

IGB Q1 profit rises 10%

Property company expects more growth from hotel business

By THOMAS HUONG

huong@thestar.com.my

KUALA LUMPUR: Property developer IGB Corp Bhd posted a 10% year-on-year increase in net profit to RM65.14mil for its first quarter ended March 31, 2015 on higher contributions from the property development and investment divisions.

For the quarter under review, revenue increased by 14% year-on-year to RM334.3mil.

IGB Corp said in a stock exchange announcement that revenue from property development nearly doubled to RM89.4mil, compared with RM45.8mil a year earlier.

Group managing director Datuk Seri Robert Tan Chung Meng said the company's land bank, which has a gross development value (GDV) of RM10bil, "should last us for the next five to eight years."

"Our Blackfriars, London development has a GDV of RM5bil to RM8bil," he told reporters after a shareholders' meeting.

The company's hotel division posted a 17% year-on-year drop in revenue to RM77.5mil on lower average occupancy and room rates.

Also, Pangkor Island Beach Resort, which contributed RM6.7mil in the first quarter of 2014, was closed in July 2014 for redevelopment.

However, with the recent openings of two hotels in Penang and a new hotel in Ipoh, adding another 859 rooms to the company's room inventory, it expects the hotel division to perform better in the future. The company now has around 7,400 rooms with another 281-room hotel due to be opened in Sydney, Australia next month.

The company, whose hotel business contrib-

uted one-third of earnings last year, is also looking for more opportunities to expand the business.

Tan said the company has been looking for "good deals" in buying existing hotels or strategic land to build hotels, in Malaysia and the overseas markets.

"Our gearing is low, so we are in a position to acquire," he said.

Tan also said the company's proposed mixed development in Blackfriars, London would have a hotel component with 450 to 600 rooms while another hotel has been planned for the joint venture with Immortal Group Co Ltd in Bangkok, Thailand.

He noted that the softer consumer spending outlook stemming from the implementation of the goods and services tax for the second-half of the year posts challenges for the company's retail business, parked under IGB Real Estate Investment Trust, which owns Mid Valley Megamall and The Gardens Mall.

"There are also new shopping malls coming up - some of which are as big as ours. But we will continue to hold our position as the premier shopping destination," he said.

Tan also expects Southkey Megamall in Johor, expected to open by the third quarter of 2018, to enjoy the same level of success as Mid Valley Megamall.

"This is 70% of the size of Mid Valley Megamall.

"It is a five-minute drive from the Sultan Iskandar Customs, Immigration and Quarantine (CIQ) complex. Besides weekend shoppers from Singapore, there is strong catchment of middle to high-income local residents."