

Aseana may return excess cash, to benefit Ireka?

KUALA LUMPUR: London Stock Exchange-listed Aseana Properties Ltd, a unit of Ireka Corporation Bhd, may consider returning excess cash to shareholders following the proposed disposal of a 20-storey office tower and a five-storey retail mall in 1 Mont' Kiara for RM333 million.

This could potentially benefit Ireka Corp, which holds a 23% stake in Aseana. Ireka's shares closed three sen lower at 75 sen yesterday. The company has a market capitalisation of just RM85.4 million.

"The board will consider the various combinations of returning excess

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cash to shareholders, after taking into consideration both current and on-going cash requirements, either via dividends or share buyback, or investing in new and current development opportunities that offer higher returns," Aseana's chairman Datuk Mohammed Azlan Hashim said in a statement late on Wednesday night to the London stock exchange.

In the statement, Aseana announced the signing of conditional sale and purchase agreements with wholly owned subsidiaries of ARA Asia Dragon Fund for the proposed disposal of the properties, which are two of the three components in 1 Mont' Kiara, an integrated mixed development.

The third component is a 34-storey building consisting of 186 office suites, 185 of which have already been sold to individual buyers.

ARA Asia Dragon is a real estate management fund that is associated with Hong Kong's property tycoon and the world's 14th richest man Li Ka-shing.

This confirmed *The Edge Financial Daily's* report yesterday that Aseana was disposing of the properties to the fund for RM333 million.

1 Mont' Kiara is being jointly developed by Aseana and MCDF Investment Pte Ltd, a private equity fund managed by Singapore's CapitaLand Financial Ltd. Ireka Corp is the project contractor.

Aseana expects to complete the proposed transaction by year-end. Aseana said the transaction was expected to result in net losses of about US\$4 million (RM12.9 million) for the company, with the 25% income tax charge for early disposal accounting for the majority of it.

"The board believes that, given the generally depressed office market in Kuala Lumpur, RM333 million is a respectable price. It decided that to sell the two properties at this stage and return capital to the company,



rather than retaining them as investment assets, was in the best interests of Aseana's shareholders.

"This strategy also has the additional advantage of avoiding the requirement to refinance loans due for renewal in early 2011," Azlan said.

Aseana was listed in April 2007 with an original fund size of US\$250 million. The aim was to tap the then vibrant property markets of Vietnam and Malaysia. Ireka had injected in most of its properties under development in Malaysia, including 1 Mont' Kiara, in return for an original 20% stake in the fund.

Following the global financial crisis and the slowdown in Vietnam's property market, Aseana's shares slumped from the IPO price of US\$1 to as low as US\$0.12 during the height of the crisis. It has since rebounded to US\$0.47, but still well below its net asset value (NAV) per share of US\$0.95 as at March 31, 2010. Its total NAV is now US\$201.5 million.

Aseana has seven projects in Malaysia and three in Vietnam. Ireka's wholly owned subsidiary Ireka Development Management Sdn Bhd manages the fund for a 2% annual management fee and a performance fee of 20% out of the outperformance NAV over a hurdle rate of 10%.