IGB sells Renaissance Hotel in KL for RM765mil to Ventura - Business News | The Star Online

PETALING JAYA: IGB Corp Bhd has entered into a conditional sale and purchase agreement to sell the Renaissance Kuala Lumpur Hotel for RM765mil.
The property developer, through its unit Great Union Properties Sdn Bhd (GUP), inked the deal yesterday with Ventura International Sdn Bhd (VISB).

In an announcement to Bursa Malaysia, the group said the disposal consideration was arrived at on a willing buyer-willing seller basis and no valuation was carried out on the assets.

The audited net book value of the assets was RM667.2mil as at Dec 31, 2015.

It said the disposal encompassed all assets and items used in the operation of the hotel, including all buildings, structures, plants, machinery and equipment, as well as fittings, furnishings and fixtures.

The hotel is located along the corner of Jalan Sultan Ismail and Jalan Ampang in Kuala Lumpur.

The deal is expected to be completed within four months from the date of fulfilment of the conditions specified in the agreement.

“The divestment represents an attractive opportunity for the group to unlock business assets at a favourable price.

“IGB intends to utilise the proceeds for working capital and support its continued growth for suitable acquisitions or investments when such opportunity or opportunities arise,” it said in the announcement.

The buyer, VISB, is a private limited company formerly known as Canali Logistics Sdn Bhd.

IGB said its original cost of investment in the hotel was RM506.6mil.

The group said the hotel had contributed about 8% to its revenue for the financial year ended Dec 31, 2015 (FY15).

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

It said the proposed disposal would not have any impact on its net assets per share, earnings per share and gearing for FY16, as the disposal is expected to be completed in the first half of 2017.

However, upon completion, the group expects to make a gain of about RM85mil net of tax for FY17, which will improve the net assets per share and earnings per share by six sen.

Public Investment Bank Research analyst Tan Siang Hing told *StarBiz* the move would monetise IGB’s “non-performing” assets and allow it to reinvest into new assets such as the Midvalley Southkey Megamall in Johor and other mixed developments in London and Bangkok.

“The group’s balance sheets have been very strong, and this will surely give it the firepower to seize other opportunistic asset acquisitions.

“IGB’s earnings are resilient, as more than 75% is from investment assets,” he said.

He added that the earnings from new assets would probably kick in by end-2018 or early-2019.

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