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# Fund linked to Li Ka-shing ready to sell five malls

BY VASANTHA GANESAN

**A**RA Asia Dragon Fund — which owns five malls in Malaysia — has hired a real estate agent to find buyers for the assets that carry a price tag of more than RM2 billion, sources say.

Affiliated with Hong Kong's richest man Li Ka-shing's Cheung Kong Group, the fund owns 1Mont Kiara, Klang Parade and Citta Mall in the Klang Valley, Ipoh Parade in Perak and AEON Bandaraya Melaka.

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## Sale to be completed next year

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The five assets, acquired between 2010 and 2012 by ARA Asia Dragon Fund 1 (ADF1), have a combined 2.7 million sq ft of space and have recently undergone a renovation and refurbishment exercise.

ADF1, which bought the properties for an estimated RM1.3 billion, initiated a renovation exercise last year, involving more than RM200 million. Klang Parade, for example, underwent an extreme makeover, while the work on Ipoh Parade and 1 Mont Kiara was at a smaller scale.

It was reported that as at March 2014, Klang Parade had 88% occupancy, Ipoh Parade 90% and 1 Mont Kiara 80%.

ARA Asia Dragon Fund is a private real estate fund managed by Singapore-listed ARA Asset Management Ltd and comes under the purview of ARA Private Funds. As at press time, ARA Private Funds CEO Ng Beng Tiong had yet to respond to an email query regarding the sale of the assets.

Ng had previously stated that should the fund divest the five assets, it would be looking at making at least 20% in internal rate of return, given that the acquisitions were made within the last four years. The fund's investment horizon is between three and five years.

*The Edge* understands that the fund had last month asked real estate agents to put in their proposals, after which it selected an exclusive agent to invite bids for the

assets and handle the sale.

According to a source, the fund prefers to sell all the assets to one party and the sale is likely to be completed next year.

ARA Asset Management's presence in Malaysia was established in 2006 when it teamed up with AmBank Group to set up the AmFIRST Real Estate Investment Trust (AmFIRST REIT). Will AmFIRST make a bid for these properties? According to an official contacted by *The Edge*, the trust will not be putting in a bid for these assets.

Ng had previously said that because the assets are held by a fund, the interests of its investors would come first and maximising returns for the fund is paramount.

ADF1 made its maiden acquisition in 2010 when it bought 1 Mont Kiara, which comprised an office building and a retail component, for an estimated RM330 million from Aseana Properties Ltd. The fund has pumped in RM20 million to upgrade the retail portion to provide more visibility. The retail portion of the commercial property has a net lettable (NLA) area of 226,000 sq ft. In the same year, the fund bought AEON Bandaraya Melaka for RM710 million from supermarket-cum-department store operator AEON Co (M) Bhd while it was still under construction.

Klang Parade and Ipoh Parade were acquired from TMW Asia Property Fund in 2011. ADF1 had also bid to acquire Seremban

Parade from TMW, but the deal did not go through. TMW is managed by Pramerica, the real estate investment management business of the US' Prudential Inc.

Ipoh Parade, which was built in the 1990s, underwent a RM90 million asset-enhancement exercise that increased the mall's NLA to 618,448 sq ft from about 584,794 sq ft and the number of shops to 199 from 182.

Twenty-year-old Klang Parade was upgraded last year at a cost of RM120 million. Although the NLA was decreased to 660,102 sq ft from 696,442 sq ft, the number of tenants grew to 231 from 123.

Citta Mall in Ara Damansara was the fund's final known Malaysian acquisition. Purchased in 2012 for RM200 million, it has an NLA of 426,006 sq ft. This shopping centre was developed on a 70:30 basis by German real estate fund SEB Asset Management and property developer Puncakdana Group.

Although ADF1 is expected to eventually divest the five properties, ARA Group has maintained that it will continue to seek neighbourhood malls in Malaysia.

As at March 31, 2014, ARA Asset Management's assets under management stood at S\$25.4 billion (RM65 billion). ARA Asset Management also manages REITs listed in Singapore, including Suntec REIT, Prosperity REIT and Fortune REIT. **E**