

Publication : **The Star**
Date : 22 April 2017
Section : Biz Weekly
Page : 7
Headline : Hua Yang's property bet
PR Value : 122,156.76



Strategic location: Magna Prima's prized asset is the 2.62 acres that used to house Lai Meng School along Jalan Ampang.

By **P. ARUNA**
aruna@thestar.com.my

ON paper, the emergence of property developer Hua Yang Bhd as Magna Prima Bhd's single largest shareholder indicates that the company will gain access to valuable parcels of land in Kuala Lumpur.

However, it remains to be seen whether Hua Yang will get to develop these prized landbank, as the board and management of Magna Prima will still have the final say on what is done with these assets.

Considering the circumstances, it is easy to fathom why Hua Yang has stated that it will be pushing to increase its representation on the board of Magna Prima, once the deal goes through.

At the moment, Hua Yang's representation on the board of Magna Prima is only via its CEO, Ho Wen Yan, who was appointed to the board as an executive director on February 13, this year.

In its recent announcement on the proposed acquisition of the additional 20.12% stake in Magna Prima, Hua Yang stated that despite emerging as the largest shareholder, it will not have the power to govern the financial and operation policies of the property player.

This, it said, meant there was a possibility that Magna Prima's future business plans and directors may not be aligned with Hua Yang's investment objectives.

Hua Yang's property bet

Will developer get to develop Magna Prima's prized KL land now that it has become the single-largest shareholder?

In its rationale for the acquisition, Hua Yang said its main objective for increasing its stake in Magna Prima to 30.96% was to strengthen its presence in the Klang Valley via the access to strategic landbank in the capital.

"The proposed acquisition may create an avenue for the company to explore potential collaboration or joint-venture opportunities with Magna Prima for the acquisition of landbank, as well as the undertaking of development projects in the future," Hua Yang said.

Magna Prima's prized asset is the 2.62 acres that used to house Lai Meng School along Jalan Ampang. The land is located just a stone's throw away from the iconic Petronas Twin Towers.

On the appointment of Hua Yang's CEO to the board, the company said it was to ensure it has a representative on the board of directors of Magna Prima, to keep abreast with its business developments, deliberate on its key policies and strategies and to safeguard Hua Yang's interest in

the company.

"Subject to further discussion with Magna Prima, it is the intention of the company to appoint additional representatives to the board of directors of Magna Prima after completion of the proposed acquisition," it said.

However, the future of the entire deal is still dependent on the agreement by the board of Hua Yang.

On April 19, Hua Yang announced it would be forking out RM123.7mil or RM1.85 per share to increase its take in Magna Prima from 10.84% to 30.96%.

The group said the valuation was based on Magna Prima's net asset value of RM1.82 at Dec 31, 2016. It acquired the earlier 10.84% stake on Jan 25, 2017 for RM66.6mil.

This brings the total amount Hua Yang has forked out for shares in Magna Prima to RM190.3mil.

Based on Magna Prima's annual report 2015, in its list of properties held by the group, the net book value of the freehold land near KLCC, measuring 113,963 sq ft or about 2.62 acres, was RM171.8mil.

In August 2015, Magna Prima put the land up for sale at RM3,500 per sq ft, which translates to a total of RM400mil.

Magna Prima bought the land about seven years ago for RM1,350 per sq ft or RM148.2mil cash.

According to the recent announcement, the aggregate value of the land owned by Magna Prima in Jalan Ampang, Kuala Lumpur; Petaling Jaya; Shah Alam; and Mentakab, Pahang; is about RM580mil, based on a fair value and net book value.

Over the past six months, Magna Prima's share price has shot up by about 57%, outperforming its peers by a wide margin.

In a statement, Hua Yang CEO says the group saw "significant opportunities and synergies" between the two companies that it can leverage to drive growth for both groups.

He says although Hua Yang already holds strategic landbank in the Klang Valley, the collaboration will allow it to invest in existing landbank that have strong poten-

tial for growth.

Hua Yang and its subsidiaries have a total landbank of about 600 acres, which include 35 acres in the Klang Valley.

Ho adds that through the move, Hua Yang will be able to recognise a proportionate share of Magna Prima's future profits with its position as an associate company.

The additional shares to be acquired from Fantastic Realty Sdn Bhd and five other individuals will be funded through internally generated funds and borrowings.

Looking at Magna Prima's annual report 2015, the company notes that its management and board found that independent development of its Jalan Ampang parcel of land was "exceedingly risky" in light of economic and political uncertainty.

It said it was also mulling divesting the parcel of land. "Therefore, we are considering suitable alternative strategies such as deferring development plans or forming an alliance with a reputable partner."