

Headline	Lend Lease mum on commercial deal		
MediaTitle	The Edge		
Date	18 May 2015	Color	Full Color
Section	Corporate	Circulation	22,244
Page No	68	Readership	66,732
Language	English	ArticleSize	535 cm ²
Journalist	VASANTHA GANESAN	AdValue	RM 9,282
Frequency	Weekly	PR Value	RM 27,847



Lend Lease mum on commercial deal

BY VASANTHA GANESAN

Australian Stock Exchange-listed Lend Lease Group's local office says it is unable to furnish any details of the commercial agreement relating to the planned development of the Lifestyle Quarter component of the Tun Razak Exchange (TRX) in Kuala Lumpur.

On March 19, 2015, Lend Lease entered into a 60:40 joint venture with 1MDB Real Estate Sdn Bhd (1MDB RE), the master developer of TRX and a unit of 1Malaysia Development Bhd (1MDB), to develop a fourth of the 70-acre site. However, its announcement on the partnership did not provide details of the payment structure. It is noteworthy that Lend Lease's announcement to the ASX on the tie-up was classified as "price-sensitive", which is indicative that it could potentially impact the price of the company's securities.

"Lend Lease has a track record of executing our integrated model in Asia, where we fund, develop, project and property manage our projects. We are not in a position to comment on the details of commercial agreements," Lend Lease Malaysia tells *The Edge* via email, when asked for details of the financing of the project and if its payments were to be made progressively.

Two weeks ago, it was revealed that Lembaga Tabung Haji had paid in full for a parcel in TRX to build a 40-storey luxury serviced apartment block.

Just last week, yet another deal was announced by 1MDB — with Indonesia's the Mulia Group. An earlier vague statement had caused some confusion on what the deal was. Later, 1MDB said it had sold a 3.4-acre parcel assigned for the iconic Signature Tower for RM665 million. And the Mulia Group has been given 100% ownership of the tower (see main story on Page 16).

But, without information on the financial arrangements of both the Lend Lease and Mulia Group deals, it would be difficult for analysts to determine if they are indeed good deals for 1MDB RE or that the two foreign companies were offered very favourable terms to get them

into TRX. There is no mention of whether Lend Lease and the Mulia Group are bringing cash into the deals and what the cost per sq ft of the land priced into the ventures are.

Meanwhile, the TRX Lifestyle Quarter JV Company holds all the assets within the TRX Lifestyle Quarter. But when asked if a company had been set up and registered to reflect the 60:40 partnership between Lend Lease and 1MDB RE, Lend Lease requested for time to revert.

It appears that the first component of the TRX Lifestyle Quarter will be ready only in 2018, which is at least a year from what was planned and reported.

"Construction on the TRX Lifestyle Quarter is expected to begin in 2015 and is targeted to open in phases from 2018 onwards," says Lend Lease Malaysia. The components within the Lifestyle Quarter, which cover 17 acres, include a retail mall, several residential towers and a hotel.

Based on documents sent out last year by TRX to invite interested parties to participate in the project, the mall will sit on 700,580 sq ft and offer 1.3 million sq ft of retail space. The gross development cost and gross development value (GDV) of the project were estimated at RM2.64 billion and RM4.74 billion respectively.

Lend Lease did not confirm when asked if these numbers were accurate but said, "The development end value of Lifestyle Quarter is expected to be circa RM8 billion. More information will be provided in due course."

Lend Lease plans to manage the mall. "It is Lend Lease's current intention to manage the retail mall on behalf of the joint venture. Lend Lease now manages Setia City Mall on behalf of a joint venture between a Lend Lease-managed fund and SP Setia Bhd," the statement says.

"It is our aspiration to deliver much more than just another shopping mall; it is to provide a lifestyle experience that connects a vibrant business and financial hub. Our intention is to set new benchmarks not only in terms of

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design, but for the types of retailers, dining establishments, outdoor spaces, leisure activities and entertainment we will be providing. TRX's strategic location within the main business and shopping district, with a strong connectivity to the city centre and the rest of Greater KL, will make it a key destination for a multitude of shoppers at all times of the day and days of the week.

"To achieve this aspiration requires careful design and planning, as well as discussions with the right local and global partners," the company says, adding that it will share relevant information at the appropriate time.

As for the hotel component, Lend Lease plans to engage a hotel operator.

Last year, *The Edge Financial Daily* reported that UEM Sunrise Bhd (UEMS) and Lend Lease were in talks for the latter to be given first right of refusal in all of UEMS' development land in the country for retail development — for investment in as well as management of the retail component. When asked about the status of this project and whether negotiations had been called off, Lend Lease says, "...we are unable to share further details at this time, though we can confirm that Lend Lease is in discussions with UEMS".

The Edge Financial Daily said that Lend Lease was expected to participate in the development of Publika 2, located in the Floresta - Solaris 3 project in Kuala Lumpur, and operate The Mall of Medini in Iskandar Malaysia in Johor. This mall is a 55:45 joint venture between UEMS and Iskandar Investment Bhd. E

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Nov 23, 2010 – Federal Lands Commissioner transfers Dataran Perdana parcels to 1MDB.

July 31, 2012 – PM renames KLIFD Tun Razak Exchange or TRX. Says it has locked in an international partner for the entire first phase and secured RM3.5 billion in FDI and sets 2016 as completion of Phase 1.

April 16, 2013 – Earthworks and substructure contract worth RM169 million awarded to WCT Bhd

Dec 19, 2013 – Qualified investors are invited to submit proposals for Stage 1 of TRX. Real estate advisors CBRE and CH William Talhar Wong appointed to seek JV opportunities and outright plot sales.

June 25, 2014 – 1MDB Real Estate Sdn Bhd and Lend Lease Group sign a binding agreement to work exclusively to finalise the JV to commence work on the 17-acre TRX Lifestyle Quarter, which has a GDV of RM8 billion.

Sept 23, 2014 – Veolia Water Technologies is given a 20-year concession agreement for waste water treatment and recycled water supply in TRX.

Sept 25, 2014 – Contractors are invited for pre-qualification exercise for infrastructure and internal roadway works.

March 19, 2015 – 1MDB RE and Lend Lease sign a 40:60 JV agreement and an S&P.

April 27, 2015 – Lembaga Tabung Haji (TH) places a charge on a 5.03-acre parcel belonging to 1MDB as "Gadaian Menjamin Wang Pokok". Valuers estimate a market value of RM370 million for the parcel.

May 7, 2015 – TH says it has bought a residential parcel measuring 1.56-acres for a 40-storey building for RM188.5 million.

May 9, 2015 – TH announces that it will sell the parcel on the advice of the PM.

May 11, 2015 – Kumpulan Wang Persaraan (Diperbadankan) or KWAP says the decision to review the TRX project was commercially driven.

May 13, 2015 – 1MDB RE says it has signed an S&P agreement with the Mulla Group to develop Signature Tower, which sits on a 3.4-acre site.

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