitative attributes were taken from published sources, judging of the qualitative attributes was carried out by a distinguished panel comprising the International Real Estate Federation (Fiaabci) Malaysia Chapter president Kumar Tharmalingam, Real Estate and Housing Developers' Association of Malaysia (Rehda) president Datuk Jeffrey Ng, Bandar Utama Development Sdn Bhd director Datuk Teo Chiang Kok, Bukit Kiara Properties Sdn Bhd executive chairman Datuk Alan Tong. *The Edge's* vote was given by *City & Country* editor Au Foong Yee who also moderated the three-hour deliberation.

As results of the ranking show, only developers that display strongly both quantitative and qualitative traits were given the thumbs up. Thus, the winning names are no stranger to the property development fraternity and property investors and would-be investors alike.

That's why some of the top developers interviewed were also not surprised at the findings, and neither were members of the judging panel.

The top 10

The make-up of the top 10 developers reveals a mixed bag of players, some

armed with decades of experience, others relatively new contenders. There are those who started in one location, carved out a strong brand name and have remained in the same location. Others managed to stamp their mark in the Klang Valley although they started operations elsewhere.

Size-wise, there are relatively modest-sized companies as well as huge corporations with shareholders' funds exceeding RM1 billion. As for their products, given the characteristic and state of the Malaysian property market which is largely dependent on the residential subsector, it is no surprise that the thrust of the top 10 property developers lies in the housing segment. Some focus on niche, high-end markets, others build homes for the masses, while there are those who also build commercial, retail and leisure properties. Many may not even consider one of the 10 to be a true-blue developer, given its thrust in the manufacturing sector.

While we examine the success stories and focus of some of the top developers (see stories beginning on Page 8), we also take a closer look at some of the attributes that can make or break a developer. These attributes, besides helping a developer's bottom line, also stand it in good stead, be it in the boom or bust years.

Image, branding and track record

It is unanimous. Members of the qualitative attribute judging panel and top developers interviewed by *City & Country* rate image, branding and track record highly. They see these traits as instrumental for developers to win new buyers and keep existing buyers loyal.

One developer that prioritises branding is IGB Corp Bhd, ranked Malaysia's top property developer. Group managing director Robert Tan is the first to attest to the importance of branding. IGB is responsible for the development of the successful MidValley City in Kuala Lumpur as well as the innovative and high-end housing enclave Sierramas in Sungai Buloh (developed by Tan & Tan Development which, following a corporate restructuring exercise, has since come under the IGB stable.)

The group's reputation for timely delivery, Tan feels, has branded the developer as one that is reliable among prospective buyers. "This was seen from the last property downturn in the 1980s... when there were many uncompleted projects around, we prided ourselves on completing our project and delivering them on time."

SP Setia group managing director Datuk Liew Kee Sin echoes Tan's thoughts on the importance of image, branding and track record for timely





Deliberating on the qualitative attributes. The judges are (clockwise from far left) Ng, Tong, Au, Kumar and Tan

KENNY YAP/THE EDGE



MOHD. IZWAN MOHD. NAZAM/THE EDGE



HARIS HASSAN/THE EDGE

Location is an important consideration for developers, whether for a retail development like Mid Valley Megamall (left) or a commercial development like IOI Corporate Square (above)

delivery for a developer to be successful. Besides keeping buyers happy, SP Setia also generates goodwill through its charitable initiatives, namely, the SP Setia Foundation. The foundation — aimed at less fortunate primary schoolchildren — has been a boon for the developer's image, Liew concedes.

"People see the things that we do and they say 'he is a good guy', so people will buy from him [SP Setia]," he says candidly. SP Setia emerged second in the ranking.

Admittedly, there are developers who do a better job at image building. But as Bandar Utama Development's Teo points out, some developers may not be high profile but at the end of the day, the test of the pudding is in the eating — developers must deliver on their promises.

There is a trust or bond between the buyer and developer, a link Sunrise can surely attest to. Sunrise Bhd CEO Datuk Michael Yam says 60 per cent of the buyers of its latest launch — Mont'Kiara Aman — are repeat customers while 25 per cent are referred buyers and the remaining 15 per cent, new buyers.

The team

Does an emphasis on track record mean no room for new kids on the block? Teo begs to differ. While he

concedes that a new player is handicapped in not having a track record, having onboard an experienced team can put the company on par, if not ahead, of companies that have been in the market for a long time.

This brings us to another important winning attribute in a developer: the expertise or management team of a company. IGB Corp, SP Setia and MK Land Holdings (ranked fifth), for example, make no secret of the value they place on talent and dedication in their employees. Thus, their emphasis on staff benefits and training programmes.

MK Land, for one, subscribes to the philosophy of "training, training and retraining" its employees. Executive chairman Tan Sri Mustapha Kamal Abu Bakar says the idea is to have knowledgeable staff on board with five consistent traits: trustworthiness, competence, loyalty, open-mindedness and integrity.

That said, there is no mistake

that highly ranked property companies recognise the importance of the team and that teamwork — or lack of it — can make or break a company. SP Setia's Liew notes that because quality control is crucial, every team member, from the project designer to the site supervisor, has to share the same philosophy. "That is, to be the best in all they do," he says.

Teamwork is also critical when a company wants to go forward, as in the case of Sunrise (ranked ninth with Pelangi Bhd). Yam says while its founder Datuk Alan Tong established the core values of the company, when he cashed out in 1997, the company was still at an embryonic stage. Taking the company forward — whether in product or geographical diversification — depends on the entire team.

While there is no doubt that Sunrise has grown from strength to strength, it is worth pointing out that the developer's core competencies

— emphasis on quality and customer service — have not changed.

Still, a change in top management is likely to be eyed with some concern initially, as in the case of Bandar Raya Developments (ranked fourth) when control changed hands (the deal was completed last October). In response, Bandar Raya CEO Datuk Jagan Sabapathy has stressed that there has been no change in the group's philosophy, which is to build quality developments, and create envied communities and vision for the future. Jagan goes on to say that the group has a good history and is in the pink of health. Its goal: to raise the benchmark and set standards in the industry.

Innovation, innovation and innovation?

While location helps in ensuring the success of a development, keen competition and scarce land, especially in the Klang Valley, are pressuring developers to innovate to dif-

ferentiate themselves in the market. Innovation, for example, in product types or marketing strategies, is evident in almost all the developers ranked in the top 10.

In the case of IGB Corp — credited for being the pioneer in condominium living and serviced apartment development — innovation is essential given its limited landbank. SP Setia, on the other hand, prides itself on innovative marketing strategies — it was the first to offer a show village with about 20 houses for prospective buyers.

Whether borne out of a need to survive in a challenging market or to remain in pole position, innovation is certainly an ingredient that excites many property players and observers.

Fiabci Malaysia's Kumar believes that while location is an advantage, "the trick is to create something new". He sees this strength not only in some top property developers, but

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PELANGI BHD



THE EDGE

SUNWAY CITY BHD



MOHD IZWAN MOHD NAZAM/THE EDGE

The ranking of the top developers in the country reveals a mixed bag of players, from those who are focused on a particular area like Pelangi Bhd in Johor (top left), to those who have made a name for themselves outside their initial home base like Island & Peninsular Bhd (top right). There are also developers who offer a range of properties from leisure to housing like Sunway City Bhd (bottom left) while some focus on housing such as the likes of Sime UEP Properties Bhd (bottom right).

Image, branding, track record rate high

FROM PAGE 3

also in some younger and smaller ones. “Look at Gita Bayu... it was formerly abandoned land and now it has been turned into a fashionable address, or even the Hartamas area that was once considered dangerous and today, it is an upmarket million-ringingit location.”

Innovation can be used to advantage, especially if the developer is a relatively young one. In this respect, Teo sees a tendency for some larger developers to remain complacent and consequently be non-innovative.

IOI Properties group executive director Datuk Lee Yeow Chor offers an interesting insight. There is, he feels strongly, a limit on the amount of innovation on the part of a developer. A more important consideration would be practicality or durability and the ability of the design to stand the test of time. While IOI Properties (ranked third) may not be considered the most innovative developer around, it does monitor customer preferences and respond to changing demands.

Does size matter?

There are two schools of thought when it comes to deliberating on a company’s size or financial strength. Rehda’s Ng believes that

while in good times, the advantages of having financial muscle may not be evident, the reverse is true during tough times. “In difficult times, a developer with financial strength will be able to hang in there [in terms of] covering land costs or overheads,” says Ng, who is also the managing director of Asia Pacific Land Bhd.

Teo does not see an issue in the size

of a developer. Rather, the strength of a developer in on its products.

Tong agrees. “Big does not mean the best... we have seen that even if there is a recession, big companies may not necessarily escape from the effects of recession.”

There are those who place importance on size. IGB Corp’s Tan says with size, come exposure and to an extent, branding.

IOI Properties, too, sees benefits in size. Thanks to its financial muscle, the developer does not need to borrow. Its reserves can be utilised to cover the infrastructure cost at the initial stages of a township’s development. Its financial strength, Lee adds, has also enabled the group to make quick decisions and acquire suitable landbank.

What is interesting about IOI

Properties is that despite its size, it is still entrepreneur-driven (with a core group of experienced senior managers) and has a relatively flat organisational structure that allows for quick decision-making.

Ultimately, while there are obvious benefits to having large shareholders’ funds, the advantage of size relates to what the company does with it. This has shown up in the ranking — some developers which are financially stable and strong, backed by sizeable shareholders’ funds and significant turnover, did not manage to make it to the final 10. Why? Quantitative attributes alone are not enough to set them apart from the competition.

Rehda’s Ng encapsulates it succinctly when he says: “At the end of the day, the success of a developer depends on the buyers. What is important to a buyer? Quality can put the developer ahead of the competition as will innovation to keep buyers loyal to the brand. Similarly, wealth creation will do so as well.”

At the same time, it looks like mere qualitative attributes alone will not place a developer ahead of everybody else. A top property developer has to have both top quantitative and qualitative attributes. ■



THE EDGE

Developer Sunrise has grown from strength to strength and is synonymous with the Mont’Kiara address

THE methodology

How the companies are ranked

The research for *The Edge's* Ranking of Top Property Developers was carried out between June and August 2003 on all the 86 property companies listed under the property sector on the Main and Second Boards of the Kuala Lumpur Stock Exchange. Data was sourced from various published sources. All data considered is for the 2002 financial year (FY).

Besides the 86 companies, we also approached high-profile privately owned developers (Bandar Utama Development Sdn Bhd, See Hoy Chan Sdn Bhd and TTDI Development Sdn Bhd) and the property development subsidiaries of listed companies for their respective data. However, only the subsidiaries of four companies — WCT Engineering, Road Builder Holdings, Ireka and Paramount Corp — responded, bringing the total number of candidates to be ranked to 90.

Shortlisting

The ranking process entailed several steps. First, the shortlisting. Companies had to fulfil two criteria — a minimum shareholders' fund of RM250 million plus a minimum annual revenue of RM100 million per year for the past three consecutive years (2000-2002). Thirty companies passed the test.

Quantitative attributes

The next stage of ranking involves the application of five quantitative attributes. These are: Shareholders' funds; revenue or net sales; earnings before interest, tax, depreciation and amortisation; gearing (total short- and long-term debt divided by shareholders' funds); and cash or near-cash for FY2002.

Qualitative attributes

These are: Product quality (service, finish, timeliness); innovation and creativity (product and marketing); value creation for buyers (capital appreciation); image and market perception (credibility, management

style, effectiveness); and expertise (management, experience).

Points awarded

A maximum of 10 points were awarded for each quantitative and qualitative attribute, 10 being the highest and one the lowest.

The application of the quantitative attributes was straightforward, being based on the available data.

For the qualitative attributes, points were awarded on a consensus basis by a five-member judging panel following deliberation on the respective developer. The entire process took three hours.

The judging panel comprised the International Real Estate Federation Malaysia Chapter president Kumar Tharmalingam; Real Estate and Housing Developers' Association of Malaysia president Datuk Jeffrey Ng; Bandar Utama Development Sdn Bhd director Datuk Teo Chiang Kok; Bukit Kiara Properties Sdn Bhd executive chairman Datuk Alan Tong and *City & Country* editor Au Foong Yee.

Ng, who is also managing director of Asia Pacific Land Bhd, abstained in the deliberation and awarding of points for the company. ■

Note: While we will be the first to concede that the ranking exercise may not be perfect, it has been carried out with the best of intentions. The property development sector, as an engine of growth of the economy, has played and is expected to continue playing a significant role in the shaping of the country's economic health. This is besides the sector's fulfilment of the nation's housing needs. Given the onus placed on the sector, we therefore feel the need to sieve through the multitude of players to identify the country's top property developers, as perceived by the general property-investing public. We have also taken the opportunity to highlight some of their success stories. Feedback and suggestions are welcomed. — Editor, City & Country

The judges

PICTURES BY KENNY YAP/THE EDGE

Kumar Tharmalingam



President,
The International
Real Estate
Federation (Fiabci)
Malaysian Chapter

Kumar Tharmalingam graduated from the University of London with a degree in Estate Management and is a Fellow of the Royal Institution of Chartered Surveyors. He has practised as a valuer, was managing partner of Debenham, Tewson, Tharmalingam & Aziz (1978 to 1986) and set up the First Malaysia Property Trust — a joint venture between the Bank of Commerce and Austwide, Australia (1987). He joined Taiping Consolidated Bhd in 1992 and was responsible for the development of the JW Marriott Hotel and Starhill Centre before he left in 1998 to be the director of Hall Chadwick Asset Recovery Sdn Bhd that restructures and rescues property companies affected by the economic downturn in the region. Kumar has attended and presented many papers — on property crisis management, the time-share industry, restructuring of property companies as well as environmental issues affecting real estate — at international seminars.

Datuk Jeffrey Ng Tiong Lip



President,
Real Estate and
Housing Developers'
Association Malaysia
(Rehda)

Ng is also managing director of Asia Pacific Land Bhd, a position he has held since 1992. An economics graduate from Monash University, Melbourne, Ng worked with an international auditing firm in Australia before returning to Malaysia. He then headed the internal audit department of the Federal Hotels Group (1981 to 1984) before moving on to gather experience in the finance, corporate planning and executive management of business operations in the property and hotel industries. Ng is a member of the Institute of Chartered Accountants Australia, Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. He is also vice-president of Fiabci Malaysia and a member of the Board of Director of the Construction Industry Development Board (CIDB).

Datuk Teo Chiang Kok



Director,
Bandar Utama
Development
Sdn Bhd

An electrical engineer by training, Teo has been involved in property development for about three decades. He has undertaken a multitude of projects including high-rise commercial and office complexes, shopping centres, industrial and housing schemes. These include the ongoing and popular Bandar Utama township in Petaling Jaya. A past president of Rehda, Teo is also deputy president of Fiabci Malaysia. He sits on the advisory board of the Association for Shopping and Highrise Complex Management.

Datuk Alan Tong Kok Mau



Executive chairman,
Bukit Kiara
Properties
Sdn Bhd

Tong has dedicated more than three decades to the cause of real estate development in Malaysia. After graduating from the University of Sydney in 1959, he worked in Australia for a year before joining the then architect's department of the Municipality of Kuala Lumpur (now City Hall). In 1964, he started his own architectural practice and four years later, founded Sunrise Sdn Bhd, a property development firm. Tong was elected the state assemblyman for Bandar Klang in 1974 and he served two terms. Upon retirement from active politics in 1985, he resumed stewardship of Sunrise which was listed on the Kuala Lumpur Stock Exchange in 1996. Tong cashed out the following year, just months before the economic recession that swept the region. After a brief hiatus, he returned to the property development scene as executive chairman of Bukit Kiara Properties Sdn Bhd. Tong is a past president of Fiabci Malaysia (1994 to 2000) and Fiabci deputy world president for Asia-Pacific (1997-1998).

Au Foong Yee



Editor,
City & Country
and haven
The Edge



Tan: Our aim is to be innovative and set standards for others to follow

Innovative IGB

Being 'one step ahead of the rest' puts developer on top of ranking

With upmarket niche housing developments under its belt and a reputation for innovative ideas, IGB Corp Bhd has had an illustrious history. The developer has been credited with a number of milestones in the country's property development scene — from being the first in the country to introduce the concept of condominium living to being the first to offer the gated and guarded community living concept.

These achievements — be it the first condominium, Desa Kudalari; the first serviced apartment development, Micasa; or the first gated and guarded development with a community living concept, Sierramas — have stood the developer in good stead.

IGB Corp group managing director Robert Tan acknowledges as much, pointing out that these innovations have given the developer "an edge" over other players.

A recent testament to this leading position is the findings of *The Edge* Ranking of Top Property Developers in the country. The rank-

ing, based on quantitative and qualitative attributes, sees IGB Corp emerging at the top.

Strengths such as innovation were also borne out of the need to survive in an ever-challenging market.

Tan would be the first to agree that there is no question as to the importance of innovation, for example, to the success of the company. "With the limited landbank that we have, we need innovative ideas to sell the products. To survive, we have had to come up with new ideas," he says.

Like all new ideas, some have taken time to be accepted and digested by the market. In the case of Sierramas in Sungai Buloh, for example, he recalls the time when the upmarket housing development was first offered in the mid-1990s and the resistance to the fence-free community living concept. But it soon caught on.

Today, the gated and guarded community living concept has been replicated by other developers, which in turn have reaped success from the innovation.

"Our aim is to be innovative and to set standards for others to follow [but] sometimes it does not pay to be the pioneer because others will follow and profit from it," Tan says with candid humour.

Besides innovation, the developer also places an accent on quality but beyond merely quality of the finished product, there is also emphasis on property management and after-sales service.

Towards this end, the developer established Condo Services Sdn Bhd back in the 1980s. It is responsible for the property management of strata properties until the strata title is issued and the units handed over to the management corporation.

On top of this, the developer also has a complaints bureau that handles all problems and complaints arising from any of IGB Corp's developments. These initiatives have helped to create trust among buyers and owners that the company can be relied on.

Indeed, the group's long-standing presence in the market is indubitable, as is its track

record. Listed on the Main Board of the Kuala Lumpur Stock Exchange in 1981, it was incorporated as a private-limited company in 1964, and then converted into a public-limited company in 1975. It changed its name from Ipoh Garden Sdn Bhd to Ipoh Garden Bhd on conversion before assuming its present name in 1984.

The group started business way back in 1965, building houses in Ipoh. In the 1980s, it diversified into the hotel and resorts sector with the development of the Pan Pacific Hotel, Pangkor.

In partnership with the New World Group of Hong Kong, the group went on to develop the Renaissance Hotel and New World Hotel located in the heart of Kuala Lumpur.

IGB, through Mid Valley City Sdn Bhd, and in partnership with Kuala Lumpur City Hall, has completed development of Mid Valley City. Phase 1 of the development comprises the Mid Valley Megamall — Asia's largest retail, food and entertainment



Top and above: The fence-free community living of Sierramas first received resistance in the mid-1990s but the concept has now caught among other developers

Left: Mid Valley Megamall is one of IGB's most well-known projects

Top left: Desa Kudalari is acknowledged as the first condominium development in KL

centre; six blocks of 17-storey office towers; 30 units of signature offices; and a 4-star business hotel.

The group held a series of well-received property launches in 2002 — Sri Bukit Persekutuan, Seri Maya, Sierramas West and Kundang Jaya — all achieving impressive take-up rates ranging from 70 to 90 per cent.

Last year, the group finalised its rationalisation exercise with Tan & Tan Development Bhd. The merger should spell more exciting years ahead for the group.

Property market observers see IGB Corp reaping benefits from the merger. To some, for a time, IGB Corp had “disappeared” from the property development radar screen and much of the innovative developments that are credited to the merged entity of today were really thanks to Tan & Tan Development.

This is something the IGB management is well aware of. Taking advantage of Tan & Tan's experience and reputation in creating innovative lifestyle properties, the group is

poised, naturally, to focus on niche high-end condominiums, townhouses and bungalow developments.

Ready for the future

The group has limited landbank but it does not discount the possibility of acquiring

With the limited landbank that we have, we need innovative ideas to sell the products. To survive, we have had to come up with new ideas. — Tan

more land or venturing into joint ventures with landowners. “We have to see what is available and in what locations,” says Tan.

Granted, there is no sure-fire way to success but Tan sees the key in innovation. The group will go for niche housing markets and rely on its branding.

As for commercial developments, while conceding that the market is fraught with challenges — competition in the retail segment being one — the trick lies in being what Tan calls “one step ahead of the rest”.

While its track record and brand name are assets, of equal importance is the team.

“Teamwork is important... there is a lot of communication and discussion and we encourage the staff to be innovative and proactive,” Tan offers.

With the emphasis on the team, it is unsurprising that many of the senior management employees have been with the com-

pany for more than two decades, some since its early days in Ipoh.

Recurring income

While he is reticent about gazing into the group's future, Tan nonetheless sees more of its turnover in recurring income. For now, half of the group's revenue is contributed by recurring income from the retail and serviced apartment segments.

Explaining the path chosen, Tan says it is part of the group's long-term growth objectives. “Size is important but when you reach a certain size, income has to come from [other sources] in order to grow.” With property development being dependent on timing, location and its relatively long gestation period, projects that create recurring income become the obvious choice.

For the first six months ended June 30, 2003, group revenue stood at RM200.5 million. Gross profit, meanwhile, stood at RM77.3 million and pre-tax profit at RM58.6 million. — By Sreerema Banoo



Liew singles out innovation in marketing as a crucial ingredient in being a leader in the property sector

SP Setia walks the talk

Aims to be the best through superior service, quality products and innovative marketing approaches

“To be the best in all we do” is SP Setia Bhd’s corporate vision. But more than an expression on paper, the developer is determined to live by these words — in terms of product development, quality of service and innovation in marketing. “We make sure that everyone, including the CEO, lives by it,” says none other than SP Setia’s group managing director and CEO Datuk Liew Kee Sin.

Articulating the developer’s aims, Liew says at the top of the list is delivering superior customer service and satisfying customer needs as well as enhancing shareholders’ value, while being a responsible employer and good corporate citizen. And fulfilling these aims means the developer is able to remain credible, stay ahead of the competition and offer quality products.

Given these objectives and principles, Liew’s near nonchalance at the news of the company being adjudged one of the top three developers in the country is unsurprising. In *The Edge* Ranking of Top Property Developers, SP Setia came out second.

Indeed, accolades must be something the developer is familiar with, as it has won the National Award for Landscaping for its Bukit Indah and Setia Indah townships in Johor in 2001 and 2002, respectively.

On top of this, SP Setia is also the only Malaysian company to come out tops in its

industry group in *Asiamoney*’s second corporate governance poll carried out this year. The poll surveyed 120 Asia-Pacific companies from 10 industry groups.

SP Setia was incorporated in 1974 as a private limited company involved in investment holding, property development, building construction and wood-based manufacturing. It was listed on the Second Board of the Kuala Lumpur Stock Exchange in 1993 and successfully moved to the Main Board three years later.

The group’s existing projects are at Pusat Bandar Puchong, Bukit Indah Ampang, Putrajaya, Setia Indah and Bukit Indah (the latter two in Johor). It made its move into the high-end market with the launch of Duta Nusantara in Sri Hartamas in October last year. Over 60 per cent of the total available units were sold within the first two months of the launch. To date, all 42 bungalow units and 115 semi-detached units (out of 136 units offered) have been sold, representing total sales of RM320.96 million.

In March last year, the group purchased 3,930 acres of land in Shah Alam for about RM597.3 million from See Hoy Chan Plantations Sdn Bhd. Known as North Hummock Estate, the land has been earmarked as the group’s next flagship development project in the Klang Valley. The developer has set aside

800 acres of land to be developed into a mixed development township called Setia Alam. The first launch at the township is slated for next month.

Quality is a priority

Sharing his thoughts on the attributes that define a leading property developer, Liew believes quality is essential.

“From the time the land is purchased to the time we sell a product, quality is very im-

We inculcate loyalty and we make sure that everyone shares the same philosophy, that is, to be the best in all they do — Liew

portant,” stresses Liew, adding that even if the product in question is a low-cost home, it must be of quality. The basic things should be there: The roof does not leak, the toilet works and the parquet does not pop up. For a high-end unit, quality is seen in things like the detailing, finishes and concept.

For Liew, every team member has a role

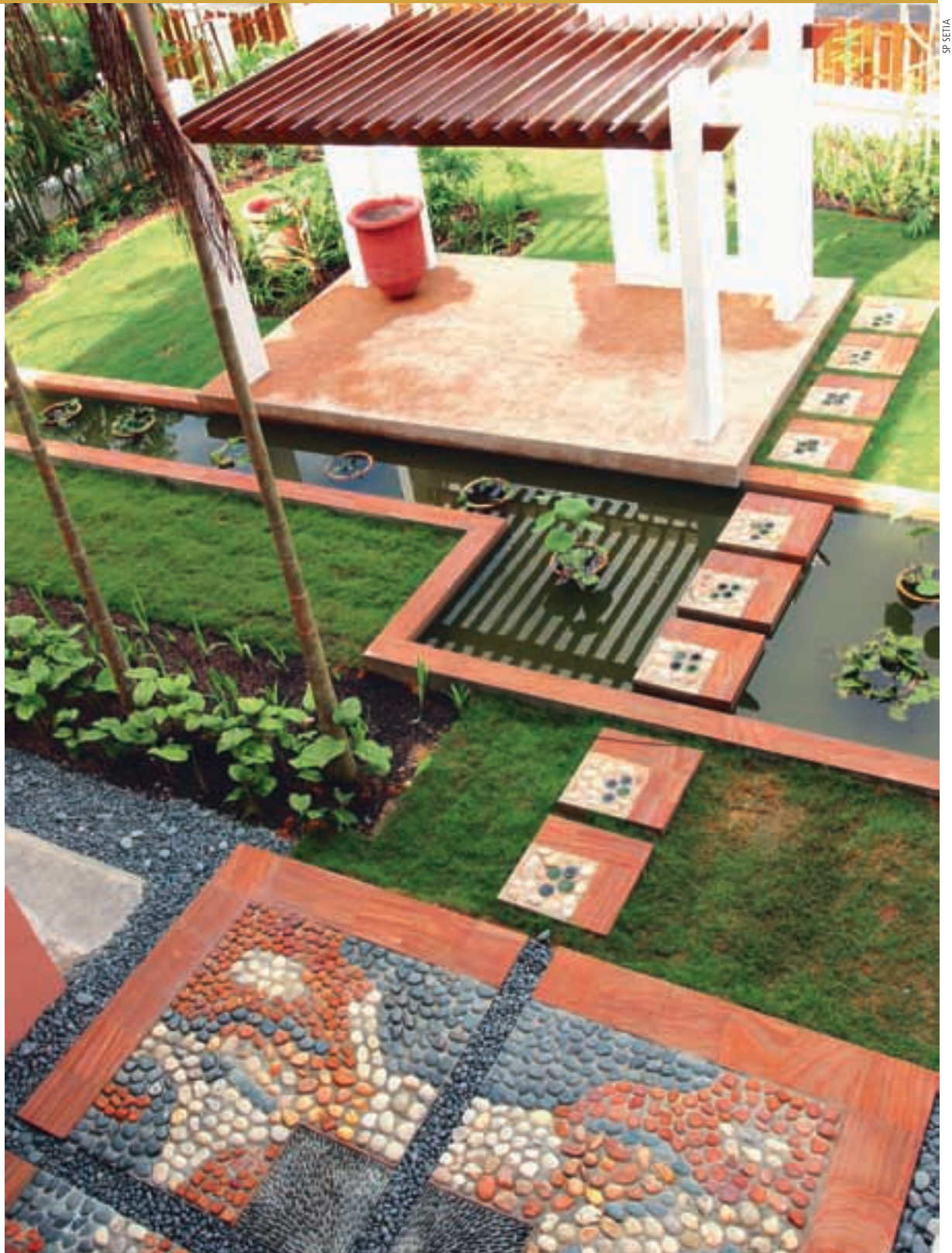
to play. Reiterating the importance of teamwork, he reasons that the action of one department, for example, will impact on the performance of another or the company as a whole. If the design, for instance, is not done properly, it will affect product quality and the company’s ability to sell at a particular price.

It is thus not surprising that the sense of belonging and teamwork is inculcated at the company. In an industry where quality control can make or break the finished product, the developer emphasises supervision. Liew recognises that the best designs minus supervision and exacting standards would render a product that will not meet customers’ needs. “We inculcate loyalty and we make sure that everyone shares the same philosophy — that is, to be the best in all they do.”

Perpetuating quality control impacts positively on the bottom line. For example, should there be defects, the cost of repair can come up to between 5.0 and 10 per cent of the contract sum.

As testament to the fact that the company walks the talk, Liew says SP Setia has compiled a list of defects in its projects. The exercise that took years to complete was aimed at finding out “what went wrong from the design stage to construction and to not repeat these mistakes”. The result is a set of guidelines that is followed to a T to reduce defects.

SP Setia sees quality as essential and has strived towards projects like Duta Nusantara in Sri Hartamas (below and right)



Left: The town park at Bukit Indah, Johor, that garnered the developer accolades for outstanding landscaping

Above: The developer prides itself on being a pioneer in creating show villages as a marketing tool, like this one for Bukit Indah 2 in Johor

Staying ahead

That said, Liew concedes that the market has become increasingly challenging, the biggest challenge being the ability to buy the right land at the right price. Construction costs being similar industry-wide, the profitability of a company hinges on the value of land.

Given these challenges and the large number of players in the market, how then does the company stay ahead?

Liew singles out innovation in marketing as a crucial ingredient in being a leader. He is also

particularly proud that the developer is the “first to start a show village” that showcases anything between 15 and 20 houses — from a 1-storey terraced house to a bungalow.

While the target market for the two types of properties may differ, creating show units for the entire range of products offered also creates a good impression for the prospective buyer. “One who is buying a 1-storey terraced house will certainly look at the bungalow and be impressed,” he says. A show village also allows the developer to illustrate the lifestyle and landscaping promised.

In this vein, the launch next month for Setia Alam will coincide with the completion of its show village and 20 showhouses that are now being built.

Another crucial ingredient in the recipe for success is the developer’s image and branding. Be it the developer’s track record in delivering on time or goodwill creation through charitable initiatives, branding is essential.

Going forward

Viewing the future with optimism, Liew sees

SP Setia as the biggest property player in the next five to 10 years. Whether in terms of profitability, market capitalisation, shareholders’ funds or social contribution, he is confident the company will be ahead of the rest of the pack. To achieve this, again it all boils down to the product and the belief that the company can truly be the best in all it does.

For the first six months ended April 30, 2003, SP Setia registered group revenue of RM367.4 million and a pre-tax profit of RM83.4 million. —By Sreerema Banoo

SP SETIA

SP SETIA

IOI PROPERTIES: Maximising profitability

Developer uses size and financial strength to its advantage

Size is not necessarily an asset, especially when there are many layers of bureaucracy that hamper a company from responding quickly to changes in the market. And for the property sector that calls on the developer to be fleet-footed in satisfying changing market trends and economic cycles, size can sometimes be a hindrance.

One property developer that has not let its size get the best of it — but has instead used it to its advantage — is IOI Properties Bhd. And sizeable it is, with shareholders' funds of RM1.48 billion (at the close of its financial year ended June 30, 2003) and a market capitalisation of RM2.178 billion as at Sept 16. But despite its size, it is still an entrepreneur-driven company, says group executive director Datuk Lee Yeow Chor.

Lee attributes this quality to the team of experienced senior managers — most of whom have been with the company for an average of 10 years — and a relatively flat organisational structure that enables the developer to implement changes quickly. "When we see a trend we

opment over a longer period of time lie at the heart of the company's thrust and philosophy. The reasoning behind this is simple: The scarcity of land, especially in the Klang Valley.

In this respect, the target of the company then is not to sell the most number of properties but to make the most it can from each property it markets. "Our aim is not to achieve 100 per cent sales in the shortest period of time because this means we have not optimised the profitability per acre of land... our aim is to maximise profitability per acre. This is achieved through good land use, planning and by keeping abreast of changes in the market.

"We never aim to achieve the highest turnover but to be the most profitable property developer and to consistently do so," adds Lee. The company's earnings before interest, tax, depreciation and amortisation attest to this. In 2000, it stood at RM205.9 million while in 2001 and 2002, it was RM199.6 million and RM240.7 million, respectively.

It is partly its financial strength that sees IOI Properties ranked as one of the top three property de-

Our aim is not to achieve 100 per cent sales in the shortest period of time because this means we have not optimised the profitability per acre of land... our aim is to maximise profitability per acre — Lee

can implement changes [quickly]... the key is speed. For example, in 1998, we took six months to change the layout and launch affordable apartments in Puchong and thus were able to capture customers who were wary of higher-priced units."

Of course, size does have its benefits, Lee acknowledges. "In terms of financial resources, we are lucky that we do not have to borrow and we have a certain amount of resources to help us build the infrastructure for a township as well as enable us to make quick decisions [such as] acquiring suitable landbanks." Needless to say, having the financial muscle also allows the developer the flexibility to stagger its launches as it can bear the holding costs, and this in turn allows it to maximise profitability.

Maximising profitability and the ability to sustain or stretch a devel-

velopers in the country. *The Edge* Ranking of Top Property Developers, based on 10 quantitative and qualitative attributes, saw IOI Properties coming out in the third position.

IOI Properties is involved in mixed development projects. Some of the major projects undertaken so far include Bandar Puchong and IOI Palm Garden Resort in the Puchong-Putrajaya Corridor and Bandar Putra Senai in Johor Baru.

Finger on the pulse

The developer's almost dogged determination to maximise profitability has meant that even through the boom-and-bust property cycles of the 1980s and late 1990s, IOI Properties managed to keep its head above water and stay profitable, says Lee. "It is because we are focused on what we do... we have been able to identify land thanks to



Lee cites the team of experienced senior managers and a relatively flat organisational structure as IOI Properties' strengths

the good entrepreneurial vision of the company chairman," he says of Tan Sri Lee Shin Cheng, his father.

Illustrating his point, he points out that back in 1989 when the company decided to embark on a development at Puchong, the area did not have the infrastructure and road network that it does today. The address too was synonymous with a working class population. Today, much has changed. Not only is Puchong a favoured address in the southern Klang Valley growth corridor, the intervening years has seen

many developers flocking to the area.

Lee also credits the company's success to its understanding of the market. The senior management adopts a hands-on approach that sees most of them — from the chairman to the executive director — present at almost all property launches. "This allows us to hear first hand what the customers say... we are able to see their demeanour and know what they are looking for [in a property]," he explains of the practice.

It is through these sessions that the developer is able to keep a finger on the pulse of the market as it does not conduct market or feasibility studies, as is the norm for developers.

Meanwhile, by stretching the duration of its projects, the developer is also able to get a feel of the changing demographic profile and thus tailor its products accordingly.

Lee illustrates this point using its Bandar Puchong development. "In

CONTINUES ON PAGE 14



Location is important for the developer and it has been able to secure land in strategic locations, the IOI Resort Putrajaya (top and right) being one of them. Puchong is the site for the IOI Mall (left and centre). The area initially did not have the infrastructure and road network that it does today but has seen many changes over the years.

CHU JUCK SENG/THE EDGE

‘Practicality has to be a priority’

FROM PAGE 12

1990, we launched compact houses with 1,400 sq ft in built-up to cater to the low-income group and younger couples. Thanks to the growing affluence of the population and bigger families, there is a requirement for more space [consequently the built-up for the homes have increased],” he says.

Practicality the priority, not innovation

Interestingly, while *The Edge* ranking of property developers saw IOI Properties taking the top position in terms of quantitative attributes — comprising size of shareholders’ funds, turnover, pre-tax profit, cash position and gearing — the developer did not make it to the top 10 when ranked based on qualitative attributes alone. The qualitative attributes comprise product quality, image, value creation, expertise and innovation (see Page 2).

Lee is first to acknowledge that the developer is not synonymous for being innovative. “I do not see us being ranked the most innovative developer,” he says, although the developer does monitor consumer preferences and respond to changes accordingly.

Apparently, the stance is intentional on the part of the developer. “There has to be a limit to how innovative one can be because one has to look at how practical or

durable the product is and whether it can stand the test of time. Some designs, for example, look good on the outside but are at the expense of interior space,” he adds.

Practicality on the other hand, he emphasises, has to be a priority.

There has to be a limit to how innovative one can be because one has to look at how practical or durable the product is and whether it can stand the test of time. Some designs, for example, look good on the outside but are at the expense of interior space. — Lee

Likewise the developer’s aim is not to deliver the highest quality but rather, what Lee calls the best value for money. “Quality is often a cliché and is misunderstood... rather, we aim for the best workmanship,” he says. In the case of a conventional 2-storey terraced house, the end product should not present the buyer with any problems. “The windows, for example, should not

leak... the house should work and create minimal disturbances to the owner.”

Going forward

IOI Properties traces its beginnings to 1975 when it was incorporated as a private-limited

company then known as Lam Soon Huat Sdn Bhd. It was converted into a public company in 1985, changing its name to Lam Soon Huat Development Bhd before assuming its present name in December 1994.

The first project, Taman Lam Soon Huat in Kajang, was successfully completed in 1977. Since then, Lam Soon Huat successfully developed various other projects in the Klang

Valley, the more prominent being Taman Mayang and Taman Mayang Jaya in Petaling Jaya.

In 1993, as a result of a rationalisation and restructuring scheme involving Lam Soon Huat and IOI Corp Bhd, the company emerged as the property arm of IOI and changed its name to IOI Properties Bhd to better reflect its new identity. IOI Properties was listed on the Kuala Lumpur Stock Exchange in 1985.

Going forward, Lee sees the company maintaining its “good entrepreneurial foresight” when acquiring land. While in the past this foresight has been credited to the chairman, Lee Senior, today it is the shared responsibility of the senior management.

Recognising that the scarcity of land and the high price of land mean a greater challenge in maintaining the same level of profitability, the company will explore joint-venture opportunities. “In spite of our size, we will also have to continue to be market driven and respond quickly,” he says adding that the developer also has to be more sensitive to the increasingly sophisticated and wide-ranging concerns of buyers.

For the financial year ended June 30, 2003, IOI Properties registered a group revenue of RM494.5 million and notched a pre-tax profit of RM240.3 million. — *By Sreerema Banoo*

BANDAR RAYA: The quiet one

Bangsar-based developer will channel expertise to build mid-priced homes in Johor

Known for its role in shaping the high-end residential enclave of Bukit Bandaraya in Kuala Lumpur's elite Bangsar, Bandar Raya Developments Bhd is not exactly a pure breed property developer, many may say.

Though it sits in the property sector of the Kuala Lumpur Stock Exchange (KLSE), the group enjoys significant contribution from its manufacturing arm.

In 2002, subsidiary Mico Chipboard (56.28 per cent owned) accounted for about 47 per cent of the group's turnover (RM351.5 million) and 46 per cent of its group pre-tax profit of RM89.1 million. (Of the RM351.5 million revenue, RM50.5 million came from a one-off disposal at book value of a 247-acre commercial tract in Seremban 2.)

It is no secret that Bandar Raya intends to take Mico Chipboard to greater heights. Two months ago, Mico Chipboard unveiled

a RM300 million plan to expand its chipboard plant in Kuantan, an investment that will triple its production capacity to 940,000 cu m. In the process, it will rank as one of Asia's three largest chipboard producers.

Besides this, Bandar Raya's Bangsar Shopping Centre generates some RM25 million in yearly rental.

Bandar Raya's official stand, however, is that it does not expect manufacturing to overtake its property development division. Both divisions, CEO Datuk Jagan Sabapathy says, are core to the group with their contribution equal in percentage.

In the longer term, however, because of enhanced earnings from new projects, the property division's contributions are expected to grow at a faster rate vis-à-vis the manufacturing division, he says. Bandar Raya came out fourth in *The Edge* Ranking of Top Property Developers.

Indeed, more exciting times are in store for

the group's property development arm which, for one, is now paying more attention to medium-cost properties in the Klang Valley.

Along with many property developers who have wised up to the potential perils of expansive land acquisition, Bandar Raya is eyeing land boasting strategic addresses or those whose owners are keen on joint ventures.

Though Bandar Raya is synonymous with expensive Bangsar, the group is no stranger to medium-cost homes — it has been developing the 1,400-acre Bandar Baru Permas Jaya in Johor Baru since the late 1980s. The freehold township is 75 per cent built.

And the group will continue to build expensive homes. Its expertise will be channelled to mid-price range products, Jagan says, adding that the group's 400 acres of undeveloped land in Johor have been earmarked for the purpose.

Bandar Raya turns 40 next year and has

been listed on the KLSE since 1968. The company is relatively low-key so, when a new prospective controlling shareholder showed up 18 months ago, both the corporate and building fraternities, sat up and took notice.

Datuk Mohamed Moiz J M Ali Moiz had proposed to buy, through Ambang Sehati Sdn Bhd, a controlling stake of 32.75 per cent in the company from Multi-Purpose Holdings Bhd (MPHB) at RM2.25 per share (the market price at the time was RM1.80). The deal was completed last October.

Mohamed Moiz is no stranger in the corporate arena. He first emerged in the limelight in 1999 when his privately held Effective Capital Sdn Bhd was tasked to ensure the orderly migration of shares of Malaysian companies that were frozen on Singapore-based Central Limit Order Book (CLOB).

He is the nephew of Akbar Khan Ali Khan, a low-profile businessman instrumen-



ABDUL GHANI ISMAIL/THE EDGE



MOHD IZWAN MOHD NAZAM/THE EDGE



Bandar Raya has established a solid reputation for its condominiums like (clockwise from above) Sri Penaga, Tivoli Villas and Bangsar Puteri

tal in helping Dr Chan Chin Cheung restructure the MPH group after the group's substantial shareholder Datuk Lim Thian Kiat exited in 1999.

Despite the change at the top, there has been no change to Bandar Raya's philosophy, which is to build quality developments, and create envied communities and a vision for the future, Jagan stresses, adding that Mohamed Moiz is a firm believer in creativity and innovation. "We've got a good history and we are in the pink of health. Our goal is to raise the benchmark and set a standard in the industry."

Bandar Raya was incorporated as a private-limited company in 1964, converted into a public-limited company and then listed on the KLSE in 1968.

Its shareholders' funds stand at a strong RM1.3 billion with a low debt ratio, an enviable position that Jagan attributes to the group's ability to take advantage of the good times and ride out the bad. "We don't make a lot of noise, we're the quiet boys and we let our products, such as Tivoli Villas and our new projects Palmyra Bangsar and Bangsar Hill, speak for themselves."

Calling Bandar Raya "quiet" is probably an understatement; its slow-and-steady plus diversified route is mirrored in its activities. For years, it has confined itself to its "home base" in Bukit Bandaraya where it has established a solid reputation for its condominiums (like Sri Penaga, Tivoli Villas, Bangsar Puteri), commercial properties and landed homes.

Last year, the group unveiled Palmyra Bangsar and Bangsar Hill that are being developed on what are probably the few remaining pockets of prime land in Bukit Bandaraya.

The 11-acre Bangsar Hill project offers exclusive gated community living with 31 resort-style bungalows. Palmyra Bangsar offers 60 luxury and spacious apartment units, each of which comes with three parking bays.

In all, the group sold 58 homes last year, all of these in Bukit Bandaraya. Though minimal, it is a significant jump from the 17 units (seven condo units in Bangsar and 10 houses at Taman Serdang Raya, Seri Kembangan) sold in 2001.

Besides selling the 58 homes, the group sold its 247 acres of commercial land in Seremban 2 New Township in Negri Sembilan last October for RM50.5 million.

The decision to cash out, Jagan explains, was prompted by changes in the development plan of the Seremban 2 New Township as well as the development of neighbouring Seremban 3.

Meanwhile, market conditions have forced the group to put on hold

plans for a mixed-development project on a 100-acre tract in Rawang, Selangor.

Three-pronged approach

On the group's philosophy, Jagan says it has its sight on three aspects of the business — to be forward-looking; to generate greater returns for shareholders; and to look after the well-being of its staff.

"I'd like to think [the] products of Bandar Raya so far have been innovative, enduring and of good value. In fact, we're moving now towards creating stylish yet sexy products such as Palmyra Bangsar. What we are trying to do is to deliver products that reflect trends to come," offers Jagan, adding that research shows that Malaysians are now more affluent, and demand more space, comfort, greenery and conveniences in their homes.

Last year, the group paid out some RM3.43 million in dividends, a sharp drop from the RM5.15 million in 2001 and RM8.58 million in 2000. Jagan attributes the decline to an overall difficult operating environment in the property sector and Bandar Raya's servicing outstanding loans plus a desire to strengthen its cash position (which totals RM208.8 million as at Dec 31, 2002).

Bandar Raya, Jagan assures, is working towards improving shareholder value. This is being done by expanding sustainable profitability through strategic land acquisitions and growing its manufacturing operations.

On its human resources, the group believes in attracting new talent while retaining the existing and experienced employees whom it considers its assets. This is to ensure that the group has the required resources to achieve its goals of growth.

One person who has been around for a long time is sales manager Vera Lee, 52. Bandar Raya has been her employer for 28 years — she joined the company at the age of 24 in 1975 as a telephone operator-cum-receptionist-cum-typist clerk before rising to her position.

The competition

Jagan does not argue that size does matter when it comes to boosting competitive edge. He is referring to the huge landbank that plantation-based developers like Sime UEP Development Sdn Bhd, Golden Hope Plantations Bhd, IOI Properties Bhd and Guthrie Property Development Holdings Sdn Bhd have.

So what is the recourse? "We capitalise on what we have by offering the right product with the right quality and pricing. For example, our 10 acres of undeveloped land in Bangsar will probably yield RM500 million to RM600 million in sales."

For now, Bandar Raya's land-



We don't make a lot of noise, we're the quiet boys and we let our products, such as Tivoli Villas and our new projects Palmyra Bangsar and Bangsar Hill, speak for themselves — Jagan

bank, totalling 851 acres and with an estimated gross development value of RM4.5 billion, will keep the group busy for the next seven to 10 years.

They are in the heart of KL (13 acres around Capital Square), Bangsar (20 acres), Jalan Duta (six acres), Mont'Kiara (12 acres), Permas Jaya (300 acres), Rawang (100 acres) and Johor (400 acres).

As land prices rise, space planning becomes more pertinent and the thrust is reflected in Bandar Raya's product design. In Palmyra Bangsar, for instance, the design maximises space usage both internally and externally.

Ties with Bangsar

Lest anyone think that Bandar Raya looks set to soon disassociate itself

with Bangsar, they couldn't be further away from the truth. The group has been in Bangsar for over three decades and will, Jagan stresses, continue to have a presence there.

Its pockets of landbank in Bangsar add up to about 20 acres and for now, it is looking at developing offices and apartments on a 10-acre plot behind the Bangsar Shopping Centre (BSC).

BSC accounts for 94 per cent of the group's gross rental income. After a major refurbishment and retrofitting exercise and a new tenant mix, it has been able to enjoy near full occupancy.

Promotional activities like Friday night traditional cultural performances, the popular Saturday International Bazaar and Sunday Jazz Fiesta continue to attract pa-

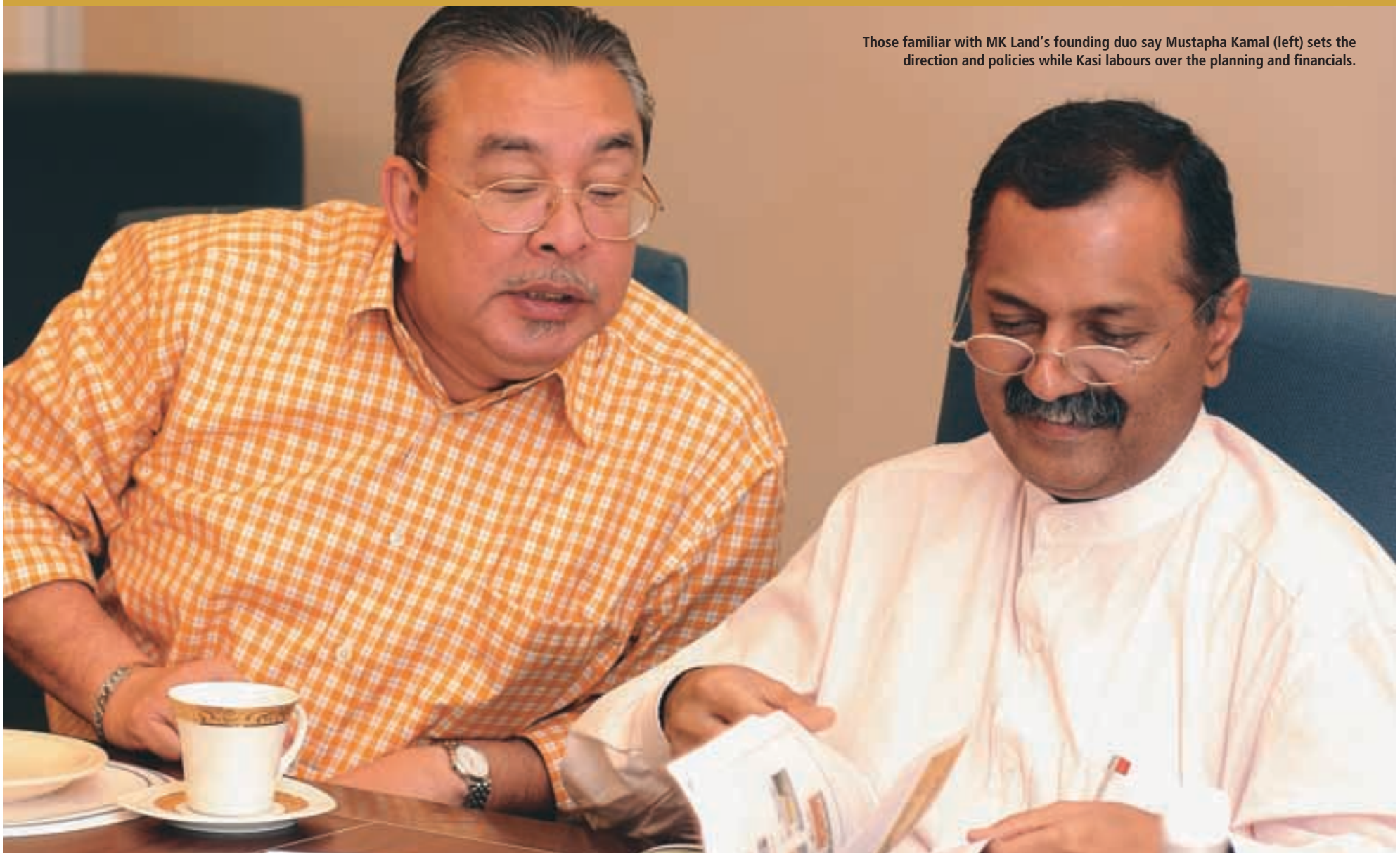
trons and shoppers.

The group also intends to resume development of the Capital Square project next year. Bandar Raya has already invested RM300 million in the 13-acre project which ground to a halt in 1998 during the recession.

Confident the project will do well, the developer says the design will be changed to render the products more palatable to the market. While the initial plan was to go heavy into retail, the thrust now is into building smaller, signature offices which will add up to about 50,000 sq ft, 150,000 sq ft of retail space and about 150 apartment units.

Rest assured that the market will hear more of Bandar Raya the developer. — By Hazatul Syima Haron ■

Those familiar with MK Land's founding duo say Mustapha Kamal (left) sets the direction and policies while Kasi labours over the planning and financials.



KENNY YAP/THE EDGE

MK Land in for the long haul

Relatively young developer aims to become property supermarket

In just three years, MK Land Holdings Bhd has more than stamped its mark on the local property development scene. And going by the philosophy-backed vision of the group's founding duo Tan Sri Mustapha Kamal Abu Bakar and Datuk P Kasi, the market is definitely going to hear more of the group.

It was a Sunday afternoon when *City & Country* caught up with MK Land executive chairman Mustapha Kamal and his long-time business partner Kasi, the executive director, at the group's headquarters in its flagship development of Damansara Perdana, Selangor.

While MK Land may be "young", those driving the group are no new kids on the block. Between them, Mustapha Kamal and Kasi have 49 years of experience in property development. MK Land came out fifth in *The Edge* Ranking of Top Property Developers.

Mustapha Kamal has this to say of the group: "It would be wrong for me to say we are just a property developer. In reality, we are in the business of selling promises to our customers. It is our job to fulfil the promise by delivering the properties based on what we have promised in terms of quality, timeliness and service."

The statement effectively encapsulates the vision Mustapha Kamal and Kasi have etched out for MK Land. Their goal: That MK Land ranks, not far from now, as the market's first choice developer in terms of both quality products and services; achieves a market capitalisation of RM6 billion by June 2007; and becomes one of Malaysia's top 15 public-listed companies.

There is no mistake that MK Land has covered a lot of ground since it appeared on the radar screens of investors in 1999 following a reverse takeover of Perfect Food Industries Bhd, a company with a mere paid-up capital

of RM19.9 million and was then listed on the Kuala Lumpur Stock Exchange (KLSE) Second Board.

Later that year, the group acquired three major projects from the Emkay group headed by Mustapha Kamal — Damansara Damai, Taman Bunga Raya and Bukit Merah Laketown Resort — for RM603.5 million through a share swap.

With that strategic move, the group's paid-up capital ballooned to RM1.174 billion, thus paving its way onto the KLSE Main Board. Today, MK Land boasts a market capitalisation of some RM2.3 billion, or just about a third of its target of RM6 billion which it has set for four years from now.

The working pair

The Mustapha Kamal-Kasi pair controls MK Land, owning 55.26 per cent and 29.39 per cent equity stake, respectively. The KLSE, however, requires their combined interest of 84.65 per cent to be trimmed to 75 per cent by the end of this year.

A common interest in MK Land is not the only thread that binds the duo. Rather, this is one "marriage" that has been tried and tested over the years. Mustapha Kamal, 53, first met Kasi, 44, in the early 1980s. Though he started his career as a civil servant, in 1977 Mustapha Kamal became the managing director of Shah Alam Properties Sdn Bhd (SAP). Six years later, in 1983, he went on to form the Emkay group to venture into property development on his own.

It was in 1980 that Mustapha Kamal first met Kasi who was then an assistant architect at a private firm. Kasi subsequently lectured at Institut Teknologi Mara before he started his own practice in 1985. It was in 1992 when the duo joined forces. Their first project together: the 1,600-acre Bukit Merah Laketown

in northern Perak.

Those familiar with the pair say Mustapha Kamal, with his "people's touch", sets the direction and policies while Kasi labours over the planning as well as the financials, such as costing. So, if on the surface, they differ significantly in style and mannerism, they have managed to successfully complement each other.

This year's results best ever

MK Land has not disappointed in its latest results. For the year ended June 30, 2003, the group netted a significantly higher pre-tax profit of RM255.4 million. This is more than a 40 per cent jump from the RM177.2 million (annualised) for the previous corresponding period. (The group had changed its financial year-end calendar from Dec 31 to June 30.)

The improved performance had come on

KENNY YAP/THE EDGE



Damansara Perdana in Selangor is MK Land's flagship project

the back of a 20 per cent higher group turnover of RM860.8 million, against the RM718.2 million annualised for 2002.

Significant contributors to the better set of results are the Damansara Perdana, Damansara Damai and Cyberia projects. Damansara Perdana topped with RM303 million in sales, followed by Damansara Damai (RM105 million) and Cyberia (RM102 million).

In fact, 2003 is the best ever year for MK Land.

The 750-acre Damansara Perdana, which will have a gross development value of RM8.1 billion, is now 25 per cent developed and is expected to be completed in eight years. The make-up of the township, strategically situated in a fast-growing address in Damansara, mirrors MK Land's move from affordable homes into the higher-end market. This is in line with the developer's desire to be known as a builder of medium- to high-cost properties.

The township has, so far, gone down well with the market and the developer is optimistic that the good reception will continue in its forthcoming launches.

Growing from strength to strength

While property development will no doubt remain the group's bread and butter, Mustapha Kamal and Kasi see a need to diversify, within the context of the property sector, its income stream. Recurrent income from property investment is definitely going to get more attention.

With a staff strength of over 1,700, the group is now into property development activities and investment with its interests stretching from the resort type (Bukit Merah Laketown, Langkawi Lagoon and Taiping Golf Resort projects) to affordable housing (Damansara Damai in Selangor and Taman

CONTINUES NEXT PAGE

SUNRISE: Delivering on quality and customer service

Company has made these two points a priority

Sunrise Bhd chief executive officer Datuk Michael Yam has a heartening story to tell when elucidating the company's thrust on quality and customer service. The story, in a nutshell, is how a long serving employee wanted to leave the company following his transfer to another site. The employee's decision to leave was not so much because he was unhappy about the transfer but that the new site was not of the same standard in terms of quality and customer service employed. Yam believes the story captures the priority placed on quality and customer service shared by all employees and shows that on these two attributes Sunrise has indeed "arrived".

To say that the developer — synonymous for its condominiums in Mont'Kiara, Kuala Lumpur — is focused on quality and customer service is an understatement. "It is the basic principle in the survival of a company," he says, noting that what many developers fail to realise is their existence in the services industry.

Beyond merely selling homes, Sunrise according to Yam, sells a lifestyle. "In a sense, there is even a snob value attached to the product as it has to meet the most sophisticated needs," he says of the buyer profile

that is not only well travelled but also well educated and will not settle for second best.

Customer service that includes aspects such as property management is equally important to the developer. Ask any property observer and his first reference to Sunrise and its developments in Mont'Kiara would be the high standard of property management. This trait has not only served to translate into enviable capital appreciation and high yields — of more than 12 per cent a year — and, naturally, repeat buyers.

Testifying to the latter is the response to its latest development Mont'Kiara Aman condominiums that has notched sales of 60 per cent. Of the buyers, 60 per cent are repeat customers, 25 per cent referred buyers and the remaining 15 per cent new investors. These statistics are telling as Sunrise's previous developments had registered on average 40 per cent and 30 per cent, respectively, repeat and referred and new buyers.

The developer's strengths in terms of quality and customer service were also affirmed by the results of *The Edge* Ranking of Top Property Developers. Sunrise is tops in terms of qualitative attributes and ninth overall top performer. These attributes include product quality, value creation for buyers, innovation

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Yam: Sunrise products have to meet the most sophisticated needs

HARIS HASSAN/THE EDGE



From left: Among MK Land's interests are resort-type developments like the Bukit Merah Laketown project. Damansara Damai was one of three major projects the developer acquired from Emkay.



PICTURES BY MK LAND

The general idea, explains Mustapha, is to have on board knowledgeable staff. But being knowledgeable alone is not quite enough. Staff must have five consistent characteristics — trustworthiness, competence, loyalty, open-mindedness and integrity. In reciprocation, the group invests in the staff's welfare, which includes the provision of sporting facilities and kindergartens, among other things.

The group also has in place a performance-based reward system. Staff are given a target, budget, authority and general duties list so that they know and understand what is expected of them. If the target is achieved, they will be rewarded accordingly, otherwise, they will be sent for further training, says Mustapha Kamal, who adds that it is not the company's culture to lay off staff.

To his mind, the achievement of the group is a sum total of the effort made by the individuals, the teams and the management.

"The sum total of the individuals will make or break the teams. The sum total of the teams will make or break the management. The sum total of the management will make or break MK Land."

One way to prevent what Mustapha calls "cracks in the group's makeup" is to conduct practical tests to ensure its staff have the expertise demanded. For example, a clerk of works may administer a simple practical test to see if the construction workers know the proper way to mix cement.

Going forward

Quality is a key word in MK Land. As summed up by Mustapha Kamal, the group intends to be a long-term player. "Short-term gain is not our aim." — *By Hazatul Syima Haron*

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Bunga Raya in Bukit Beruntung as well as upmarket brands like Damansara Perdana in Selangor and Cyberia.

Though not a plantation-backed group, it boasts a sizeable landbank of 5,500 acres — all of which have been approved for development. Of these, 630 acres bear the KL-Petaling Jaya address. If plans unfold as scheduled, the entire landbank will be developed in the next 15 years, reaping potential gross development value of RM18.6 billion.

Away from property development, MK Land manufactures the popular "Julie's" brand of biscuits. However, at press time the group is in negotiations to cash out in order to concentrate on property development and related activities. The move is despite the fact that the manufacturing arm did well last year. For the 18 months to June 2002, the subsidiary suffered a loss of RM1.47 million. But for the 12 months ended June 2003, it posted a pre-tax profit of RM2.7 million.

Says Mustapha Kamal: "We are looking into various sustainable projects that will bring in stable and recurring income like property investment, rental of commercial properties and construction activities such as building highways and other infrastructures."

The move makes sense. This would be in addition to the group's new conviction that focusing on building affordable homes in great volume, as it once did, is not quite enough to get it to where it aspires.

So, moving with the times, MK Land has since shifted to building a basket of products that range from low-, medium- to high-cost properties. In short, MK Land aspires to become a "property supermarket". By this, Kasi explains, it simply means that the group is able to develop any type of property, be it low or high-end housing to hotels or resorts. After all, the group has proven that it is able to "move from one area to another" — it has a presence in Kedah and Perak besides Selangor.

Mustapha sees in MK Land one organi-

sation where the learning process never stops. Rather, the group will continue to evolve and gather skills and expertise so that it can stay innovative in both product designs and concepts.

What also matters is the group's strong business planning culture. Specific targets are set and standard operating procedures have been put in place, with emphasis on priorities and decision-making based on the vision set. An example of this would be to quit chasing a prospective land buy if the price is deemed too high.

Competent staff

Businesses are all about systems and people, and this is recognised by both Mustapha Kamal and Kasi. Thus the group's mantra: People manage systems which in turn provide "know why and know how". Systems then produce the business and profit.

The group's philosophy is also about training, training and retraining for its staff.



Developments in Mont'Kiara like Plaza Mont'Kiara have made the company synonymous with this address

Building upon the brand

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and creativity, image and expertise.

Sunrise is no stranger to accolades, having received the first, third and fourth prizes in the 2002 Kuala Lumpur City Hall Landscape Competition (Condominium and Commercial Category) and Fiabci (The International Real Estate Federation) Malaysia award of distinction in 2001 and 1997 for residential development. The company obtained MS ISO 9002:1994 certification for condominium development in 1994 — the first and only such award granted in the country. It was subsequently upgraded in March to MS ISO 9001:2000 certification for design and development of condominiums.

Building on core strengths

Yam has been at the helm since 1997 and he attributes the developer's ability to maintain high standards on quality and service to its core strengths — intellectual capital, organisational capital, third party relationship capital and human capital.

Take property management. Being competent and providing high level property management services entails finding the right people for the job followed by having the right systems in place that in turn are adhered to. In terms of third-party relationship, the developer also capitalises on its good relations with suppliers, vendors and contractors to get things done quickly.

It is indeed a credit to the property management standards that see

values of properties in its stable growing. *The Edge/Regroup Associates* Klang Valley Housing Property Monitor (March-June 2003) sees prices at Mont'Kiara Pines (Sunrise's first condominium in Mont'Kiara) of RM308 psf — 14 per cent higher than the corresponding period in 2001. Similarly, prices at Mont'Kiara Sophia seem to have reached new highs at RM460 psf in that quarter — an 18 per cent appreciation from the corresponding quarter in 2001. Market sources say a 2,000 sq ft unit at Mont'Kiara Sophia was recently sold at RM600 psf.

Besides quality and customer service, equally important to the company is the ability to be innovative. "When our buyers [and prospective buyers] go to first-world countries, they see innovation and expect the same here," Yam says. So, what the company does is temper such innovation to suit the local environment.

"For example, does everything that is electronically operated offer the best service? I say 'no' because this may be applicable in developed countries where labour costs are high but here we can have both," he says of the use of security access cards into the properties as well as the employ of guards at the lobby and entrance to the property.

Key to branding

Yam recognises that branding is not achieved overnight and requires the right ingredients. On top of that, having a recognised and respected brand

should not be the be all and end all either. The brand name must be built upon and must be consistent.

Now in its 35th year, Sunrise was incorporated in 1968 as a private-limited company and was converted into a public-limited company in 1993, and changed its name to its present form. It was listed on the Main Board of the Kuala Lumpur Stock Exchange in 1996. The company's founder, Datuk Alan Tong, sold his entire stake in the company in 1997.

Nevertheless, property market

pointed CEO in 1997. "We had to switch from a singular approach to a teamwork approach," he recalls, reiterating the importance of a company driven by a team rather than one personality.

Still, the going has not been smooth from the start, what with the financial crisis hitting the region a few months after Yam took over the reins of the company. Besides tight credit and high mortgage rates, he was also faced with visibly shaken consumer confidence and general fear and uncertainty.

Sunrise is no stranger to accolades, having received prizes in the 2002 Kuala Lumpur City Hall Landscape Competition and Fiabci Malaysia award of distinction in 2001 and 1997 for residential development

observers maintain there still exists a perception that equates Sunrise to its founder Tong. On this, Yam takes a philosophical view, equating Tong to the "first runner in a relay race that has passed on the baton to the next runner".

"He [Tong] established the company's core values... but going forward, the company has to be driven by teamwork," Yam says. In fact, this was one of the first things undertaken by Yam when he was ap-

"Before we could even map out the direction for the future, the big hurricane came... attention was on consolidating and whether company could hold itself," he says of that challenging period.

The way ahead

Going forward, Yam sees the company maintaining its presence in Mont'Kiara. "Mont'Kiara will be our anchor for the next seven to eight years," he says, disclosing that the

company's landbank in the area now stands at 60 acres. On top of this, the developer is also negotiating with landowners in the area to enter into joint-venture developments.

"We will continue to look for land in prime locations, even relatively tight sites as our track record has proven that we are able to create quality lifestyle products even on small parcels," he says. The developer is also on the lookout for land in Penang.

While the developer's image is very much that of a condominium developer, Yam does not see this as a handicap. The key when diversifying its product is ensuring that its core competencies are carried through.

Besides ongoing developments in Mont'Kiara, the developer also has a 480-acre freehold development in Seremban — Seremban Forest Heights. Launched in April 2001, the first phase comprising 115 units of 2-storey terraced houses has been fully sold. Conceding that exporting the brand name is not easy and prospective buyers need convincing, Yam says it was only when the construction reached the roof level that sales took off.

In the next six months, Sunrise expects to offer more bungalow lot developments in Mont'Kiara, Seputeh and Seremban Forest Heights. For the financial year ended June 30 2003, Sunrise's group revenue rose by 5.0 per cent from RM166 million to RM174.2 million. Gross sales, meanwhile, stood at RM531 million. — *By Sreerema Banoo* ■