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# UEM, Eco World set for merger talks

## CORPORATE

**PETALING JAYA:** UEM Sunrise Bhd and Eco World Development Group Bhd will be engaged in merger talks to create the largest property company in the country that will be controlled by Khazanah Nasional Bhd.

The exercise, if it meets the approval of shareholders, will be conducted via a share swap which would see Khazanah Nasional control the enlarged group with a stake of 43%.

The deal would allow UEM Sunrise, the largest landowner in Iskandar Malaysia, to partner with a company that in six years has grown its business in Iskandar Malaysia to hit

## Combined entity to be the largest property company in the country

RM6.8bil in sales via four townships and three business parks. Eco World Development's projects in the Klang Valley will also help balance the overall development of the group in two of the country's largest property markets and also internationally in Australia and the UK.

Eco World had combined sales of RM33.9bil in three countries with RM20.5bil in Malaysia and RM13.4bil in Australia and the UK.

Eco World International, which is engaged in developing properties in the UK and

Australia, would not be part of the merger and will remain a 27% subsidiary of the enlarged group should the merger gain approval from shareholders of both companies. "Apart from unlocking the value of UEM's vast landbank in Iskandar Malaysia, the complementary strengths, capabilities and geographical reach of both entities will establish a strong platform for future growth that would benefit all stakeholders," said a source.

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## Khazanah stand to gain from Liew's property experience

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Merger talks surfaced last year but were met with hurdles that saw any potential deal stall. One of the contentious points was that Tan Sri Liew Kee Sin, the controlling shareholder of Eco World Development, would take control of the enlarged group.

That would not be the case as Khazanah Nasional would retain the largest block of shares in the enlarged group at 43% with Liew's stake expected to drop to just over 8%.

What Khazanah would receive from the deal is the ability to tap into the entrepreneurship ability of a businessman that has built two property giants - S P Setia Bhd and the Eco World group - for its benefit of developing its vast tracts of land in Iskandar Malaysia.

Malaysian property companies have been hurt by a multi-year property slump that has seen such companies trade at a steep discount to its net tangible asset values.

"There is clearly a lack of investor interest

in property stocks given the situation and a merger may spark an interest in stocks that are trading at a huge discount," said the source.

The merger would allow both UEM Sunrise and Eco World Development to not only tap on the assets of both companies but also the financials of each company in an enlarged group. The merged UEM Sunrise and Eco World Development would see an enlarged company benefit from UEM Sunrise's balance sheet with readily available land for develop-

ment in Iskandar Malaysia and also Eco World Development's unbilled sales.

The large landbank in Iskandar Malaysia would also allow the enlarged group to tap on the demand for landed homes for the M40 group. Eco World Development was preparing to launch Eco Botanic 2 with the Johor state government and Iskandar Investment Board, which would feature homes priced between RM500,000 and RM800,000 where there has been good reception from the buying public.