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E&O to prioritise RM1 bil sales target over passing on higher costs to buyers

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KUALA LUMPUR (May 26): Eastern & Oriental Bhd (KL:E&O) may absorb some rising construction costs driven by the ongoing conflicts in the Middle East rather than passing them entirely to homebuyers, as the property developer prioritises sustaining its RM1 billion annual sales.

Managing director Kok Tuck Cheong acknowledged that while immediate exposure is limited — thanks to existing fixed-price contracts awarded to contractors — future projects will likely face pricing pressures from rising logistics and material costs.

"To say that we are not [affected], I think then we must be putting our head in the sand," Kok said during a press conference on Tuesday, when asked whether the group had been impacted by the war in the Middle East.

"For future projects, certainly, we know the logistical challenges are there," he said, adding that contractors would likely build a premium into their pricing.

However, he said E&O's association with sister company Kerjaya Prospek Group Bhd (KL:KERJAYA), which acts as the main contractor and builder for E&O, should help mitigate these pressures. The partnership allows E&O to manage costs through value engineering and procurement scale advantages.

Kok stressed that the group would evaluate how much cost can be passed on to buyers, as protecting sales remains the ultimate goal.

"We also have to actually look at the marketplace, not just about recovering cost. We want sales," he said.

Looking ahead, the group is exploring development opportunities outside of Penang, including in Kuala Lumpur. For the next financial year, the group plans to launch two residential projects, while continuing to explore commercial developments on Andaman Island.

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