

# Offer for Ireka 'not fair' but 'reasonable'

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KUALA LUMPUR: Minority shareholders of Ireka Corp Bhd are advised to vote in favour of its controlling shareholder and founder Datuk Lai Siew Wah's proposed offer to take the company private via a selective capital repayment (SCR) and a corresponding capital repayment exercise of 90 sen per share totaling RM36.19 million.

This was despite its independent adviser Affin Investment Bank Bhd (Affin IB) deeming the cash repayment sum as "not fair" as it is lower than the sum-of-parts valuation per Ireka share of RM1.20 as well as below the prevailing market price of Ireka shares of RM1.07 on Jan 21 of RM1.07.

"(However,) entitled shareholders should monitor the market price of Ireka shares before arriving at the decision as to whether to vote in favour of or against the special resolution

pertaining to the proposed SCR to be tabled at the forthcoming EGM," said Affin IB in a circular to shareholders yesterday.

Nevertheless, Affin IB found the cash repayment sum "reasonable" as it is offered at a premium that is above the average premiums paid for completed SCR transactions since January 2011 up to the last practicable date.

"We are of the opinion that the proposed SCR is reasonable, taking into account Ireka's low trading liquidity and the opportunity for entitled shareholders to exit their investment in the company — which provided a negative rate of return on investment of 0.26% over the past five years," said Ireka.

It also noted the uncertainties the construction and property development group has to face given the prevailing challenges in the construction industry, and the absence of an alternative offer and/or higher bid for Ireka shares.

Accordingly, it is recommending that the entitled shareholders vote in favour of the proposed SCR at the forthcoming meeting.

To recap, on June 2013, Ireka announced that it has received an offer from Olymvest Sdn Bhd, which is Lai's special-purpose vehicle for the deal, to take Ireka private via the SCR and repayment exercise.

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 group has continued to suffer losses via its 23.07% stake in London-listed Aseana Properties Ltd, which has resulted in a loss amounting to RM19.07 million for the financial year ended March 31, 2013.

The loss incurred in Aseana is due to the decline in fair value of

Aseana's 16.32% investment in Ho Chi Minh Stock Exchange listed Nam Long Investment Corp, and operating losses of Four Points by Sheraton Sandakan Hotel and Harbour Mall Sandakan.

"As Aseana's projects require a long gestation period to achieve profitability, it is likely that Aseana will incur losses in the near term and that future profitability, if any, would depend on the level of patronage and occupancy for the mall and the hotels," Affin IB noted.

Lai and parties acting in concert intend to continue with Ireka's existing business and operations and have no plans to liquidate Ireka in the next 12 months following the completion of the proposed SCR.

Upon completion of the proposed SCR, Ireka will be 100% owned by Lai and parties acting in concert, who do not intend to maintain the listing status of Ireka on the Main Market of Bursa Malaysia.