

NO. 7 - IGB CORP BHD

A tradition of excellence and innovation

BY CHAI YEE HOONG

GB Corp Bhd, one of the biggest landlords in town, celebrates its 50th anniversary this year.

IGB managing director Datuk Seri Robert Tan tells The Edge that the year has been eventful for the group, with an increase in profits and many strong current and future projects, both in Malaysia and abroad.

Domestic and international property development plans worth RM15 billion in gross development value (GDV) will keep it busy for the next three to five years.

Major new projects include the 36acre Southkey development in Iskandar Malaysia, Johor, which hopes to replicate the success of Mid Valley City integrated development in Kuala Lumpur. Another project is an integrated commercial development, 18@Medini, on an 18-acre tract in Iskandar Malaysia's Medini Zone, in partnership with Distinctive Group.

On the global front, IGB is involved in a mixed-use development project in Blackfriars, London, which has an estimated GDV of RM4.2 billion and will offer 1.5 million sq ft of built-up space in the West End.

The group is also making its presence felt in Thailand, where it announced a 49:51 joint venture with Immortal Group Co Ltd and Theekharoj Piamphongsarn in August to develop a mixed-use development on 19 freehold lots in Bangkok.

Since its establishment in 1964, IGB has been a trailblazer in the property development industry. It built Malaysia's first high-end condominium (Desa Kudalari), first hotel apartment (MiCasa All Suite Hotel) and first gated community (Sierramas in Sungai Buloh). More recently, it opened the IGB International School in Sierramas — the first in the country to provide the full International Baccalaureate (IB) programmes to students at all grade levels. The RM200 million school commenced operations in July this year with a maiden batch of 150 students.

Today, IGB has become known as an asset builder that focuses on harnessing recurring income from its property investment and hospitality businesses across Asia, Australia, the US and Europe.

Its 50-acre Mid Valley City - including The Gardens Mall and Mid Valley Megamall — offers a combined 2.5 million sq ft of retail space, making it the country's largest shopping mall. According to an announcement on Bursa Malaysia, for 202014, the retail division — placed under IGB Real Estate Investment Trust in 2012 reported total revenue and net property income of RM229.6 million and RM156.1 million, an increase of about 10% and 12% respectively from last year.

IGB, which now has close to 6,000 rooms globally, plans to expand its hospitality footprint internationally to major cities in Europe and Africa in the next two years.

| IGB Corp Bhd | | |
|--------------|------|------|
| | 2014 | 2013 |
| Overall | 7 | 5 |
| Quantitative | 7 | 6 |
| Qualitative | 10 | 4 |

Its residential property development division has on the drawing board a RM2.05 billion township in Kundang, Selangor, which is expected to be launched in mid-2016. Last month, the group's property division, Tan & Tan Development Bhd, signed a JV agreement with Japan's Mitsubishi Jisho Residence to develop a 41-storey serviced apartment called Stonor 3 in Kuala Lumpur, with a GDV of RM617 million. It is expected to be launched in the middle of next year.

IGB recorded a net profit of RM307.540 million in financial year ended Dec 31, 2013 (FY2013), an increase from RM222.044 million in FY2012, on revenue of RM1.091 billion, 10% more than the RM993.851 million a year earlier.

For the six months ended June 30, 2014, net profit grew 14% to RM124.9 million from RM109.1 million a year ago while revenue was higher by 19% at RM589.13 million compared with RM494.84 million a year ago.

Tan shares more details on IGB's various upcoming projects and its plans for future growth.

The Edge: How have the past 12 months been for IGB and what are your priorities moving forward?

Datuk Seri Robert Tan: It has been an eventful year with an increase in profits and a lot of projects in the pipeline. We have finally signed up with the JV partner in London for 1.5 million sq ft of built-up space in the West End location just across the river. The area has universities, including The London School of Economics and Political Science and The Royal College of Surgeons of England, Fleet Street and most of the Inns of Court, thus location-wise, it is very good. We will sell the residential component and hopefully, that will be able to recoup the cost of the whole development.

Improvements were recorded in all segments of the group's core businesses, which include properational results will be better than the ty investment, hotels and property development. Property investment comprises the retail and office/commercial assets.

We will still be doing property development in terms of retail, hotels and hospitality. As for residential property development, it is difficult to compete with other developers that have huge tracts such as palm oil and rubber land that can be converted into residential land. We have to compete with them.

We are in a niche market and we are fortunate enough to have a few properties that can generate recurly announced that we had bought a tyinvestor. As a result of the growth ring cash flow. Over the years, we have



I have one of the best teams in the world, not just in Malaysia. We can do everything in-house, from design to leasing, from retail to marketing,

built up a huge portfolio of assets that is worth a lot and we can build on with the cash flow that we have.

Barring unforeseen circumstances, the group is optimistic that operprevious financial year.

What are your strategies to grow the company in the short and medium term?

The group intends to grow mainly through the major developments in the pipeline, which will further enhance the already-substantial recurring income stream and increase the value of assets.

Some of the major developments to keep moving and we don't intend include the Southkey development in Johor and the Blackfriars development in London.

piece of land in Bangkok near the new in its property investment and ho-

parliament. The project is a 49:51 JV as we cannot have more than 50% in Thailand. We will be using the same modus operandi, which is to sell the residential [component] and keep the hotel, along with a small part of retail and commercial.

In addition, the group's strong cash flow allows us to seek strategic assets in suitable locations in Malaysia and overseas to build on core businesses and enhance revenue and profitability.

How has your brand evolved over the years and what qualities do you think can be improved on?

The group has several brands, a number of which have become household names such as Mid Valley, The Gardens, Tan & Tan, Cititel, St Giles and MiCasa.

These brands have been built up carefully over many years and have become synonymous with quality and excellence in delivery.

The group is continually building its brands, especially those which have not yet attained the level enjoyed by its established brand names.

Some developers have reported slower sales this year due to cooling measures. What are your strategies in the current environment? The group has evolved from a tradi-Apart from that, we also recent- tional property developer to propertel businesses in recent years, the property development arm only contributes 16.5% of total revenue. And given our niche property development projects in recent years, the group is relatively well-shielded from any slowdown in property sales. The latest residential developments such as G Residence at Desa Pandan and Three28 Tun Razak at Jalan Tun Razak in Kuala Lumpur have seen sales of 97% and 98% respectively.

Going forward, the group will continue to offer niche properties in strategic locations.

What measures have you taken to deal with the Goods and Services Tax (GST) introduction?

We have changed our accounting system to be fully GST compliant and have also engaged an external consultant to assist us with the implementation process. We have also initiated and completed our impact studies and the group is ready for registration.

Please share with us a few of your upcoming projects, and why you believe they will do well?

For the Southkey development, the acquisition of the asset was completed in September 2013 and the group is on track to develop a 5-storey retail podium, office towers and hotels/serviced apartments, with the construction of the entire project to be undertaken in stages. The development has an estimated GDV of RM6 billion and will be constructed in phases with the first phase in the region of RM4 billion in GDV.

The development will be adjacent to the Eastern Dispersal Link (EDL) and is minutes away from the Customs, Immigration and Quarantine complex in Johor Baru.

The acquisition of asset for the 18@Medini project was also completed in September 2013 and the group intends to develop serviced apartments, an office tower, shopoffices and a retail podium. Similar to the Southkey project, construction of the entire project will be undertaken in stages.

The project is located in the prime Zone A in Medini and is expected to yield an estimated GDV of RM2 billion.

For the Blackfriars development. the acquisition of the asset was completed in May 2014 and the current approved planning permission (consented scheme) allows for the construction of a residential tower, an office tower and low-rise buildings. The group intends to apply for an amendment to the current approved planning permission scheme, which will include a hotel component.

The property is in a strategic and central location in the southwest of London, with good public transport links, with Southwark London Underground station (Jubilee Line) ap-

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