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## QSR buys more of Al-'Aqar REITs

In The Edge Financial Daily Today 2011

Written by Sharon Tan

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KUALA LUMPUR: QSR Brands Bhd has increased its interest in Al-'Aqar KPJ REITs to 4.77 million shares by acquiring an additional 2.82 million units of the hospital REIT in July last year and on Jan 31 this year.

The 4.77 million shares cost QSR a total of RM5.11 million, according to an announcement by the company last week. It purchased 553,200 shares on July 21 last year while the latest purchase amounted to 2.27 million shares.

In its rationale for the purchase, QSR said it would have a return on investment (ROI) of about 7.3% as against the current fixed deposit interest rate of about 2.5% to 3%. According to an analyst, the 7.3% ROI is well within Malaysian real estate investment trusts (REITs) average.

Launched last July, Sunway REITs, which has nine properties namely Sunway Pyramid Shopping Mall, Sunway Carnival Shopping Mall, Suncity Ipoh Hypermarket, Sunway Resort Hotel and Spa, Pyramid Tower Hotel, Sunway Hotel Seberang Jaya, Menara Sunway and Sunway Tower, is expected to give a yield of 6.4%.

Capital Malls Malaysian Trust which has Gurney Plaza, Sungei Wang Plaza and The Mines in its portfolio has forecast an annualised distribution per unit of 7.13 sen for the financial year ended December 2010. Based on a share price of RM1.10, its forecast yield is about 6.5%.

QSR also said given Al-'Aqar's future acquisition plans and the stable income stream from tenants of its properties, there is an opportunity of capital appreciation.

QSR, which has a majority stake in fast-food operator KFC Holdings (M) Bhd, used internally generated funds to finance the purchase. Last year on July 20, QSR also bought 1.95 million units of Al-'Aqar at RM2.01 million.

The biggest risk the investment faced is its exposure to a single tenant, as all the tenants of the Al-'Aqar's properties are ultimately the KPJ Healthcare Berhad (KPJ) group of companies.

"The gearing level of the trust is at 43.2%. Therefore, it is estimated that the trust can only leverage a further RM69.2 million before hitting the statutory gearing limit of 50%. This implies that further asset acquisitions by way of leverage are extremely limited at the current juncture. All its borrowings are long-term," said QSR.

Al-'Aqar had recorded a gradual rise in both its revenue and profit since it started. In 2007, it recorded a revenue of RM35.7 million while its profit was RM25.33 million. The next year its revenue rose to RM47.77 million while its profit was RM43.85 million. In 2009, its revenue stood at RM60.57 million while profit was at RM53.69 million.

Al-'Aqar REITs' earnings per unit also rose steadily from 7.45 sen in 2007 to 10.61 sen in 2008 and subsequently 11.1 sen in 2009.

Al-'Aqar was established on June 28, 2006 pursuant to a trust deed between Damansara REIT Manager Sdn Bhd (DRMSB) and Amanah Raya Bhd. DRMSB is wholly owned by Damansara Assets Sdn Bhd, a subsidiary of Johor Corporation (JCorp).

JCorp via its 53%-owned subsidiary Kulim (M) Bhd also owns QSR. JCorp owns 56.05% of Al-'Aqar while the other two major shareholders are Lembaga Tabung Haji with a 12.45% stake and Pusat Pakar Tawakal 10.65%.

*This article appeared in The Edge Financial Daily, February 8, 2011.*

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