

Ireka studying growth options, not ruling out real estate trust

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IREKA Corp Bhd's growth driver may come from either a real estate investment trust (REIT) or expansion of its development management services to other property markets.

Until it finalises its options, the construction group is now on an asset-light operations mode, keeping its balance sheet lean, its executive director Lai Voon Hon told Business Times recently.

Incorporated in 1967 by Lai Siew Wah, Lai's father, Ireka's core businesses are construction, property development, hospitality & leisure and information technology.

It is not looking for new business opportunities for now but does not discount the possibility of launching a



REIT when the time is right.

Its current asset-light business model was adopted when Ireka was restructured to cut its gearing after the 1997 financial crisis.

It shed its weight among others by listing in London Aseana Properties Ltd where it holds a 23 per cent stake.

It also sold The Westin Kuala Lumpur to an international investment firm and its entire property portfolio to Aseana to focus on construction.

The de-gearing move was also to diversify risks,



Lai said.

Under the asset-light model, Ireka, through its wholly-owned unit Ireka Development Management (IDM) Sdn Bhd, is responsible for implementing the real estate investment strategy for Aseana.

‘Until we finalise our options, we will remain in asset-light operations mode.’

Lai Voon Hon
Executive director
Ireka Corp

IDM's role as a development manager includes engaging, managing and coordinating third parties in relation to the development or management of properties and leading the negotiation for the acquisition, disposal or financing of real

estate assets.

On plans to go international, Lai said Ireka will remain focused on Malaysia and Vietnam, where it is exploring infrastructure-related projects.

According to Lai, there is still a lack of high quality housing, offices, shopping malls, hospitals and hotels in Vietnam.

Lai said he believes Vietnam will remain a high growth market post the global financial crisis.

“All the positive economic fundamentals, which had attracted foreign investors to Vietnam in the past, remain intact and will be the foundation for future growth once the global economy recovers,” he said.

Lai, however, did not rule out the possibility of looking into other Asian countries in the future.

Construction arm to remain top revenue contributor

IREKA Corp Bhd's construction arm, Ireka Engineering & Construction (IEC) Sdn Bhd, will remain the biggest contributor to its net profit and revenue going forward, executive director Lai Voon Hon said.

Ireka, set up in 1967, is involved in construction, property development, hospitality & leisure, and information technology.

IEC has three projects in hand, namely SENI Mont' Kiara and one Mont' Kiara in Kuala Lumpur and Sandakan Harbour Square with outstanding works of RM650 million. It may get more jobs next year as Ireka has been pre-qualified to bid for more than RM2.5 billion worth of infrastructure and building construction projects.

Ireka started as Syarikat Lai Siew Wah, a sole proprietor which undertakes general earthworks such as site clearing and road work construction for other local contractors.

The group, founded by Voon Hon's father, Lai Siew Wah, expanded its fleet of plants and machinery and began to take on large-scale construction works in the 1970s. Throughout the 1990s it constructed some notable projects like the Kuala Lumpur International Airport runway, sections of the Kuala Lumpur Middle-Ring Road II and North-South Expressway, Putrajaya government administrative offices and The Westin Kuala Lumpur.

The elder Lai is a self-made man who learnt through the school of hard knocks. At the age of 10, he was laden with responsibilities far too big for his age. He had no formal schooling and he had to contribute to the family's income due to the passing of his father.

He became a machine repair apprentice and at 14, wanted to own a tractor. With the money earned, he bought a machine and leased it out, gradually moving into sub-contracting work.

Siew Wah, now 69, is known in Kuala Lumpur as 'lai wong' (earth king).

His son, a professional architect, joined Ireka in 1994 as the group general manager and was appointed to the board in 1996.