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Group expected to make a net disposal gain of RM85m in FY17

BY BILLY TOH

KUALA LUMPUR: IGB Corp Bhd, controlled by the Tan family, yesterday announced that it is selling off the five-star Renaissance Kuala Lumpur Hotel for RM765 million cash after purchasing the property for RM506.6 million in 1996.

This confirms reports by *The Edge* weekly on May 23 and *The Edge Financial Daily* yesterday.

Upon completion of the proposed disposal within four months, IGB is expected to make a net gain of approximately RM85 million for the financial year ending Dec 31, 2017 (FY17), which would improve its net assets per share and earnings per share (EPS) by six sen. IGB's net assets per share and EPS stood at RM3.2236 and 3.88 sen respectively as at end-March 2016.

Not much is known about the buyer — Ventura International Sdn Bhd — except that it was formerly known as Canali Logistics Sdn Bhd and is a private limited company incorporated on July 31, 2015 in Malaysia. Yesterday, *The Edge Financial Daily* reported that the ultimate owners of Canali Logistics are said to be from Bangladesh and connected to S Alam Group.

In a filing with Bursa Malaysia yesterday, IGB said its wholly-owned subsidiary, Great Union Properties Sdn Bhd (GUP), had entered into a conditional sale and purchase agreement with Ventura International for the proposed disposal of the 20-year-old hotel located along the corner of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur, free from all encumbrance and liabilities.

The 910-room Renaissance Kuala Lumpur Hotel opened in mid-1996.

According to IGB, GUP's original cost of investment in the hotel was RM506.6 million.

"The hotel had been revalued in previous financial years and the accumulated revaluation surplus net of tax of approximately RM140 million had been credited to GUP's retained earnings. Based on GUP's latest audited financial statements as at Dec 31, 2015, the net book value of the hotel was RM667.2 million," it said.

This means that Ventura International is paying a RM97.8 million premium over the hotel's net book value.

IGB said Ventura International will be taking a loan from one or more financial institutions to facilitate the proposed acquisition.

IGB believes that the divestment represents an attractive opportunity for it to unlock its business assets at a favourable price.

It said net sale proceeds will be utilised for working capital and to support its continued growth for suitable acquisitions or investments when such opportunity or opportunities arise.

"Despite the loss of income from business assets, the proceeds from the proposed disposal will be channelled towards higher-yielding investments that would provide favourable returns and growth prospects," it added.

Business assets contributed 8% to the group's revenue for FY15. GUP's contribution to the group's revenue for the past three financial years — FY13, FY14 and FY15 — were RM108.5 million, RM103.9 million and RM93.7 million respectively. It also contributed to a pre-tax profit of RM4.6 million and RM600,000 in FY13 and FY14 respectively, but recorded a pre-tax loss of RM7.9 million in FY15.

The Edge weekly reported on May 23 that IGB was in talks to dispose of Renaissance Kuala Lumpur Hotel after concluding the sale of Cititel Express in Jalan Tuanku Abdul Rahman here for RM37 million. IGB had also reportedly sold its 183-room MiCasa Hotel Apartment in Yangon, Myanmar for around US$46 million (RM184.46 million). The report quoted sources as saying then that IGB's decision to sell may have been prompted by the fact that competition was getting keener as newer hotels and brands entered the market.

Trading in IGB's securities was suspended yesterday pending the announcement, and will resume today. It last closed at RM2.56 with a market capitalisation of RM3.42 billion.