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The art of the deal

PRG sells 210 units of its Picasso Residence worth RM250mil at one go

By TEE LIN SAY
(tlinsay@thestar.com.my)

AMIDST a difficult property environment where most developers are facing challenges clearing their properties, PRG Holdings Bhd, the company formerly known as Furniweb Industrial Bhd, has quietly completed an en-bloc purchase of 210 units of its Picasso Residence, valued at a staggering RM250mil.

The Picasso Residence, which has a total of 472 units, has a gross development value (GDV) of some RM600mil.

Thus, the 210 units translate to a GDV of some RM260mil and a take-up rate of 44.5%.

This will translate to total gross profit of RM40mil once Picasso is completed by the first quarter of 2019.

Nonetheless, progressively, earnings from Picasso will start to contribute in PRG's first quarter to March 31, 2016. This financial year onwards, PRG's property division will overtake its manufacturing arm as the largest revenue contributor.

The en-bloc purchase was undertaken by Datuk Ng Yan Cheng, a seasoned businessman and entrepreneur based in Singapore.

He has since emerged as the third-largest shareholder of PRG with a 9.4% stake.

"We are receiving monies progressively from Ng for his undertaking of Picasso. To date, he has paid 10% of his commitment, and has started paying for the second progressive billing of 10%," says Datuk Lua Choon Hann, who is both the executive director and single largest shareholder of PRG.

Lua found himself in the driving seat of the company after PRG's former executive director, Datuk Seri Yeoh Soo Ann of Encorp fame, stepped down from his post on Nov 30 and sold his entire 25.45 million shares or 17.47% stake in the company.

Lua started accumulating shares and shortly later, emerged as the single largest shareholder of the company. With Yeoh's resignation, Lua became the new chief to steer the company ahead. To date, he owns 15.85% or some 23.4 million shares in the company.

Yeoh's departure also made way for Ng, who emerged as a substantial shareholder.

Then on Jan 11, PRG announced that Ng was going to be the promoter and undertaker of the 210 units of Picasso Residence.

"I have known Ng for almost 10 years. We were business partners before for my previous ventures. He sees opportunity in the company, and likes the direction PRG is taking. That is why he is not just buying our properties, he also took up a stake in our company," says Lua.

Lua adds that Ng is selling his undertaking of 210 units to his friends and associates who consist of Mainland and European Chinese.

Some contributions from property were already starting to flow in for PRG's fourth

quarter to Dec 31, 2015.

For the financial year ended Dec 31, 2015, net profit jumped 155.89% to RM6.08mil on the back of a 40.1% jump in revenue to RM129.32mil.

PRG, which produces furniture webbing and provides niche products for the textile and apparel, furniture, automotive and food packaging industries, obtained shareholders' approval in April 2014 to move into property development.

On Nov 9, PRG proposed a diversification of its core business to include construction as it anticipated the group's construction business to contribute to 25% or more of the company's net profits.

With the diversification, the group's core business will include property development and construction.

Picasso Residence is a residential development project with a land area of approximately 15,924 square metres. The project entails the development of two 38-storey towers comprising 472 condominium units and four car park levels. The project is located within a three-kilometre radius from the Petronas Twin Towers and is accessible via the Ampang-Kuala Lumpur Elevated Highway, the Duta-Ulu Kelang Expressway and the Middle Ring Road 2.

Lua - the new face of PRG

Not many people may know PRG's new chief, Lua, perhaps because his entrepreneurial track record is overshadowed by his political work. Lua is a central committee member of the Malaysian Chinese Association.

Nonetheless, the 39-year-old Lua has been an entrepreneur since 2003.

He founded WG Overseas Pte Ltd (Singapore) back in 2003 at the age of 27, where he provided advisory services on corporate affairs, finance and commercial matters for companies that were seeking a listing in Singapore, Hong Kong, Taiwan, the United Kingdom and Malaysia.

Some of the notable fund-raising projects include Juitian Chemical Group Ltd, Nucleon Crane Co Ltd; Dutech Holdings Ltd and Z-Obee Holdings Ltd during their initial public offering exercise in Singapore.

"WG Capital did pretty well. We built up some young companies, got them the necessary funding and managed to grow them to become relatively noticeable companies today," says Lua.

A lawyer by profession, Lua first emerged in PRG as executive director in November 2013. He is also a director in Pelikan International Corp Bhd.

"I do have my political commitments which I take very seriously. However, I have always been passionate about growing and investing in new businesses. I see PRG as both a challenge and a great opportunity. I feel that for a young property company, now is the best time to look for land and opportunities," adds Lua.



Lua: 'We are receiving monies progressively from Ng for his undertaking of Picasso.'

So what is Lua's intention of controlling PRG? "First of all, it's a well-run company with good financials, good management and is just starting to come up. We have two things anchoring the company now - our manufacturing division which provides a steady income, and now we have the en-bloc sales of Picasso Residence. The cashflow from these two divisions will give us enough leeway to focus on building up the company," says Lua.

He adds that PRG is in a very sweet spot - it is a two-year-old property company coming in to the market when prices are depressed.

Instead of viewing PRG as a company which lacks landbank, Lua feels the depressed market gives it ample opportunity to buy landbank. And at the same time, PRG has some financial flexibility.

"We have been actively talking to landowners. It won't be long before they make the necessary announcements," says Lua.

PRG is considered small at its market capitalisation of some RM164.3mil. At its current price of RM1.11, the stock is trading at a historical price earnings ratio of some 26.24 times. It has a net asset value of 74.76 sen, hence the stock is trading at 1.5 times its book value. On another important issue, Lua indicates that the company will be seeing more new faces. "We will be introducing new faces to the company to strengthen our board. We

will be putting in real professionals for both the property and manufacturing divisions," says Lua.

"I understand that the property environment is now soft. But like all asset classes, this is temporary. And it is only in down times like these that we get to buy projects and landbank at affordable prices.

"Our gearing level is very manageable and this affords us the luxury to look for good projects. We are in talks with a few people, especially those that over-expanded and need to raise some cash," says Lua.

The company has a net gearing level of some 0.48 times. It had short-term borrowings of RM35.29mil and long-term borrowings of RM44.262mil against a cash pile of RM24.06mil as of Dec 31, 2015.

Furthermore, with Picasso having achieved a take-up rate of 60%, Lua says he is no longer in a rush to sell the units.

"We are now taking our time, and in fact, saving the good units closer to completion."

Lua adds that while he doesn't want to jump ahead of himself, his vision for the company's expansion is much larger than just Malaysia. "With our steady financial position and coupled with the resources of our strategic partner Ng, this year is the year we lay our foundation," he says without going into details.