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A defining moment

The debut of Aseana Properties Ltd (ASPL) on the London Stock Exchange's main board earlier this month marks a significant milestone for the Ireka Group. ASPL is blazing a trail as the first Malaysian property fund to be listed there. How will that affect the locally listed entity? Ireka's Lai Voon Hon and his sister Monica Lai explain the game plan to **Jennifer Gomez** and **Fintan Ng**. Turn to Page 2 for the story.



Getting it RIGHT

Minister of Housing and Local Government Datuk Seri Ong Ka Ting has been tasked with slashing red tape in the property development sector. He explains to Au Fong Yee how this will be achieved and why the bold changes are necessary. Read the details on Pages 6, 8 and 10.



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Voon Hon (10th from right), Lai Siew Wah (eighth from right) and Chan Chee Kian (IDMSB vice president, strategy and corporate affairs — third from right), ASPL advisers and other members of the Ireka team with officers of the London Stock Exchange on the day ASPL made its debut on the LSE

Ireka: A new beginning

April 5 marked a significant milestone for the key people behind the Ireka Group. Lai Voon Hon and his father Lai Siew Wah were given the honour to open trading on the London Stock Exchange (LSE) on that day — when Aseana Properties Ltd (ASPL) debuted on the main board there. Another key person instrumental in the listing is Voon Hon's sister, Monica Lai, the group financial controller for Ireka Corp Bhd.

Voon Hon describes it as a defining moment. "I was interviewed by CNBC, it was very exciting... we felt proud for the country as well. An English daily described us as being the first Malaysian company to be listed on the main list in living memory. There are currently quite a few property funds listed in London, but we are the first Malaysian property fund," he shares.

ASPL has a market capitalisation of US\$250 million (about RM860 million) and managed to raise US\$162 million from the listing exercise. As part of the listing, Ireka Corp is disposing of its entire shareholding in Ireka Land Sdn Bhd and ICSD Ventures Sdn Bhd to ASPL in return for RM50 million in cash and 20% shares in ASPL. Ireka Land is developing Tiffani by i-Zen, i-Zen@Kiara 1 and one Mont'Kiara while ICSD is developing the Sandakan Harbour Square (see sidebar).

Meanwhile, newly formed Ireka Development Management Sdn Bhd, (a 100% owned subsidiary of Ireka Corp) which is headed by Voon Hon as the president/chief executive officer, will manage all the properties parked in ASPL, which is strictly focused on the Malaysian and Vietnam markets.

The question is, how does this benefit locally listed Ireka Corp? Voon Hon explains it succinctly: "We have not given up our core business of construction and property development; this is just the first step of diversifying our income base into development management. IDMSB, our property management arm, will source, develop and manage projects for ASPL for a recurring management fee, based on the size of the fund." Adds Monica, "The asset may not be in our [Ireka Corp] balance sheet, but neither are our borrowings. Basically, with a fund size of US\$250 million, we can gear up to 50% to 60% of the fund and that means RM750 million per annum in gross development value, or RM5 billion worth of projects over five years. And this is assuming we do not reinvest the money that we have earned." (This is assuming the funds raised are used as equity to purchase land, which constitutes about 30% of the gross development cost of projects that generate a revenue of RM750 million to RM800 million a year on average.)

Needless to say, the listing will benefit one of its core businesses — its construction arm whose order book stands at RM600 million, 80% of which is Ireka's raft of projects. "Our construction side will be invited to tender for projects under ASPL, but on an arm's length basis," explains Voon Hon. Monica adds that whilst there are plans to create and organise future funds to bring in more income for the group, for the first year, the focus will be on ASPL, and thus Malaysia and Vietnam.

So now, the brother-sister team is all set to go on a shopping spree to spend the close to RM600 mil-

lion they raised from the listing. What have they set their sights on?

Focused fund

Voon Hon cannot stress enough that ASPL has its own direction. "As a group, we are interested in India and China as well, but ASPL is purely focused on Malaysia and Vietnam." And this has a lot to do with the Malaysian success story and the unlimited opportunities that are to be had in Vietnam, he adds.

"The underlying fact is that we have a buoyant market and fairly high GDP growth that has the attention of international investors. Vietnam is a fast-growing economy with tremendous potential at this moment in time. It is set for a huge transformation over the next few years. Fortunately or unfortunately, they are competing with us for FDI," he says.

Monica elaborates: "In Vietnam, nothing can be bought yet; we are entering at a pre-construction stage. We are looking at areas we are strong at, typically high-end residential. We are going to replicate our i-Zen product there, there'll be a 5-star hotel, hopefully developing another prized asset (referring to the Westin KL) and also grade A offices which are in great demand. We are also actively looking for land in Malaysia and Vietnam."

There will be more joint-venture partnerships to fuel ASPL's development efforts, says Voon Hon, who adds that this has been an ingredient of its success thus far. "From the buyer's standpoint, they would

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Thriving on challenges

The three projects under Ireka Land Sdn Bhd that have been injected into Aseana Properties Ltd (ASPL) are Tiffani by i-ZEN, one Mont'Kiara and i-ZEN@Kiara 1. The former two are being developed in a joint venture with CapitalLand Ltd. In their private capacity, the Laiss have also teamed up with CapitalLand to develop Kiaraville, a 404-unit condominium project that is more than 95% sold with completion expected by end of this year.

Tiffani is scheduled for completion in mid-2009. To date, 80% of its 399 units have been sold. As for i-Zen@Kiara 1, the 302 serviced apartment units are 95% taken up and completion is expected in mid-2008. One Mont'Kiara, made up of a retail mall with 179 office suites is scheduled to be ready in the third quarter of 2010. The only component for sale here are the 179 office suites and, of these, about 95% of the 128 units that have been

opened up for sale has been snapped up.

In Sabah, ICSD Ventures Sdn Bhd, a joint venture company between Ireka Corp Bhd and Geofusion Resources Sdn Bhd is developing the Sandakan Harbour Square, an urban redevelopment of the old Sandakan harbourfront. This property has also been injected into ASPL. The first phase comprising shophouses is 90% sold and completed and a second phase of shop houses would be launched soon. The new phase will also comprise a shopping centre, the first for the town that has a population of 450,000. Lai says an international standard hotel is also in the offing, with work expected to commence in the third quarter of this year.

Ireka has come a long way from its humble beginnings as a construction firm. The infusion of new blood, with the entry of Lai and sister Monica — who is the executive director/financial controller — in 1993 is taking the company places. "When we came

in, we were very enthusiastic to do things creatively and innovatively, to challenge the traditional way of design and development," Lai offers.

Before it made headlines recently as the first Malaysian fund to list on the London Stock Exchange, it was the talk of the town when Westin Kuala Lumpur, previously owned by Ireka Hotels Sdn Bhd, was sold to Newwood Assets Ltd, an international property investment company for a whopping RM455 million in the middle of last year. It was touted as a record-breaking deal, as the deal worked out to more than RM1 million per room.

Lai, an architect by training, had been instrumental in the design of the Westin, having previously worked in London and Hong Kong as a hotel designer before coming home to join Kumpulan Akitek in 1990. "Hotel development in 1990 was something new for us then," he says. But this is type of challenge Lai thrives on, as he admits that

the challenge of developing the tight 1.2-acre site into a hotel was what induced him to join the Ireka team. When they were building level six and basement one of the Westin, the Asian financial crisis hit. Due to escalating costs, there was no choice but to mothball the project, Lai says. The entire construction went into maintenance mode in the third quarter of 1997. Work recommenced three years later, but just when they were planning to open The Westin's doors in 2003, the severe acute respiratory syndrome struck. What was supposed to be ready for the Commonwealth Games in 1998 was then opened in September 2004.

On hindsight, Lai values the lessons learnt. "We've come a long way from those days. We realised we cannot rely on the false protection that if the banks give you a lot of money, you are okay. If you are undercapitalised, you will be vulnerable should there be a crisis," he offers.



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Roofing problems

One of the most important components of a house is its roof. The usual worry when one spots any fault in this important structure is leakage as this can wreak havoc in your house in a short span of time, destroying furniture. Apart from leaks, another cause for concern is a sagging roof. What can homeowners do to prevent or when faced with these problems?

Being well informed is the first step in addressing these problems. Buildingcentre PAM shares some tips that can help a homeowner save time, effort and money when facing roofing problems.

Detecting a leak

Stains on the ceiling is often your first indication of a leak in the roof. To discover the source, the best approach is to examine the roof from underneath.

in the roof-space. This is best done on a rainy day. On a dry day, leaks can be detected by examining the roof framing timbers. Look out for white powdery trails of mineral salt deposits. This is left behind after water evaporates from the timbers. Brown stains are also another indication although these sometimes have nothing to do with leaks.

Repairing tiles

Contrary to popular belief, tiles rarely need repair and do not become porous over time. In fact, concrete tiles become more resistant to water over time, hence the argument that tiles need to be replaced because they absorb water is not valid. It is normal for the underside of roof tiles to be damp, but if it drips water, that's where the problem starts. In such cases, it is highly likely that the tile is cracked.

As tiles weather, they also become more brittle and crack easily if you walk on them. If you have to get on the roof, make sure that you tread on the spot where one tile overlaps on the other, as this is the strongest point.

Usually, leaks occur when mortar cracks away from the ridge, capping tiles or mortar joints near valley gutters. A simple and quick remedy is to plug the cracks (usually hairline) with a suitable silicone product. Do this from the roof space to minimize deterioration of the

silicone product and to avoid climbing on the roof. A major leak would usually require removal and re-bedding of all the capping of other tiles in new mortar.

Another problem with tiles are slipped tiles. This usually occurs when fixings deteriorate or mortar joints break down. These tiles need to be re-bedded in new mortar or re-fixed by re-nailing or renewing the ties. Tiles that slip into a gutter through any mishandling can be fixed by simply repositioning them.

Sagging

Take note that sagging has to be obvious for a serious framing problem to exist. Problems that come with a sagging roof include deflected tiled roofs that will admit wind-blown water. Even before this happens, you can see that the appearance of the roof is unsatisfactory and replace it before more problems occur.

Sagging happens over time or when lightweight roofing materials like corrugated iron or slate have been replaced with heavier materials like concrete tiles. To avoid something like this happening, the roof framing should be reinforced during any change-over.

Roof sags should be professionally assessed before they are rectified as the structural defects can lead to costly repairs.

Haven/The Edge My Dream Home Contest 2007 is open to semidetached/detached and terraced homes located in Kuala Lumpur or Selangor. Contest forms are available at The Edge (3rd floor), Lot 6, Jalan S1/217, 46050 Petaling Jaya (Tel: 03-77879988) or Pertubuhan Akitek Malaysia (PAM) Secretariat, 4 & 6 Jalan Tangsi, 50480 Kuala Lumpur (Tel: 03-26934182).

It may also be downloaded from www.theledgedaily.com or www.sun2surf.com.

There will be a Gold winner and a Silver winner in each category. Winners stand to receive business class tickets to Bali (Gold Winners), a trophy, a certificate and cash vouchers from home furnishing stores including Ikea store.

All entries must reach PAM Secretariat before 5pm, June 11, 2007.

THIS IS THE FIRST IN A SERIES OF HOME IMPROVEMENT ARTICLES BROUGHT TO YOU BY BUILDINGCENTRE PERTUBUHAN AKITEK MALAYSIA (PAM) IN CONJUNCTION WITH *Haven/THE EDGE MY DREAM HOME CONTEST 2007*.

Malaysia's success story

FROM PAGE 2

want to know the developer, and we have a track record and this would give them some comfort. That's how we attracted our joint-venture partners in Vietnam as well."

Monica adds: "Normally when we choose our JV partner, it must be someone with different expertise/strengths so that we can complement each other. Obviously the partner has to have access to good landbank, whether they own it or they can get access to it. We are trying to be like CapitalLand."

Projects lined up

ASPL will acquire the soon to be launched Seni Mont'Kiara, a 604-unit high-end condominium development, which will be managed by IDMSB. Located on one of the highest points in Mont'Kiara, the RM1 billion project, which will be jointly developed with CapitalLand, will feature two high-rise and two low-rise blocks with a launch scheduled for as early as May this year. The duo are more than confident over the timing of the launch.

"It will have some of the most wonderful views... 60% of the units have views of KLCC. We would be relying on a strong repeat buyer base, quite a few international buyers, from as far as the UK, Hong Kong, Singapore and even the US. This will further improve with the recent real property gains tax abolishment," offers Voon Hon.

In Vietnam, they have lined up a number of projects that will feature offices, hotels and high-end residential units in Ho Chi Minh City and Hanoi. "We are in the process of due diligence and evaluation; three of them in Ho Chi Minh are in fairly advanced stage, where we have either submitted for development approval or are in the process of doing so. In fact, for one of these mentioned, we could be breaking ground as early as July/August and for the other two, very possibly by the end of the year," he says, adding that they have signed MOUs with the option to purchase two other projects — one in Hanoi and the other in Ho Chi Minh. Combined, these five projects carry an estimated GDV of US\$700 million.



Voon Hon: Seni Mont'Kiara units will have wonderful views

On future plans for Malaysia, Monica has this to say: "We will continue doing what we do best here — acquiring land, coming up with excellent

products, manage the construction and deliver to buyers, but adding on another capacity as a manager now. As a developer, we have been managing all along; what we are saying now is that we can offer our expertise to manage other people's funds as well."

Voon Hon likens its business expansion to that experienced by banks. "A bank typically

seeks to diversify from income-based to fee-based income, so it's similar. ASPL can also hold the units and sell, it can also build a hotel and sell it. For instance, we would complete one Mont'Kiara, then we plan to keep it to nurture the yield and we would recommend to ASPL to buy it at the appropriate time," offers Monica.

She adds: "Ultimately, everything we develop is for sale. In a rising market, you may not want to sell but to hold on to it first." Why not set up a real estate investment trust (REIT)? "A REIT is not allowed to develop, it only can purchase completed properties with recurring income," explains Monica.

Why London?

The place of listing, Voon Hon explains, has more to do with where they felt the largest pool of shareholders interested in this sort of funds would be. "We chose London because of the pool of people who understand Asia as an emerging market and London Stock Exchange represents a big international pool of investors that actually follows the market, so we believed we had a better chance of securing these shareholders and investors. ASPL is listed as a property fund; they recognise it as an investment company. And as far as we are informed, the current rules do not allow something like ASPL to be

listed under the existing guidelines in places like Malaysia, Singapore and even Hong Kong," says Monica, who adds that the fund is pegged to the greenback because it is more synonymous with the Malaysia and Vietnam markets.

She embarked on a four-month roadshow before the listing and says there was a huge amount of interest from the international market. "We got a lot of interest from Europe and even the US and Asia, from names like Standard Life, Deutsche Bank, Fortis and we are quite encouraged by this."

There are grand plans to set up other funds in the future to build on Ireka's development management unit, but for now, in the first year at least, the focus will be on ASPL. "This is only the start for us to move into property development management... in the background, we need to step up on development works so we can set up another fund like ASPL. With the network that we

have gained, we have set our sights on some of the other possible funds we can manage, but we can't elaborate on that now. Ireka would like to see the business of managing funds as a bigger portfolio," was all Voon Hon would say. But that's saying a lot. What started off as a construction firm with humble beginnings is set to take on the world and maybe become to Malaysia what CapitalLand is to Singapore.

PICTURES BY LEE LAY KIN/THE EDGE



Monica: Everything we develop is for sale