

# Hotel sale next phase for Tradewinds

| BY LIM AI LEEN |

**T**radewinds Corp Bhd is negotiating to sell its Intercontinental Westlake Hotel in Hanoi, Vietnam for close to US\$120 million (about RM408 million), say sources. It is believed that a few bidders, all foreign, showed interest but the field has narrowed to one party.

Analysts expect Tradewinds to post a substantial gain from the sale, as the hotel is "valued poorly in the books". Construction began in 1994 but ground to a halt in 1998, after the Asian financial crisis hit. The project was revived in 2004 and the hotel is slated to open this October. It is believed that the total construction cost is US\$97 million.

Tradewinds owns the hotel as a 75% joint-venture partner with Vietnam's Thang Long GTC. As at Dec 31, 2005, its cost of investment in the venture was RM63 million. Property watchers say this is a good time to sell the asset as tourism and business in Vietnam are currently booming.

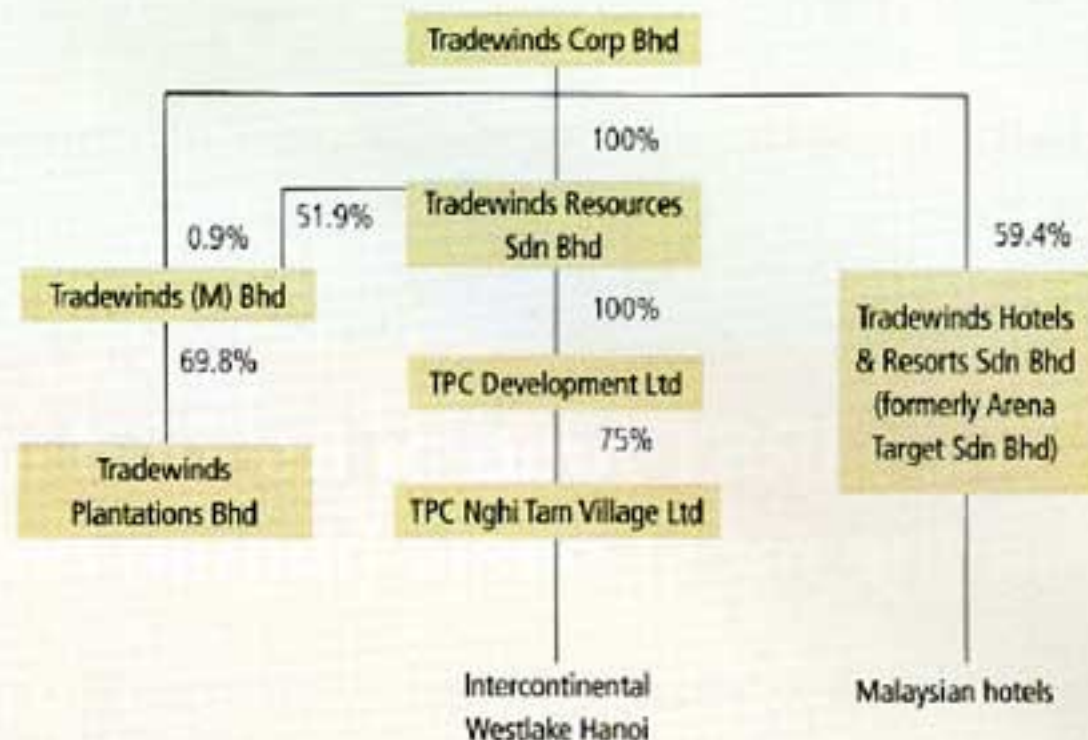
shareholder with a 32% stake.

Tradewinds' 10 local hotels are housed under Tradewinds Hotels and Resorts Sdn Bhd, formerly Arena Target Sdn Bhd, a special purpose vehicle incorporated under the restructuring. To pay for the hotels in 2004, Tradewinds Hotels issued RM153.4 million worth of redeemable convertible unsecured loan stocks and RM371.6 million worth of irredeemable convertible unsecured loan stocks (ICULs) to state investment arm Khazanah Nasional Bhd.

Khazanah's investment in Tradewinds dates back to 1998, to the tune of some RM550 million. The loan stocks mature in 2013 and provide that proceeds from any hotel disposals must be applied to pay Khazanah. In 2003, the Mutiara Pedu Golf and Lake Resort, Kedah and Hilton Batang Ai Longhouse Resort, Sarawak, were supposed to be sold to raise some RM100 million. However, the sales did not take place.

Tradewinds' debts, at RM2.3 billion last December, are substantial, hence it needs to continue disposing non-core assets. Last August, Rating Agency Malaysia noted: "... the dis-

## Tradewinds corporate structure (hotels and plantation)



A sealed deal could also mark the next phase of restructuring for this conglomerate. Loss-making Tradewinds, formerly known as Pernas International Holdings Bhd, has been in turnaround mode since 2003, and was widely expected to sell its Malaysian hotel properties two years ago to raise cash. The Hanoi sale, say industry observers, could set the ball rolling on the local front.

"It makes sense to sell the Malaysian hotels now, since there is a shortage of properties to buy in Kuala Lumpur. Also, the major shareholder is not keen on the hotel business for the long haul, though money had to be spent to refurbish some of the properties," remarks an industry observer.

Tycoon Tan Sri Syed Mokhtar Al-Bukhary is Tradewinds single largest

positional of some of its non-core assets over the next three years will be critical towards supporting its financial obligations at company level."

The Hanoi hotel is not held under Tradewinds Hotels, hence its sale should help boost Tradewinds' financials. Last year, the group showed a net loss of RM9.8 million, considerably lower than the previous year's net loss of RM48.5 million. This performance gave analysts a nice surprise, and was partly due to a revaluation of its Malaysian hotels that resulted in a RM8.6 million gain in the income statement. Hotel operations, however, remained loss-making due to refurbishment, though the group's plantation and refined sugar units boosted earnings.

Research house Standard & Poor's

# Corporate exercise may be in store for Tradewinds

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upped its fair value for Tradewinds stock last month, from 97 sen to RM1.31. It expects net profits to hit RM44.4 million this year driven by falling raw sugar prices and rising room rates.

Syed Mokhtar's 32% stake in Tradewind's is via Perspective Lane (M) Sdn Bhd. His flagship company MMC Corp Bhd owns power producer Malakoff, engineering and construction outfit Zelan and ports Pelabuhan Tanjung Pelepas and Johor Port. His other business interests include banking, insurance and oil and gas.

Syed Mokhtar recently took both Johor Port and Malakoff off the Malaysian bourse, sparking speculation that more such moves are in store for his publicly-held companies.

Two weeks ago, Tradewinds was actively traded on talk that it would be the

next group of companies to be taken private. On May 4, the stock leapt 28% to RM1.54 in one day, before calming down last week after Tradewinds denied such a plan. Last Friday, the counter traded at RM1.42, still far above the average 81 sen it has been trading at over the past 12 months.

Despite Tradewinds' denial, market talk still persists that some form of corporate exercise is in store for the group (see diagram on Page 26).

"Currently there are three listed vehicles — Tradewinds Corp, Tradewinds (M) and Tradewinds Plantations. There are plans to bring the income-generating assets closer to the holding level, hence the current structure may need to be collapsed. This means at least one of the listed companies may have to be taken private," explains a research head at a local stockbroker. ■