



8 HOME BUSINESS

'Building costs actually higher post SST'

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Construction group Vizione says the new tax will push up costs for its future bids

BY TAN XUE YING

KUALA LUMPUR: Vizione Holdings Bhd shared yesterday that building costs will actually go up as a result of the new sales and service tax (SST) regime despite the exemptions on construction materials.

"Generally, the market is told that construction materials are exempted from the SST. It is not wrong, but it only applies to major materials, like steel bar and concrete. But there are still many items that we have to pay SST — up to 5% or 10%.

"Previously, with GST (goods and services tax), there were output and input. We could claim back from our sub-contractors, so we only paid GST for a small amount — the difference between input and output. To the contractors, that tax is actually lower than SST.

"To the developers, it is definitely good as they do not need to pay the 6% [for construction services], so they have savings of easily about 3%. But to the contractors, construction costs are going up because not all materials are zero-SST," managing director Datuk Ng Aun Hooi told reporters after the construction group's annual general meeting here yesterday.

Hence, Ng said the SST is "not helpful to contractors as the contractors' costs will be higher". As such, he said the group will have to "bear with" construction margins

of its ongoing projects. But it will be a factor that pushes up costs for its future project bids.

Property developers have until the end of this month to announce the discounts that can be passed on to house buyers from the SST exemptions on construction materials, but they have maintained that cutting prices may not be as easy as it is set out to be as they do not directly benefit from the exemptions on basic construction materials.

They have also pointed out that the cost-savings would have to go through the entire construction supply chain — from the factories to the contractors — before the developers can pass on the savings to the buyers.

Meanwhile, in combating rising costs and weak sentiments here, Ng said Vizione is accelerating plans to venture into other Southeast Asian markets. The group aims to participate in housing and infrastructure jobs in Indonesia and Vietnam by the third quarter of next year, earlier than its initial plan of 2020.

"Looking at Malaysia, the sentiment is still weak. Mega projects here may have to wait another two years after the country's fiscal accounts are in healthy condition.

"We will definitely work on the basis of joint venture partnerships for our overseas housing projects, and for infrastructure, as main contractors for concession holders," he explained, citing independent



Ng: Vizione is accelerating plans to venture into other Southeast Asian markets.
Photo by Kenny Yap

power producer and foundation works as examples.

To bid for more LRT3 jobs

Vizione is also keen to tender for more work packages for the light rail transit Line 3 (LRT3), now that the infrastructure project has received the government's nod to proceed, albeit at about half the projected cost.

The group will also have to renegotiate the RM23 million contract it secured from its main contractor back in the first quarter of this year, which involves structural works for

two stations along the LRT Bandar Utama-Klang line, according to Ng.

"Now that it (the LRT3 project) has been reviewed, we have to go back to our main contractor to renegotiate that [contract]. We are [currently] involved in a very small package but we hope for more to come in. Since it (the government) has reviewed it, I am going to tender for more," Ng said.

On Wednesday, the LRT3 project received the government's nod to proceed at a cost of RM16.6 billion, or 47% of the RM31.46 billion projected in July. The implementation

concept will be remodelled, from a project delivery partner regime to a fixed price contract regime, according to the project's main players Malaysian Resources Corp Bhd and George Kent (M) Bhd.

Vizione — formerly known as Astral Supreme Bhd — has a market capitalisation of RM544.8 million, as at its Thursday closing of 97.5 sen on Bursa Malaysia.

The group's outstanding order book is about six times larger than its market value, at RM3.3 billion as at end-August. It also has a tender book worth some RM2.4 billion.

Ng said judging from Vizione's order book, the group is aiming for at least 45% growth in its revenue, from the RM413.19 million it posted in its last financial year ended May 31, 2018, in spite of rising construction costs and weak sentiments in the local construction sector.

"For 2019, we hope to achieve a minimum turnover of RM600 million, and we hope to achieve RM1 billion by 2020. By looking at the order book, it is actually quite natural that we can achieve that," he said.

He added that with the substantial order book in hand, the group can afford to be "choosy in getting the right products" without compromising margins.

Ng said: "We are not that hungry or eager to fight for projects at the moment", adding that progress for its ongoing projects are on track.



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