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# Silver Bird: AmanahRaya rental not attractive

**Sum not reflective of current commercial rate, to explore other options**

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**KUALA LUMPUR:** AmanahRaya-REIT Managers Sdn Bhd, a unit of listed AmanahRaya REIT, has agreed to extend the lease of the land on which Silver Bird Bhd's plant is currently located by one year for RM608,000 a month.

However, the financially stressed Silver Bird said in an announcement to Bursa Malaysia that its board felt that the rental sum was not reflective of the current commercial rate and it intended to further negotiate with AmanahRaya.

The bread maker will explore other options as industrial land is available at a range of RM350,000 to RM450,000.

Should Silver Bird decide to move elsewhere, it is likely to dent the rental income of AmanahRaya REIT, as the land alone accounts for 11% of the REIT's gross rental income.

Vincent Chew Chong Eu, who leads Covenant Equity and intends to turn Silver Bird around, told *The Edge Financial Daily* that there was no longer any contractual obligation now. He did not disclose the ideal rental rate that Silver Bird intends to pay.

Silver Bird does not need such a large plant considering its existing sales volume.

In the sale and leaseback agreement signed by the two in May 2006, Silver Bird said the disposal of the property was simultaneous with a leaseback of the property by AmanahRaya Bhd to Silver Bird at an average net yearly rental of 8% of the purchase price of RM92 million, which would be guaranteed by Silver Bird. However, the agreement lapsed last year.

Even based on a lower yield of 6%, Silver Bird may have to fork out as much as RM6 million for the lease.

In the announcement, Silver Bird said on Nov 4 it received a letter dated Oct 31 stating that AmanahRaya had agreed to extend the lease of the premises for a further period of one year from Aug 16, 2013 at a monthly rental of RM608,000 or RM7.29 million annually.

The letter stated that the company could notify AmanahRaya's solicitors in writing within seven business days from the date of the said letter if the company wishes to accept the extension of the lease.

Silver Bird paid RM7.68 million and RM7.59 million for rental of the premises for the financial years ended Oct 31, 2011 and 2012 respectively.

However, the company defaulted on its rental payments from January to May in 2012.

Silver Bird secured an interim funding of RM16 million from Sunsci Holdings Sdn Bhd and Covenant Equity Consulting Sdn Bhd

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## 'Interim funding can be utilised for rental'

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two months ago to implement its business turnaround plans.

In return, both companies would be given an option to acquire a 40% stake in Silver Bird at par value for a period of three years.

Under the arrangement, the group would raise the interim funding through an issuance of 8% redeemable preference shares in Ivory Overpower Sdn Bhd (IOSB), a wholly owned unit of Standard Confectionery Sdn Bhd (SCSB), which in turn is wholly owned by Silver Bird, to Sunsci and Covenant Equity.

Chew said apart from carrying out urgent repairs on the machinery and equipment to fund the relocation, the interim funding of RM16 million could be utilised for rental. The board, led by chairman Datuk Gan Khuan Poh, suspended former group managing director Datuk Jackson Tan, executive director Ching Siew Cheong and Lai Poh Mei, general manager of accounts and finance, due to accounting irregularities.

Silver Bird's substantial shareholders include Berjaya Group Bhd, Lembaga Tabung Haji and Koperasi Permodalan Felda Malaysia Bhd.