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# Lee: Turn crisis into an opportunity to reshape the country

By [Sharen Kaur](#) - May 13, 2022 @ 5:22pm



Tan Sri Lee Kim Yew, founder of Country Heights Holdings Bhd.

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Property developers play a vital part in the country's evolution, says Tan Sri Lee Kim Yew, founder of Country Heights Holdings Bhd (CHHB).

"The role of property developers, I feel, is one of the most significant aspects of the country's evolution. Malaysian developers are an important part of the country's economic development. A building's construction benefits 170 industries. More buildings mean more work for the 170 industries and more jobs for the people," he told NST Property.

"Malaysia still has an opportunity to be competitive and stand out in the ASEAN region, whether you like it or not. In terms of infrastructure, we are still regarded as one of the best. Of course, we must ensure that we are in the forefront of 5G to attract foreign direct investment. It is your thinking that matters to the highest entrepreneur businessman, not how excellent your goods is made or how good your branding is done. Malaysia must be upbeat," he said.

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Lee is one of the most successful businessmen in Malaysia. CHHB, which has interests in property development, health, hospitality, and education, was formed in 1986 by the renowned Malaysian tycoon.

He is currently working to restructure the asset-rich group to incorporate digital economy concepts such as artificial intelligence, big data, cloud computing, and cryptocurrencies.



"Three transformational areas are being examined. The first two categories are property development and investment, in which we have everything from an exhibition centre to low-cost housing, high-end housing, a hotel, a mall, a golf course, and a wellness centre. We just entered the omnichannel retail market by establishing JDMines. A hospital is something we don't have," he said.

Lee said that as part of the plan to upgrade infrastructure in the Mines township, CHHB would build a three-story traditional complementary medicine hospital and a five-story confinement centre, both of which are expected to be completed by the fourth quarter of the current fiscal year 2022.

The hospital and confinement centre will each have the capacity to treat roughly 200 patients per day, and supply up to 360 beds, respectively

According to Lee, in order for CHHB to transform, it must have the financial means to support the hard assets it has built previously.

"There are numerous property developers in this country, but their market capitalisation is now barely 30 per cent of their asset worth. The Central Bank can endeavour to ensure that all of the assets in the books of all of these public and private companies are recognised and bankable.

"Many Malaysian properties are currently unbankable. Banks are operating as a cartel, in refusing their services. Banks prefer to give loans depending on cash flow. They are unwilling to give loans based on the asset value of the company. Consider this scenario...I have RM1 billion in assets, but I can't even pledge 10 per cent to get a fresh loan. So, how do we go about rebuilding our country?

"If I were the government, I'd make sure that banks lend based on the asset worth of the company. I will also ensure that banks cap interest rates and penalties for all credit card defaulters at eight per cent for the next three years, not 18 per cent. This will allow defaulters to pay their debts while still having money in their pockets. The financial industry should not be so self-centered as to keep all of the profits for themselves while ignoring housing developers, hard assets, and all of the defaulted consumers," he said.

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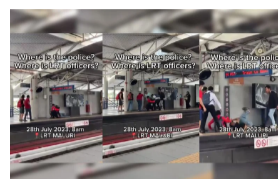
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Country Heights Holdings Bhd is transforming the Mines township in Seri Kembangan.

### CHHB's revitalisation plan

CHHB plans to launch Mines Wellness Suites (rebranded as CloudLife), a 12-storey office suites and retail space in the Mines township with a potential gross development value (GDV) of RM180 million, and College Heights Estate, a residential cum industrial mixed development in Negeri Sembilan with a potential GDV of RM85 million, as part of its revitalisation plan to reinvigorate growth as an integrated landlord.

According to TA Securities, these RM275 million releases over the next two years will considerably boost CHHB's property division, which has had a lack of fresh launches in recent years.

"We believe these launches will deliver an admirable profit margin of over 50 per cent given that these legacy lands were acquired at historically low prices," it said in a note recently.

Separately, CHHB has entered into agreements to purchase multiple parcels of land from Lee's private vehicle with a combined asset value of RM517 million, which will be satisfied through the issuance of c.360 million new CHHB's shares valued at RM1.20 and RM1.45 each, based on the five-day VWAP of CHHB's shares at the time of agreement.

The research firm said that the key notable purchase among the agreements is the acquisition of a 100 per cent equity stake in Mines Wonderland Sdn Bhd for RM400 million. (Mines Wonderland owns a 38-acre waterfront development land in the Mines township).

"Although some investors may feel uncomfortable with such a related-party transaction, we found the transaction was done at an arm's length, allowing clear separation between CHHB and Lee's private investment," it said.

The firm said that it would facilitate CHHB's plan of transforming the Mines township by owning the jewel in the township.

"Importantly, at the purchase consideration of RM400 million, the land is valued at RM241 per sq ft (psf), which is a decent discount compared to the market listing price for vacant land in the Seri Kembangan vicinity of RM260 psf to RMM300 psf," it said.

CHHB will build a traditional complementary medicine hospital and a confinement centre as part of a strategy to improve the infrastructure in the Mines township.

With the addition of the new traditional complementary hospital and confinement centre, the healthcare business of CHHB is expected to earn roughly RM12 million in operating profit, according to the firm.



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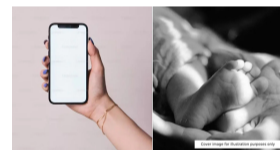
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"Moreover, CHHB would develop a smart city mobile application equipped with features such as integrated digital services, community engagement, and smart city management, to improve the experience and convenience of living and doing business in the Mines township," it said.

According to TA Securities, CHHB's assets are worth substantially more than it appears in the financial statement given that accounting standard tends to be prudent and recognise long-term assets based on historical cost.

"Referring to the list of landed properties held as at December 31, 2020, we found that over 80 per cent of the group's 2,357-acres of properties were acquired or last revalued prior to 2002 (20 years ago), and significantly understate the value of its properties compared to the realisable value in today's market.

"For instance, an 11-acre land in Kajang acquired in 1987 has a book value of RM2 million or RM4 psf, despite fetching a realisable value of RM100 to RM150 psf now.

"Similarly, some of CHHB's key investment properties such as Palace of the Golden Horses, Mines Wellness Hotel, and Mines International Exhibition Centre that carry book values based on the period of 1998 to 2008 appear underappreciated by the investment community.

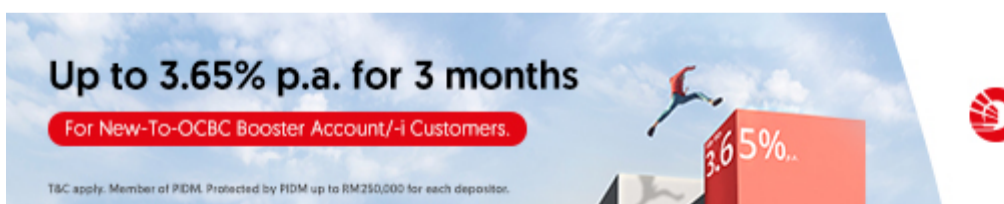
"Note that Malaysian house price index has been on the rise for the most 21st century except for the recent two years when Covid-19 mildly dampened the market sentiment," the firm said.

The firm said that according to CHHB's management, the realisable values of the group's properties in today's market valuation are closer to RM2 billion than the RM1.1 billion book value disclosed in its financial statement.

After accounting for all foreseeable corporate exercises and the upcoming asset injection from Lee, the realisable value of CHHB's properties is estimated to be RM2.5 billion or RM3.00 per expanded share cap, it said.

Given several funding options, TA Securities sees no impediments for CHHB to fund its expansion objectives.

It cited leveraging on its current balance sheet (low gearing of 0.24 times with a high net asset of RM800 million), proposed private placement of up to 20 per cent of the group's total number of issued shares, and potential proceeds from the exercise of outstanding warrants, which could raise up to RM158 million (132 million outstanding warrants at an exercise price of RM1.20), as examples.



**Keywords:** [Mice](#), [Real Estate](#), [Property](#), [Ai](#), [Loans](#), [Ta Securities](#), [Gdv](#), [Debts](#), [Country Heights](#), [Cloud Computing](#), [Mines Wellness Suites](#), [College Heights Estate](#), [Mines Wellness Hotel](#), [Mines International Exhibition Centre](#), [Tan Sri Lee Lim Kew](#), [Pandemic Chhb](#), [Palace Of The Golden Horse](#), [Cloudlife](#), [Mines Township](#), [Mines Wonderland](#), [Low Gearing](#)

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