KSK paying RM3,299 psf for Jalan Conlay land

BY **VASANTHA GANESAN**

KSK Group Bhd, which decided to diversify into property development following the sale of its core general insurance business Kurnia Insurans (M) Bhd, is buying a piece of prime land in Jalan Conlay in Kuala Lumpur for an estimated RM568 million.

The 172,149 sq ft parcel is located next to Prince Hotel and Residence Kuala Lumpur, within a stone's throw of the shopping and tourism belt of Jalan Bukit Bintang.

At RM568 million, KSK is paying a whopping RM3,299 psf for the land, which is just RM1 shy of the record RM3,300 psf or RM446.7 million that Singapore-listed developer Oxley Holdings Ltd paid the Loke Wan Yat estate for a 135,356 sq ft parcel in Jalan Ampang just a couple of days before.

KSK, which was taken private on Nov 1, is acquiring the Jalan Conlay land from Suasana Simfoni Sdn Bhd, a subsidiary of Singapore-listed UOL Group Ltd. On Nov 15, UOL informed the Singapore Exchange that it had accepted a conditional offer for the said land, but did not name the purchaser.

In an email response to *The Edge*, KSK confirms that it is the buyer. "Yes, we confirm that KSK Group recently issued a letter of offer to UOL Group Ltd," group CEO Joanne Kua Ying Fei says.

She adds that KSK Group has set up a subsidiary — KSK Land Sdn Bhd — to undertake its foray into property development. "Pursuant to setting up this subsidiary, we were naturally on the lookout for land that was suitable for property development projects."

In fact, the group is looking to grow its landbank in the Klang Valley, Penang and Johor.

In July, when KSK first voiced its plan to venture into property development, Kua was quoted as saying that the group planned to look at mixed-use developments with a focus on high-end apartments, affordable houses and townships.

KSK had to identify a new core business after the sale of its insurance subsidiary Kurnia Insurance to AmG Insurance Bhd for RM1.63 billion in September last year. The following month, KSK was classified a PN16 company or a cash company. It had a year, from October last year, to come up with a regularisation plan to acquire a new core business. This was crucial because its remaining insurance businesses in Indonesia and Thailand were not expected to provide any dividend stream for at least three years.

Subsequently, KSK's major shareholder Tan Sri Kua Sian Kooi undertook a selective capital reduction and repayment exercise, after which the company decided not to maintain its listed status.

Property consultant Adzman Shah Mohd Ariffin of ExaStata Real Estate says he is not surprised that prices have gone past RM3,000 psf, attributing the rise to a lack of suitable and sizeable development land in the city centre.

While the amount paid by KSK is less than half the country's record of RM7,209 psf for a small piece of land between Grand Millennium Hotel and Pavilion Kuala Lumpur in Jalan Bukit Bintang, it is at a 45% premium to the RM1,800 psf deal that was struck for the land across the road where Restoran Seri Melayu was located. Both these deals are linked to Datuk Desmond Lim Siew Choon of Malton Bhd and Pavilion Real Estate Investment Trust. The former parcel was acquired from Kwek Leng Beng's City Developments Ltd and the latter from the Federal Lands Commissioner.

"[But] the products [offered by KSK] will have to be high-end and possibly about RM3,000 psf to make the project viable, especially since development cost is so high these days," Adzman points out.

KSK's parcel is located directly opposite where the world's first Harrods Hotel & Residences will be built. Two doors away, Pavilion Banyan Tree Signatures is opening a 60-storey residential development — touted to be the tallest in Kuala Lumpur — featuring 441 private residences, 51 serviced residences and 43 hotel suites.

Banyan Tree was launched in 2011 and it is understood that it managed to sell its units for as high as RM3,000 psf.

Assuming that KSK launches high-end residences, can they fetch as high a price? "It is difficult to say based on current market conditions if the price can go higher. The market is softening. [However] being close to Harrods

Hotel and Pavilion may help boost the project's attractiveness," Adzman says, adding that scarcity is a good reason for prices to go higher later.

It would be interesting to see what KSK has planned for the land it is acquiring. In February 2007, UOL had entered into a 60:40 joint venture with General Corp Bhd (which was delisted in December 2010) and had acquired this piece of land for redevelopment. It planned to build luxury apartments on the site. UOL owns and operates The Parkroyal hotels and serviced suites in Malaysia.

A search with the Companies Commission of Malaysia reveals that 40% of Suasana Simfoni is held equally by Singapore-listed Low Keng Huat (Singapore) Ltd and Consistent Record Sdn Bhd. Both companies are linked to Tan Sri Low Keng Huat, who is the majority shareholder of General Corp. In FY2012 ended Dec 31, Suasana Simfoni's net profit stood at RM79,326. It made no revenue that year.

The perimeter of the land has been boarded up and the project signage says there are plans to build three blocks of condominiums with a total of 494 units there.

As recently as 2011, Pintaras Jaya Bhd secured a RM21.5 million piling contract from Suasana Simfoni for nine months of work beginning Aug 1, 2011. When asked if KSK will proceed with the previously approved building plans, Kua says, "At this early stage, KSK's focus is on completing the land deal."

According to UOL's statement, the offer is subject to the execution of a sale and purchase agreement within eight weeks of acceptance and the deal is expected to be completed in 2Q2014. It adds that when the transaction is completed, there will be a pre-tax gain of RM247 million. ■

The said land is within a stone's throw of the shopping and tourism belt of Jalan Bukit Bintang