

Big plans brewing at Carey Island

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A&M Realty drawing up RM10bil development project

DATUK Ng Tian Hock (*p/c*) is visibly excited when he talks about his latest project, the Amverton Cove Golf & Island Resort.

That development is part of a RM10bil project which sits pretty on a massive 2,000 acres at Carey Island, to the south of Port Klang.

"You must come see the place for yourself; the air is fresh and there's so much greenery. It's really different from here," he tells *StarBizWeek*.

Trained as an engineer, the 60-something-year-old Klang native comes across as totally no-frills. He appears laid-back, carefree but with plenty of business acumen.

He bought his first piece of land more than 30 years ago in Teluk Pulau, Klang.

"I bought 10 acres there for about RM100,000. Today it's worth RM2mil."

Needless to say, that transaction ignited his interest in the property sector and consequently resulted in the birth of A&M Realty Bhd which was established in 1978 after Ng left the civil service.

Since then, the company, which brands itself as a lifestyle developer, has completed and delivered housing, commercial and industrial units worth RM1bil.

Still, this is by no means terribly aggressive given that the property industry here has been growing so rapidly over the past few decades.

"I like to do things properly – slow and steady," he says which probably explains why the company which was listed way back in 1995 has never really showed up on the radar of analysts.

But things appear to be changing, especially with the progress at Carey Island.

Ng, who together with his family control 71.56% of A&M, recently spoke to a group of property analysts on the lookout for undervalued property counters.

Along with its counterparts, the A&M stock has gone up post general election, surging as much as 31% to the current price of 95 sen.

Even so, it remains "grossly undervalued", if you compare the value of its assets to where its stock price is, says one analyst, although this issue is common for most property companies.

He points out that A&M's 2,000 acres on Carey Island was purchased for less than RM1 per sq ft. Although



the company has never revalued its landbank, based on the current market, the plot is valued at more than RM50 per sq ft.

In other words, A&M paid out less than RM100mil for that 2,000 acres which is now worth RM4.2bil.

That alone values the company at about RM11.50 per share, based on back-of-the-envelope calculations.

Game-changer

The Carey Island development is definitely a game-changer for the company, Ng notes.

"People are increasingly becoming more open to the idea of living away from the city."

"They are starting to realise that if you want to live in big, open spaces, being away from the city is not too big a sacrifice..."

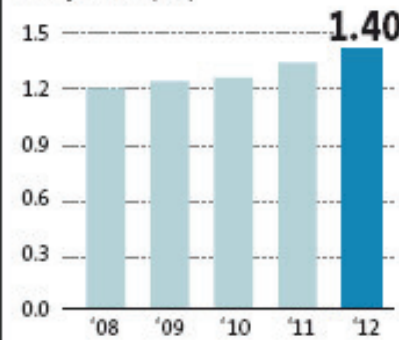
Leveraging on this trend as well as a host of other practical reasons such as better connectivity and infrastructure is why the company is only now choosing to start development on this tract of land it purchased more than 3 decades ago.

The 2,000 acres with a potential gross development value (GDV) of more than RM10bil will be developed over a period of at least 15 years.

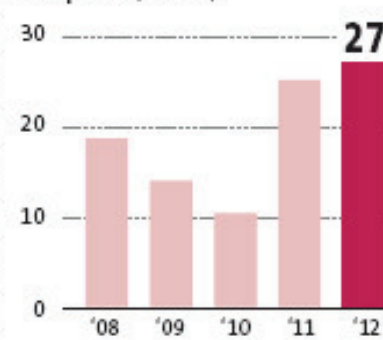
Kick-starting the huge project is the Amverton Cove Golf & Island resort, which is 25 minutes from Klang via the KESAS Highway and 30 minutes from Subang and Puchong using the newly completed South

A&M financial highlights

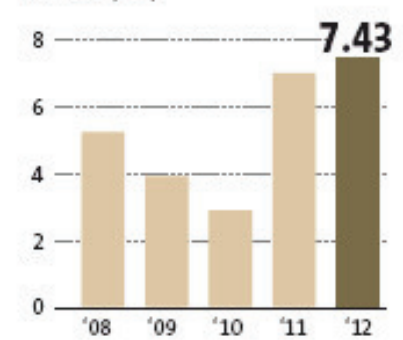
NTA/shares(RM)



Net profit (RM mil)



Net EPS (sen)



Klang Valley Expressway.

Only two months in operations so far, it has already managed to attract the rich and famous who visit to play golf, according to director Milton Norman Ng.

Its flagship hotel, which also features chalets, is expected to be completed early next month.

"There will be many phases to this development project and this will include homesteads, bungalows, service apartments, hotels and theme parks," Milton says.

Milton, who is Ng's second son, says for this year, the focus will be on building up the resort and hotel business. Also in the pipeline is the launch of 50 homesteads of one-acre each.

The houses will be priced at around RM2.8mil per unit.

Despite an obvious slowdown in the local high-end segment largely as a result of more stringent banking requirements to curb speculation, Milton is quite confident of selling these high-end homes.

"We are selling a lifestyle product at the price of a condominium or semi-detached house in KL."

"With only 50 units for sale, this shouldn't be a problem," he insists.

Because of the company's extremely low land cost there, net profit margins for its Carey Island projects are much higher than the typical 15% to 20% most property companies generally make, Milton says.

"Do you really want to count our margins, given our low entry cost," interjects senior Ng in jest.

Still, the company will take into account prevailing market conditions and will plan its launches progressively, he says.

Other than its landbank in Carey

Island, A&M also has 20 acres left in Bukit Kemuning, Shah Alam, 180 acres in Morib, Selangor and 3 acres in Mont' Kiara, ready for development.

In Bukit Kemuning, A&M has its freehold Amverton Park @ Bukit Kemuning Golf & Country Resort project, which has been well-received since its launch in 2007.

Amverton Park consists of 141 units of double-storey Australian inspired bungalows, of which existing phases have been handed over vacant possession in 2010, 2011 and 2012 respectively.

This year, it will launch the final phase of the bungalows, comprising 20 units with a GDV of RM50mil-RM60mil.

From next year onwards, launches in Bukit Kemuning will comprise high-rise apartments which should be priced at between RM400 and RM500 per sq ft, says Milton.

As for its commercial properties there, namely Kemuning Taipan shop offices phase 2 & 3, these have been fully sold and handed over vacant possession early this year.

Over at Morib, which is primarily a beach area, there are no concrete development plans as yet while in Mont' Kiara, plans to launch high-rise residential units are currently put on hold owing to the "relatively soft market in that area", Milton says.

"Margin-wise, our Mont' Kiara project should be within industry standards but we have to time the launch carefully."

Milton says the company, which is in a net cash position of RM80mil at this point, is always on the lookout for good opportunities land-wise.

It is understood that the Ng fam-

ily will inject some of their personal assets, i.e. 145 acres in Sungai Buloh into the company very soon.

They are tight-lipped about this but note that A&M has had experience developing land there with its Puteri Subang project which involved developing some 50 acres into residential and commercial units.

Significant earnings

With plans in place and momentum clearly picking up, earnings are expected to kick in a "significant way" in about two years, says Ng.

Although A&M has four core divisions from which it generates money from, it is property development and construction that makes it the most profit, contributing more than half of its revenue and at least 75% of its pre-tax profit.

The other three divisions are leisure/resorts/golf courses, oil palm plantation and manufacturing and trading.

A&M's current unbilled sales stand at RM45mil.

In its latest fiscal year ended Dec 31, 2012, the company made a net profit of RM27.1mil or 7.43 sen per share compared with RM25.2mil or 6.91 sen per share while revenue stood at RM140.2mil, marginally higher than the RM139.7mil made a year earlier.

Not immune to the usual challenges that face property players such as escalating construction costs and inflation, Ng says the biggest issue for the company thus far has been getting the Carey Island golf resort off the ground. "Now that it is done, it is a matter of planning and timing our other launches."



Golf resort: Kick-starting the huge project is the Amverton Cove Golf & Island resort, which is 25 minutes from Klang.