Rare asset disposal by Boon Siew

The Editor / TheEdge
May 22, 2012 09:09 am +08

A

KUALA LUMPUR: The low-profile Loh family rarely embarks on major asset divestments, at least none that are publicly known.

The family, whose business is now in the hands of the third generation, is known to be conservative in preserving and growing the wealth passed down from the late Tan Sri Loh Boon Siew who made his fortunes from Honda.

Hence, yesterday's announcement by Mah Sing Group Bhd that it is acquiring some 408.24 acres (163.3ha) in Bangi from the family for RM330.76 million cash immediately caught attention.

While the divestment is done by the Loh family's private vehicle, Boon Siew Development Sdn Bhd, fund managers are nonetheless looking at asset-rich Oriental Holdings Bhd (OHB), the family's listed flagship in Malaysia, for similar asset realisation exercise to unlock values and reinvest in faster growth business segments such as plantation.

"OHB has some prime assets which they have not done anything with for a long time," said Abdul Jalil Rasheed, chief executive officer of Aberdeen Asset Management Sdn Bhd.

The Aberdeen group now holds 7.8% stake in OHB, having steadily built up its interests in the group. In recent months, the Employees Provident Fund (EPF) had also raised its holdings in OHB to 9.26% as at May 11, from 6.29% two months ago, lured by the group's hidden values.

Abdul Jalil said the Loh family, on the private, has made some divestments, though these were not known to the public. Compared to the privately owned assets, the family's listed vehicle is the one "that is not so active in terms of divesting or selling land", he added.

"OHB is undervalued. If some of its assets can be re-valued or realised, there is a lot of upside. Most importantly as shareholders we would like to see OHB returning its RM2 billion cash pile to investors by way of dividends, if it is not using it for any value-accretive ventures.

"With a large cash pile as theirs, there's always the question — is the cash generating the returns that it should be generating?" said Abdul Jalil, adding that OHB has a lot of land and property assets, including in prime spots of Kuala Lumpur and Penang.

As at Dec 31, OHB's cash and near cash items stood at RM2.89 billion, up from RM2.6 billion in 2010. Its shareholders' fund stood at RM4.4 billion in the same period, up from RM4.13 billion in the previous financial year. Total borrowings meanwhile stood at RM535 million, less than one-fifth of its cash pile.

"We like the fact they have been strict with their money and disciplined, that is why we are invested in OHB in the first place," said Abdul Jalil, but also adding that he wish to see OHB putting more of its cash pile to work, by acquiring more assets, plantations and hotels in particular, to seek better returns.

Over the past year, OHB has been acquiring assets abroad.

In February this year OHB, through its wholly-owned subsidiary Kah Motor Company Sdn Bhd, acquired the Kingsley Hotel in central London for cash consideration of RM203.9 million. The four-star hotel is located in central London's midtown district, near Covent Garden and New Oxford Street and is in close proximity to two underground stations – Holborn (Piccadilly Central Line) and Tottenham Court Road (Central Line).

Meanwhile, last July, OHB has further expanded its plantation operations in Indonesia by acquiring 24,300 hectares in southern Sumatra for RM25 million, raising its total landbank to 82,000ha, of which 77,000ha is in Indonesia. While the cost of acquisition for the 24,300ha is insignificant to the group, the capital expenditure required to develop the land into oil palm estates is expected to be significant.

OHB's palm oil division has boosted the group's earnings in recent years due to its aggressive foray into Indonesia. This, coupled with the group's rich but undervalued asset base, has attracted long-term funds like Aberdeen and the EPF although there is still little coverage on the stock by analysts.

OHB ended trading at RM6.10 yesterday, down 10 sen with 201,100 shares traded. The stock has gained almost 40% from below RM4.40 last November.

This article appeared in The Ed