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Mulpha Land gets nod for par value reduction

Move will place company on better footing to raise funds for future expansion

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SELANGOR: Mulpha Land Bhd's (MLB) proposed par value reduction exercise by year-end will place the company on a better footing to raise funds for any expansion, said company officials.

MLB chairman Chung Tze Hien said yesterday that the company had received the greenlight from its shareholders to undertake the exercise which would offset its accumulated losses and enable MLB to expand its landbank.

Chung said that given the current depressed MLB share price, it was not conducive for the company to undertake any fund-raising exercise, and carry out the proposed capital reduction exercise.

"The exercise will enable us to raise capital when we want to. We will then have the capacity to raise funds by either a rights issue or whatever other method.

"Let's say we want to raise capital now when our share price is trading at about 40 plus sen, we can't possibly do so because we can't issue (new



Chung (left) & ED Yong Wan Seong at its AGM yesterday. Photo by Chu Juck Seng

shares) at below par of RM1.

"So, when it is 10 sen par value (versus RM1 initially), we can go out to the market to raise funds," said Chung after MLB's AGM and EGM in Petaling Jaya yesterday.

He said now that the company had shareholders' nod for the exercise, it would apply to the High Court to sanction the exercise.

The par value reduction will entail reduction of enlarged paid-up capital of RM91.32 million com-

prising RM91.32 million shares to RM9.132 million comprising 91.32 million 10 sen shares.

The proposed exercise will not result in any adjustment to the share price of the company or the number of shares held by shareholders. Its major shareholder, Mulpha International Bhd, has a 55.56% stake in MLB, based on the latter's 2009 annual report.

The exercise will give rise to a credit of RM82.19 million which will be offset against its accumulated losses

while the remainder will be credited to the company's capital reserves.

As at Dec 31, 2009, MLB had audited accumulated losses of about RM3.43 million at group level and some RM4.79 million at company level.

In FY2009, MLB posted a net profit of RM5.66 million on the back of RM13.5 million in revenue. MLB's earnings per share stood at 7.74 sen.

Chung said MLB still had room to gear up, given its debt-to-equity ratio which stood at 0.33 time, based on short- and long-term borrowings of RM36.2 million and shareholders' equity of RM106.9 million.

On the operational front, property division general manager Ronn Yong said the bulk of the company's income for the current fiscal year ending Dec 31, 2010 would stem from its Taman Desa Aman project and lease income from its Raintree Residence in Ampang Hilir.

Other projects such as the Enclave Bangsar, a stratified high-end bungalow development sited on a 1.5-acre land, could also give the company's earnings a boost. The project, scheduled for completion in 2012, has a gross development value of RM80 million based on price of RM1,100 to RM1,200 per sq ft.

Meanwhile, he said MLB's Bukit Tunku project could be launched by next year-end.