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PETALING JAYA: Felcra Bhd has secured a new source of funding to fully revive its stalled RM1bil Semarak20 mixed property development project located along Jalan Semarak in Kuala Lumpur.

The funding, which is in the form of a government loan, is estimated at RM500mil, says Felcra's chief executive officer Mohd Nazrul Izam Mansor.

He told StarBiz that the agency has also obtained approval from the Economic Affairs Ministry (MEA) to proceed with the project this year.

The Semarak20 project, which comprises Menara Felcra office tower, a 43-storey luxury residential building, a mall and an international convention centre, has an estimated gross development value of over RM1.09bil, said property analysts.

But, the project was put to a standstill for the past one-and-a-half years, given Felcra's funding constraints partly due to the financial mismanagement from its previous administration.

To recap, Felcra initially was just the land owner for the Semarak20 project, while the master developer, WZR Property Sdn Bhd was obligated to fund for the full cost of the project.

However, the changes made in the contract had deemed Felcra as liable and must bear the construction cost resulting in the agency having to fork out almost RM200mil from its internal funds.

This dispute also saw Felcra considering several options including selling off the Semarak20 project as part of the group-wide non-core asset disposal exercise to rebuild its depleting cash position.

At one point, the agency was said to have undertaken a series of negotiations with several parties to either dispose off or work together to develop the mixed property project, which is about 40% completed. However, the slowdown in the property market has made the attempt futile.

"But after much deliberations and having secured the new source of funding from the government, we have now decided to revive this premium real estate project given its future potential and prospects," said Nazrul who stepped in as Felcra CEO in October 2018.

Furthermore, all the issues with the main contractor and other contractors have been ironed out.

This will ensure that the Semarak20 project

Felcra to revive stalled RM1b Semarak20 project

Agency gets funding from new government loan

gets to be completed within the targeted deadline – in the next two years, said Nazrul. He has also expressed his confidence on a positive turnaround in the property market moving forward.

Felcra, which was corporatised in 1997, is involved in oil palm, rubber, padi, fertiliser, property, livestock and agrifood-related businesses.

The government-linked company is 99% owned by the Finance Ministry and 1% owned by the Federal Land Commissioner. It is also directly supervised by the MEA.

Meanwhile, Felcra chairman Datuk Mohamad Nageeb Ahmad Abdul Wahab had said that "the new Felcra must have the ability to balance between the right profitable businesses and its social obligation to provide good returns to Felcra smallholders and their families".

It was recently reported that Felcra, which posted RM187.12mil in losses in 2018, is set to narrow its losses in 2019 as the new management sought to restructure, raise its business competitiveness and ride on the rising crude palm oil prices.

Among its achievements in 2019 are 100% certification under the Malaysian Sustainable Palm Oil certification scheme obtained by 1,246 estates owned by Felcra participants covering 178,857ha and 32 of its own estates covering 29,926ha, as well as six of its own palm oil mills nationwide.

Another was the collaboration between Felcra and Qatar's Baladna Food Industries WLL to set up its maiden dairy production business in Malaysia, poised to be the largest anchor farm in the country with 10,000 heads capacity targeting annual production of 50 million litres of milk per year.

Within the next two years, the two companies aim to double Malaysia's current fresh milk production, in line with National Food Security Agenda.



RM1bil project: An artist's impression of Felcra's RM1bil Semarak20 mixed development property project along Jalan Semarak in Kuala Lumpur.