

Affin: Offer for Ireka 'not fair but reasonable'

PETALING JAYA: Affin Investment Bank (Affin IB) said the proposal by Ireka Corp Bhd's major shareholders to take the company private via a selective capital reduction (SCR) and repayment exercise is "not fair but reasonable".

In its independent advice circular yesterday, Affin IB said the cash repayment sum is not fair as it is lower than the fair value of RM1.20 it has pegged for each Ireka share.

"The cash repayment sum is also not fair as the cash repayment sum is below prevailing market price of Ireka shares as at the last practicable date (Jan 24, 2014) of RM1.07," it said.

However, Affin IB is of the opinion that the proposed SCR is "reasonable" as shareholders have the opportunity to dispose of their shares immediately at a premium above the closing market price on the last full

trading day being June 13 2013, and up to a year volume-weighted average price (VWAP).

Another factor is the low trading liquidity of Ireka shares compared to its peers.

Affin IB noted that the proposed SCR offers entitled shareholders an exit avenue "for an investment which provided a negative rate of return of 0.26% over the past five years".

It pointed out that while the group's main contributor was derived from its construction segment, its profits trend was largely affected by its investment in two entities listed on the London Stock Exchange and the Hanoi Securities Trading Centre, namely Aseana Properties Ltd and Kinh Bac City Development Shareholding Corp.

"The construction net profit margins achieved by the group were unable to absorb the negative impact of the mark-to-

market write-off for its investment in Kinh Bac or the share losses from Aseana," the bank said.

Ireka's management does not expect to turn around the group within the next two years given the continued expected losses from its investment in its 23.07% property development associate, Aseana.

Also taken into consideration were the uncertainties the group faces given the prevailing challenges in the construction industry as well the absence of an alternative offer and a higher bid for Ireka shares.

"After taking into consideration the various factors... we are of the view that the proposed SCR is not fair but reasonable and is not detrimental to the entitled shareholders.

"Accordingly, we recommend that the entitled shareholders vote in favour of the special

resolution pertaining to the SCR to be tabled at the forthcoming EGM," Affin IB said.

In June 2013, Ireka's major shareholders, Ideal Land Holdings Sdn Bhd, together with persons acting in concert, proposed to take the company private via an SCR exercise at 90 sen apiece through a special purpose vehicle, Olymvest Sdn Bhd.

The offer price represents a 44% discount to its unaudited net asset per share of RM1.60 as at March 31 2013.

Notably, Ireka's founder and managing director, Lai Siew Wah, is the substantial shareholder in Ideal Land. The alliance now collectively holds 64.7% of Ireka's total capital spread.

Pursuant to the proposed SCR, shareholders who hold the remaining 35.35% stake will be entitled to a total capital repayment of some RM36 million.