

22 January 2008

BUY
RM2.37

Target Price: RM4.37

Stock data

Market cap (RMm):	332.7
Issued shares (m):	140.4
52-week range:	RM1.40-RM2.59
3-mth avg daily volume:	564,833 shrs

Bloomberg code:	TRC MK
Syariah	Yes
YTD price chg:	-13.4%
YTD KLCI chg:	-6.3%

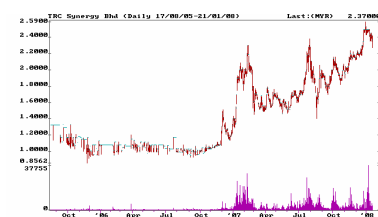
Est. free float:	43.5%
Major shareholders:	
TRC Capital S/B:	17.32%
Kolektif Aman S/B:	17.32%
Dato' HJ Sufri B. Hj	12.24%
Mohd Zin:	
Lembaga Tabung Haji:	9.54%

Consensus

FYE 31 Dec	2007E	2008E
Net profit (RMm):	28.8	38.0
EPS (sen):	19.9	27.0

Forecast revision

FYE 31 Dec	2007E	2008E
Revision (%):	-	5.9
Net profit (RMm):	30.6	48.0

Share price chart


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TRC Synergy

Petrobru's MOU with Brunei Government is signed

- **MOU signed.** TRC's 26% associate Petrobru (B) Sdn Bhd signed an MOU with Petroleum Unit, Prime Minister's Department Brunei to facilitate the provision of data for the feasibility study for a proposed 200,000 barrel per day oil refinery and storage facility on 21 January 2008.
- **This is the first step** towards undertaking the preliminary feasibility study for the oil refinery and storage facility which Petrobru has identified to be on Pulau Muara Besar (PMB). Petrobru has engaged Wood Mackenzie a global oil and gas consultant for the preliminary feasibility study which is expected to take 6 weeks. The findings will be presented to the Brunei government for further deliberation.
- Upon obtaining the concurrence from the Brunei government, a **comprehensive feasibility study will be undertaken** and is estimated to take anywhere from 3 months to 6 months to complete. Assuming that the Brunei government is satisfied with the feasibility of the project, the next step would be to commission the detailed engineering design which could take up to 12 months to prepare. We are confident that once the comprehensive feasibility study is accepted positively, the project will proceed ahead.
- **Construction to begin earliest in 24 months if green light is obtained from Brunei Government.** This project is a private initiative and the Brunei Government would not have to spend on it. Petrobru intends to lease the land from the government and invite both active and financial investors into the project.
- **Estimated cost of oil refinery and storage facility: US\$1.5b to US\$3.5b.** Wood Mackenzie estimates that a 200,000 barrel per day refinery could cost between US\$1.5b to US\$3.5b depending on its specifications and the type of products to be produced.
- **Maintain Buy with a target price of RM4.37** based on the average 15x FY08E PER for small cap construction companies.

Earnings Estimates

FYE 31 Dec (RMm)	2005	2006	2007E	2008E	2009E
Total Revenue	141.8	226.5	479.4	730.7	682.9
EBITDA	9.6	30.7	54.9	77.2	73.3
EBITDA Margin	6.7%	13.6%	11.5%	10.6%	10.7%
Pretax Profit	(4.8)	13.1	41.3	64.9	62.2
Net Profit	(5.2)	8.2	30.6	48.0	46.0
Net Profit Growth (%)	>100%	257%	273%	57%	-4%
FD EPS (sen)	(3.4)	5.3	19.7	30.9	29.6
EPS Growth (%)	>100%	257%	273%	57%	-4%
GDPS (sen)	-	-	4.9	7.7	7.3
NTA/ share (RM)	1.3	1.4	1.5	1.8	2.1
Net Gearing	0.5	(0.1)	(0.2)	(0.3)	(0.3)
PER (x)	(70.4)	44.9	12.1	7.7	8.0
P/NTA (x)	1.8	1.7	1.6	1.3	1.2
Dividend Yield (%)	0.0%	0.0%	2.1%	3.3%	3.1%
EV/EBITDA	36.3	11.3	6.3	4.5	4.7
ROE (%)	-4.3%	6.3%	16.7%	21.9%	18.1%

Preliminary site for oil refinery and storage facility



Source: DPC Magazine

The oil refinery will herald significant development in Brunei. The downstream petrochemical activities that would emerge from the oil refinery would spur the development of the PMB Port. This port which was mooted in December 2004 was put on hold as there is insufficient trading activity in Brunei to justify such a large port facility. Therefore, as a country Brunei, needs the oil refinery to grow its economy to the next level. The spill off effects into services, retail, property development and employment are identified segments of the economy that will also benefit from the economic growth derived from the downstream petrochemical industries.

We have not factored in any earnings from the Petrobru venture. TRC's interest in Petrobru is the civil works in the oil refinery and storage facility. The estimated civil works portion of a refinery could be as high as 30% of total project cost. Based on the estimated project cost of US\$1.5b to US\$3.5b, the amount of contracts that TRC is potentially targeting is between US\$450m to US\$1.05b! Petrobru would act independently in awarding the contracts to the best bid on an open tender basis but given TRC's excellent track record in delivering projects on time and within budget, we are confident that they will be competitive in securing these contracts.

Building strong recurring income beyond construction. The investment in Petrobru will also open up new avenue to recurring income as Petrobru intends to expand into energy logistics providing transportation for downstream products on a long term basis not unlike MISC's LNG gas transportation contracts with Petronas.

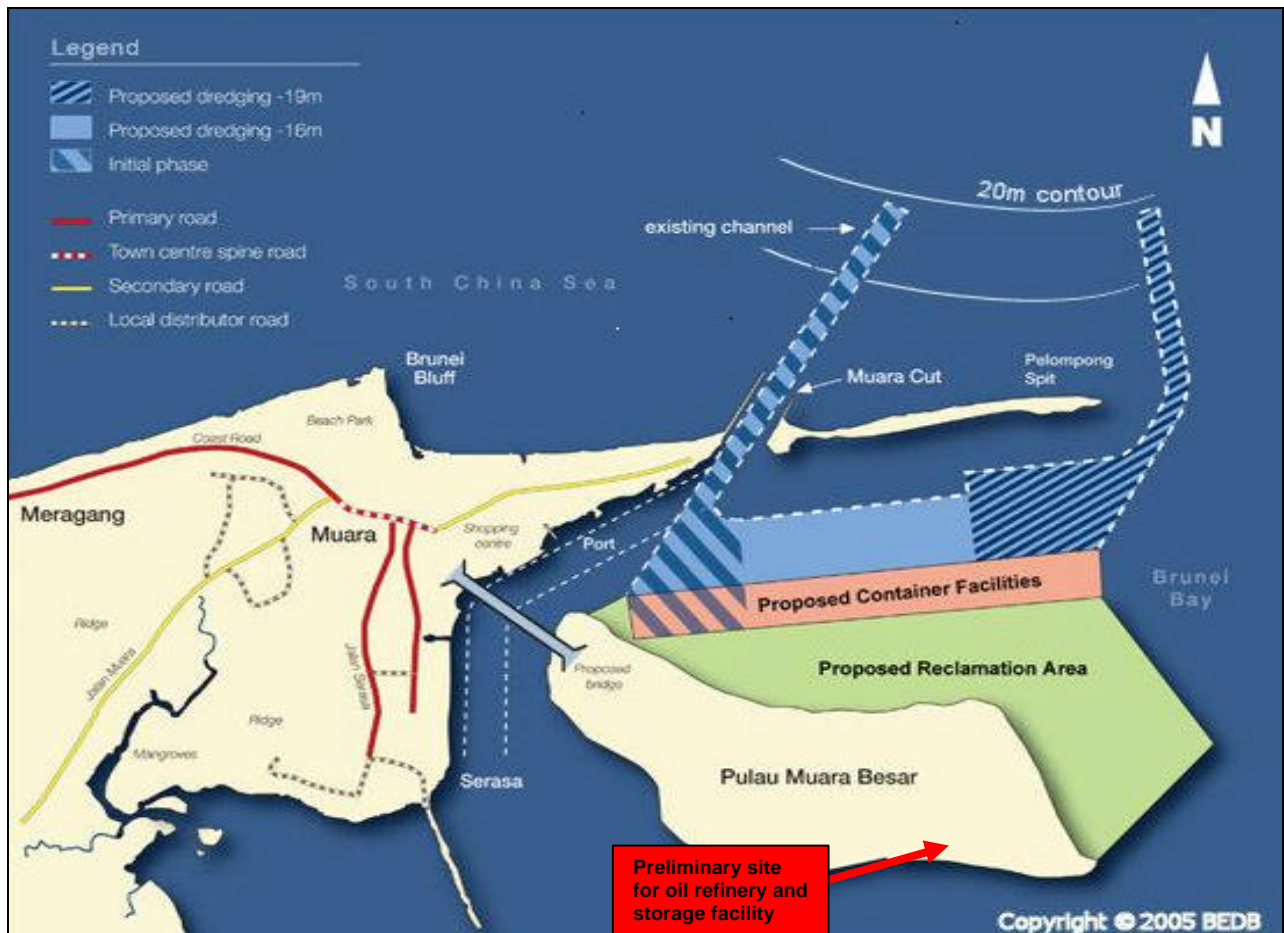
Proposed timing of commencement of work for refinery coincides with the completion of TRC's existing contracts. Most of TRC's existing contracts will be completed in 2009 with some stretching to 2010. Currently, TRC is billing RM500m worth of contract billings per annum and should have no problems gearing up its capacity seeing that it has strong project management skills and can outsource the construction works effectively.

TRC is still growing its orderbook. While its current unbilled order book is about RM1.3b, it is expecting about RM300m to RM400m worth of contracts to be awarded in 1Q08. One of the contracts pending finalization is the Kuala Trengganu airport extension (estimated to be worth RM200m) which they received the letter of intent in 4Q07. The other is UniKL which is still under negotiations for final specifications. They are still bidding for more contracts which they have a high chance of securing given their previous experience with the government.

Current view of Pulau Muara Besar



Proposed Development of Pulau Muara Besar



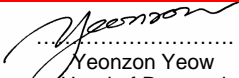
Source: Brunei Economic Development Board

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