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Teladan Setia to focus on Melaka property sector

The Star, Malaysia

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PROPERTY

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KUALA LUMPUR: Ace Market-bound Teladan Setia Group Bhd, which is looking to raise RM77.3mil from its initial public offering (IPO), plans to acquire land parcels worth over RM35mil for its residential projects in Melaka.

The Melaka-based developer is slated to be listed on Bursa Malaysia on March 16.

Although the company has yet to finalise its choice of land to purchase, managing director Richard Teo Lay Ban said this is a good time for it to expand its land bank, given the low prices amid the property market slowdown.

"We are still looking through the options but we are giving ourselves two to three years to acquire these land. It is a good time as land-owners are not demanding with prices," he told *StarBiz* after the company's prospectus launch.

Teo said the land would be used to develop residential properties, which would be sold at RM400,000 to RM500,000. "This price range is very sellable," he said.

On the company's aggressive expansion, Teo said: "My father always told me that when times are bad, you can afford to be more aggressive as you have more or less reached rock bottom. So it's a good time to be aggressive and borrow money and ride the wave up."

In general, property developers use 30% cash and 70% bank financing to purchase

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Developer to acquire land parcels worth over RM35mil

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Richard Teo Lay Ban

land. Given that the company plans to utilise around RM35mil from the IPO proceeds to acquire land alongside bank financing, it can potentially purchase land worth up to RM100mil in the medium term.

In its prospectus, Teladan Setia said about RM35mil from the proceeds will be used to acquire land in Melaka. Besides that, around

RM33.1mil will be used as working capital to complete its ongoing projects, RM4mil for repayment of bank borrowings and the remaining RM5.2mil for listing expenses.

Teladan Setia has ongoing projects comprising residential with a gross development value (GDV) of RM623mil.

With the completion of the ongoing projects, the company said it would obtain more internal funds to finance its future projects.

Teo said the future projects, which comprise of two residential and one shop-office projects, are expected to have a GDV of RM995.2mil.

The residential projects are expected to start construction between the third and fourth quarter of this year.

"These parcels, together with the land acquisitions to be undertaken from the IPO proceeds in the near future, will significantly enhance our available land bank for future development," he said.

Teo is optimistic on the group's prospects as the property sector in Melaka is supported by

robust long-term fundamentals.

"In the last few years, the rise in the state's gross domestic product, higher property transactions, coupled with Melaka's lowest residential property overhang, signify a sustainable demand trend.

"This is why we will continue to focus on property development in Melaka," he said.

Teo also expects a strong rebound in the local property market with the start of vaccination programme in the country this month.

To date, Teladan Setia has total land of 73.9 acres, of which 69 acres are in Melaka and 4.9 acres in Selangor.

Teo said the product launch for the land in Selangor, which was acquired two years ago, will have to wait for the "right time", given the soft property market in the state now.

"Currently, we prefer to focus on Melaka as the overhang is relatively low there compared with Selangor. When the property market is much stronger, then we will launch the Selangor project," he said.



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