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Restructured L&G piques market interest

Chong Jin Hun

The story of Land & General Bhd (L&G) as an asset-rich but debt-laden outfit has now changed for the better.

The company is seen to be on an upward trajectory following a debt restructuring, capital reduction exercise, and redemption of its final tranche of secured paper amounting to RM71.7 million in June last year with proceeds from asset sales.

The exercise has transformed L&G's balance sheet, turning it into an almost debt-free and cash-rich company with property development assets, stirring some interest in the counter.

Analysts and fund managers say L&G's flagship Bandar Sri Damansara (BSD) development will be a crucial growth driver in the coming years. BSD is a mature township of some 14,000 homes with a large population.

Hong Leong Investment Bank Bhd analyst Sean Lim sees strong take-up rates in the township because of its existing amenities which makes it a natural market for upgraders.

"With the upcoming launch of the flagship BSD projects, earnings growth in FY2013 is ex-

pected to be explosive and could put L&G back on the radar screen of investors," says Lim. These include the RM160 million 8trium@ Sri Damansara integrated

office and retail development and a luxury condominium project, with an estimated GDV of RM1.5 billion, on an 16.8ha site.

L&G is now controlled by the Mayland Group of Hong Kong, which came into the picture three years ago.

Also worth noting is that L&G has some real estate in Johor, Pahang, Kedah and Kuala Lumpur which it may dispose of at the right price.

As these assets are carried at low cost, any disposal will allow L&G to unlock further value from these properties, says Lim.

Taking into account L&G's asset base including its cash pile, the company has a revalued net asset value of RM497 million or 83 sen a share, he says. The company has an issued share base of 598.3 million shares.

Shares of L&G traded at a fresh intraday high of 55.5 sen on Oct 19, compared to a low of 36.5 sen on May 26. The stock closed at 52 sen on Oct 26.

In historical PER terms, the stock is trading at 14.6 times, a discount to the peer average of 18.9 times.

Avenue Invest Bhd's head of alternative investment Lye Thim Loong says the rise in L&G's share price in recent days was in line with the appreciation of physical real estate values.

Lye explains that when property developers with big landbanks have their tracts revalued, their shares could trade at a discount to their RNAVs.

"Basically, it is a sector play," he says.

Avenue Invest, which manages some RM2 billion worth of assets comprising equity and bonds, owns 7.5 million shares in L&G or a 1.25% stake.

L&G's latest set of financials came in weaker, with net profit falling 83.7% to RM1.39 million, or 23 sen a share in FY2010 ended June 30 from RM8.55 million, or 1.43 sen a share, a year earlier.

This was due to lower operating income and less profit from jointly controlled entities, according to the notes accompanying its quarterly financials. Revenue was down 1.6% to RM6.01 million from RM6.11 million. L&G has a cash pile of RM134.39 million, which translates into net cash per share of 22 sen. However, it should be noted that some cash is tied to its development projects.

This compares to debt obligations of RM254.97 million as at June 2007, before the entry of Mayland into L&G.

Mayland emerged as a major shareholder after it acquired 50 million shares in L&G, or an 8.4% stake, in August 2007. The latest updates to the exchange show that Mayland's stake has increased to 16.9% or 101.38 million shares.

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CHU JUCK SENG/THE EDGE



Chu, the MD of Hong Kong-listed Mayland, is the driving force behind L&G

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Assets include 1,010ha of rubber, oil palm land

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L&G's list of substantial shareholders include the Employees Provident Fund, which is the second largest shareholder with a 9.61% stake, and Lembaga Tabung Haji with 0.92%, according to its latest annual report.

Other notable stakeholders include Government of Singapore Investment Corp Pte Ltd and Permodalan Nasional Bhd, which hold stakes of 0.67% and 0.24% respectively.

Mayland is owned by Hong Kong tycoon Tan Sri David Chiu. The company's latest real estate projects in Malaysia include the Royal Regent condominiums in Jalan Kuching, Kuala Lumpur, and the Palazzo serviced apartments in Johor Baru.

Chiu is also the deputy chairman and CEO of Hong Kong-listed Far East Consortium International Ltd, a global property developer and hotel operator. L&G's managing director Low Gay Teck is the former managing director of Mayland.

Far East managing director Chris Hoong Cheong Thard is also a non-executive director in L&G. Far East and L&G have teamed up for a project, called Hidden Valley, to develop bungalows on some 960ha in Melbourne, Australia.

Far East's assets in Malaysia include a string of hotels, mostly under the Dorsett banner, among them, the Dorsett Regency Hotel in Jalan Imbi in Kuala Lumpur and Grand Dorsett Subang Hotel (the former Sheraton Subang) in Subang Jaya.

In Malaysia, L&G's list of properties have a combined net book value of RM102.53 mil-

lion, according to its annual report.

The freehold assets include 1,010ha of rubber and oil palm estates worth RM48.15 million, with oil palm occupying 277ha and rubber, 327ha.

It also has 12ha of land within BSD that has yet to be developed, valued at RM19.26 million.

L&G also owns six hectares of land in Johor Baru and 15ha in Kuala Muda, Kedah. Its leasehold assets include seven hectares of land in Temerloh, Pahang.

L&G intends to continue with its rubber and oil palm plantation operations, under wholly owned subsidiary Clarity Crest Sdn Bhd.

However, the contribution of its plantation land to its bottom line is small compared with other developers such as Metro Kajang Bhd, which has a sizeable income from oil palm plantations.

L&G, in a 50:50 joint venture with Mayland, is also developing high-end serviced apartments on a 1.1ha freehold site in Ampang, Kuala Lumpur, known as The Elements@Ampang.

The site was acquired for RM55 million, which works out to RM465 per sq ft. Recent news reports indicate the project will offer 1,000 apartments with selling prices of over RM800 psf.

It will be interesting to see if L&G's potential can trigger more investor interest as the developer expands its geographical reach with the backing of its major shareholder, Mayland, and its links to global player Far East.

A key question is how L&G can capitalise on its owners' prowess to take it to the next level of growth. Another is how its cash pile will be used to grow its business. Also, will L&G shareholders get a portion of its cash as dividends? **E**