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Fajarbaru hopes to see core segments contributing equally

Group still seeks opportunities to expand its presence in Australia property market

BY BILLY TOH

KUALA LUMPUR: Fajarbaru Builder Group Bhd aims to see, over the long term, equal contribution to the group's revenue from three of its core businesses — construction, timber and property development.

"In the long term, of course, we want to aim for equal contribution from each of our businesses. We hope that each of the segment will contribute about one-third of our revenue," Fajarbaru executive director Datuk Seri Eric Kuan Khian Leng told reporters after the signing ceremony for a funding facility amounting to A\$100 million (RM299 million) from Malayan Banking Bhd for the development of Paragon, the group's second property development project in Australia.

In the group's financial year ended June 30, 2017 (FY17), the property segment contributed 44.3% of total revenue from its core businesses, followed by construction at 28.5% and timber at 27.1%. Recall that the group recognised contribution from Gardenhill, its maiden

property development in Australia with Beulah International in FY17 after it was completed in 2017.

Gardenhill is a joint project with a gross development value (GDV) of A\$77 million led by both Fajarbaru and Beulah International, a Melbourne-based property developer.

Paragon is Fajarbaru and Beulah's second joint development with an additional player, KHK Group. Fajarbaru has a 22.22% stake and KHK Group a 35% stake with the remaining 42.78% owned by Beulah International. It boasts Australia's first elevated indoor forest with A\$200 million GDV and will feature 227 luxury apartments across 48 levels, in Melbourne.

"We are excited to partner with Beulah International for our second project in the world's most liveable city after the completion of our first jointly developed project, Gardenhill. We believe that the Australian property development market will continue to provide a healthy income to Fajarbaru in the coming years, driven by growing demand for Australian properties from the

influx of new arrivals, and the local market for high-quality Australian properties," Kuan said during the signing ceremony.

Beulah International managing director Chan Jiaheng said the project has secured close to 90% sales, with 30% from Malaysian buyers.

"Our target is to achieve 100% of sales by the end of the construction. Right now, our strategy is to continue to sell with minimum marketing costs as we have about three years to achieve 100%. There is no business benefit to achieve 100% right now," Chan said.

Besides this, Fajarbaru is currently in the planning stage with Beulah International for its third property development in Australia, which is a townhouse development with a GDV of A\$33 million.

This follows the acquisition of 98 shares or 49% of Beulah Northcote Land Pty Ltd (BNL) for about A\$98 per share. Following the stake buy, Fajarbaru will, via its unit, inject another A\$2.99 million into BNL, to acquire 2.99 million new BNL shares to maintain its stake at

49%, as BNL raises its issued share capital to A\$6.1 million. The 51% remaining stake will be held by Beulah International.

While the third development remains at the planning stage, Kuan said the group is still looking for opportunities to expand its presence in the Australia property market.

"We're always on the lookout for more opportunities but we need to be able to purchase the right land for any property development," Kuan said, adding that finding the right land for development has been one of the hurdles to its expansion plan.

Kuan's optimism for the Australia property market is shared by Chan.

"The property sector in Melbourne is still relatively strong so much so that the government has imposed some stamp duty on foreigners to soften the growth of the property market. Vacancy level is at an all-time low, less than 2%," he said.

Fajarbaru shares closed 11.11% or 4.5 sen higher at 45 sen yesterday, giving it a market capitalisation of RM167.7 million.