

The Atmosphere buys landowner

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PETALING JAYA: Eksons Corp Bhd's indirect subsidiary, The Atmosphere Sdn Bhd, is buying the landowner of its joint-venture project in Seri Kembangan.

In a statement yesterday, Eksons said The Atmosphere would pay RM61mil for Russella Teguh Sdn Bhd to the latter's parent, Lien Hoe Corp Bhd.

In April last year, Russella gave The Atmosphere the sole and exclusive right to develop a 53.8-acre site in Seri Kembangan.

In return, The Atmosphere would pay Russella RM1mil cash plus 72 shop-offices worth at least

RM61.2mil over seven years, or 27.5% of the gross development value (GDV) of the project, whichever was higher.

However, the GDV is much higher now than anticipated due to rising prices of building materials, hence The Atmosphere will have to pay Russella more for the development rights.

An Eksons spokesman told *StarBiz* that by buying Russella, the group would be able to maintain the earlier cost and have greater control over the project. The acquisition will be purchased via internal funds and borrowings.

The commercial development is expected to be launched in the third quarter and start contributing to the

group's earnings in the financial year ending March 31, 2009.

On the plywood business, the spokesman said prices had been heading upwards in the past two months and the trend was expected to continue.

Prices were dampened last year due to slowdown in demand from Japan but orders have started to pick up again.

Last year, it was a "double whammy" for Eksons when prices were weak and the ringgit continued to strengthen against the greenback, the spokesman said.

Margins were squeezed causing net profit for the third quarter ended Dec 31 to fall to RM10.1mil on revenue of RM124.8mil.