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HD **Frasers sets sights on overseas expansion**

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Group hopes to hit 50-50 on Singapore and foreign assets in five years' time

[SINGAPORE] An aggressive overseas expansion plan is in the works at Frasers Centrepoint Ltd (FCL), which is looking to grow its foreign assets to make up half of the group's overall portfolio, and raise earnings from overseas residential development projects to equal those from its Singapore operations.

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The property group, a unit of conglomerate Fraser & Neave (F&N), also wants to reduce its reliance on the development business by raising recurring income from its investment properties.

In an interview with BT earlier this week ahead of its listing on Jan 9, FCL chief executive officer Lim Ee Seng said: "There is an eagerness to grow the business (overseas), more than what we are currently doing. From a strategic point of view, it's necessary to grow business beyond Singapore."

Overseas assets currently make up 36 per cent of FCL's $9 billion portfolio as at the end of FY2013 on Sept 30. The bulk of these assets are in its core markets Australia and China, which account for 15 per cent and 9 per cent respectively of its overall portfolio.

"We are trying to hit 50-50 (between Singapore and foreign assets). Hopefully we can hit 50-50 in five years' time," said Mr Lim.

For its residential development business, overseas projects currently contribute less than $80 million in profits before income tax (PBIT) per year on average, while PBIT from its Singapore projects average above $200 million a year, said Chia Khong Shoong, FCL's chief financial officer. The plan is for both the Singapore and overseas residential development business to respectively sell 1,000 units and contribute PBIT of at least $200 million each.

Mr Lim said that FCL's overseas push will continue to focus on Australia and China. But the group may develop a new core market: Thailand.

FCL has developed condominium projects and has serviced apartment operations in Thailand, but the country has always been a peripheral market, and is home to less than one per cent of FCL's assets.

Said Mr Lim: "The problem with the Thai market is that if you are a foreign developer, most of the time you are not allowed majority control."

But this hurdle is now cleared because FCL's majority shareholder is Thailand-based TCC Group, whose main business interests include property.

"TCC is our parent, so if we do a joint venture with them it is as good as us going there ourselves in terms of the levels of trust, corporate governance and control. Also, TCC knows the local market well," said Mr Lim.

FCL is now looking at working with TCC on "two or three projects" in Thailand, said Mr Lim. These would mainly be in Bangkok and cover a mix of developments: residential, office and retail malls.

"We are still at the evaluation stage. Some of the land is already owned by TCC, while we are looking at jointly bidding for others," he said.

Overall, the plan for FCL's overseas ventures is to build more mixed-used developments, which would fulfil FCL's aims of boosting earnings from overseas **residential** projects, growing its foreign assets and raising recurring income.

"We are very strong in mixed developments," said Mr Lim. "We have the expertise and we can bring this out of Singapore. So we will be doing more mixed developments overseas, either on our own or through joint ventures with others."

FCL, together with Sekisui House, is already developing One Central **Park** in Sydney - a 5.8-hectare (624,307 sq ft) parcel of inner-city land that, when completed, will have **residential**, office and retail facilities. In Singapore, FCL has worked on mixed-use developments such as Changi City and the Watertown in Punggol.

This year, FCL will be launching more **residential** units for **sale** overseas than in Singapore. After the **Chinese** New Year period, it will launch the 99-year leasehold Fernvale Close project being developed with Far East Orchard and Sekisui.

It will also continue to put in bids for **residential** and **commercial** space under the government land sales (GLS) programme to build up its land bank.

Said Mr Chia: "We may have quite a lot of units that we will launch in **China**, so that may push the numbers up. We do have quite a large pipeline there."

The **group**'s **residential** landbank is in Suzhou and Shanghai.

In Australia, FCL expects launches at three projects during the course of the year, involving hundreds of units, said Mr Chia. Two of these projects are in Sydney and one is in Perth.

Another key plan of FCL is to grow recurring income to match income from development projects.

In FY2013, recurring income was $244 million, or about 43 per cent of profit before income tax (PBIT), while development accounted for $360 million.

Said Mr Lim: "We are trying to build a sustainable income stream which comprises our investment properties - like hospitality, the retail malls, offices, as well as our management fees and fee income - and income from development properties.

"The bulk of it (income) currently comes from development properties. We are trying to even that out by having a balance between the two."

A big contributor to recurring income would be its serviced **apartment** business, said Mr Lim. "I think this is one of the most scalable businesses within the **group**."

As at June 30, 2013, FCL owned only 20 per cent of its serviced residence units. Some 77 per cent are under management, while a further 3 per cent are leased.

Some of the serviced residence apartments and hotels owned by FCL and TCC will be spun off into a real **estate** investment trust that FCL is planning to launch this year. Although previous reports suggested the Reit will list in the first quarter, Mr Chia said a definitive date has not been set.

ART Overseas push: Mr Lim (left), with Mr Chia. FCL will continue to focus on Australia and **China**, says its CEO. - PHOTO: YEN MENG JIIN

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