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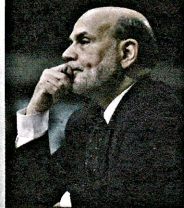
# FINANCIAL DAILY

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FBM KLCI 1762.19 ▲ 19.32 KLCI FUTURES 1759.50 ▲ 23.00 STI 3161.43 ▲ 30.74 RM/USD 3.1140 CPO RM2436.00 ▲ 12.00 OIL US\$105.93 ▲ 1.68 GOLD US\$1387.60 ▲ 9.70

## Privatisation of Ireka a sweet deal?

Plans selective capital repayment of 90 sen per share to minority shareholders

by **Kathy Fong**  
FD@bizedge.com

KUALA LUMPUR: Lai Siew Wah, the controlling shareholder and founder of Ireka Corp Bhd, intends to take the company private via a selective capital repayment of 90 sen per share to its minority shareholders.

However, the privatisation offer, which is slightly more than one third of the last trading price of 68 sen, may not take into account the prospects of its investment in private healthcare operations in Vietnam, said analysts.

Olymvest Sdn Bhd, on behalf of the controlling shareholders, said in a letter to the company's board that the rationale of the privatisation was due to Ireka's lacklustre share price performance. It has been trading below its par value of RM1, making fundraising difficult.

Olymvest noted that the construction and property development outfit continues to face challenges in rising costs of building materials and the shortage of skilled workers in the construction sector.

It also said Ireka continues to be affected by losses from its investment in Aseana Properties Ltd. "As such, future dividend payments to Ireka shareholders may also be

affected, which may further erode the stock's market price," the letter said.

Lai's investment vehicle, Ideal Land Holdings Sdn Bhd, is the single largest shareholder with a 43.02% stake, followed by Magnipact Resources Sdn Bhd with 13.52%. Lai and his parties acting in concert collectively control 64.7% of Ireka.

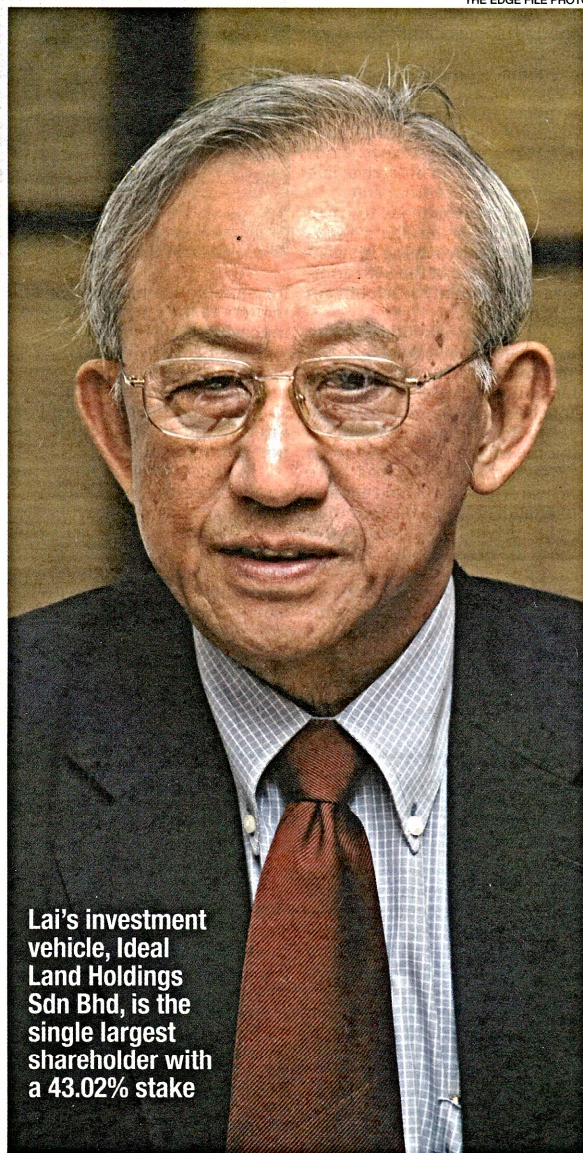
The offer price of 90 sen is substantially higher than Ireka's share price that has been hovering from 62 sen to 74 sen in the past one year.

But the offer price was at a sharp discount of 43.75% to its unaudited consolidated net assets (NA) per share of RM1.60 as at end-March. Olymvest said the unaudited NA recorded a carrying value of RM149.17 million for Ireka's 23.07% stake in London-listed Aseana — the value is significantly higher than the current market value of RM63.1 million.

With the mark-to-market adjustment on the carrying value of Aseana, the company's unaudited NA should be RM95.64 million or 84 sen per share. Based on the adjusted NA per share, the offer is at a premium of six sen or 7%.

Earnings wise, Ireka incurred a pre-tax loss of RM35.6 million for

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## Prime assets in Vietnam and ongoing property projects

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the 2013 financial year (FY13) ended March compared with a pre-tax profit of RM15.3 million for FY12. Revenue shrank to RM331.8 million from RM431.2 million. The poor result was attributed to the RM19.07 million losses from Aseana plus bad debts written off.

Analysts said there is no fresh catalyst in the near term to boost earnings growth. However, the company has some prime assets that would bear fruit — its healthcare business in Vietnam and some ongoing property projects.

Ireka has an order book of about RM850 million, including RM640 million of outstanding works. In April, executive director Lai Von Hong told reporters that Ireka had bid for RM1.2 billion worth of projects. He expects a sizeable deal for a design-and-build commercial building this year.

The current construction order book comprises Imperia Puteri Harbour in Nusajaya, Johor, as well as the MRT Package V7 (construction and completion of viaduct guideway and other associated works from Bandar Tun Hussein

Onn to Taman Mesra).

Research analyst InsiderAsia said the next major catalyst for Ireka will be the condominium and hotel residences project, RuMa, in Jalan Kia Peng in the KLCC area. RuMa was launched in early March. "The project should lift both Ireka and Aseana's earnings when completed in mid-2016," said InsiderAsia.

The project, which has a gross development value (GDV) of RM650 million, is a joint venture between Aseana (70%) and Ireka (30%).

In Vietnam, the company is involved in the International Hi-Tech Healthcare Park, a 37.5ha healthcare themed development with a potential GDV of US\$770 million (RM2.4 billion) in Ho Chi Minh City. It has completed the construction of City International Hospital in the city. The hospital is part of Healthcare Park that consists of a private hospital, mixed commercial and residential units.

Ireka is poised to reap investment returns in Vietnam in the next five years, Von Hong was quoted as saying.