

AISB's Kayu Ara land buy for RM20mil is fair and reasonable, says independent adviser

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KUALA LUMPUR (Oct 16): Amalgamated Industrial Steel Bhd (AISB)'s proposal to acquire Parkwood Sdn Bhd, which will give it access to two parcels of land in Kayu Ara in Petaling Jaya, for RM19.6 million was deemed as "fair, reasonable and not detrimental" to the minority shareholders, said independent adviser Sierac Corporate Advisers Sdn Bhd.

AISB's proposal to purchase the entire equity of Parkwood from LGB Holdings Sdn Bhd and CSLim Holdings Sdn Bhd for RM709,435 is together with a settlement sum of RM19.6million in advances owed by Parkwood to LGB.

According to Sierac, the move will enable it to diversify its business into property development, which in turn will reduce its reliance on the business of trading of steel-related products.

“Accordingly, we recommend that you should vote in favour of the resolution to give effect to the proposed acquisition to be tabled at the forthcoming extraordinary general meeting,” Sierac said in a circular, which was filed with Bursa Malaysia today.

Sierac added that the purchase of the two parcels of the land in Kayu Ara — measuring a total of 79,144.41 sq ft — would be in the best interest of AISB, which is currently loss-making.

On Aug 15, AISB signed a share sale agreement with CSLim and LGB to acquire the said land in Kayu Ara, which was valued by independent valuer IVPS Property Consultants Sdn Bhd, by using the comparison method at RM235 sq ft for a total of RM18.6 million. As at end-July, the Kayu Ara land carries a net book value of RM17.95 million.

The land purchase deal was deemed as a related-party transaction, as AISB’s director and controlling shareholder Lim Chin Sean also holds substantial stakes in both Parkwood and LGB.

AISB said the Majlis Bandaraya Petaling Jaya had in September 2015 approved a plan to build two blocks of residential townhouse, comprising of 82 units — together with related facilities and basement car park — on the said Kayu Ara land.

The property project is appraised at a gross development value of RM114.5 million, which could yield a profit margin of 14%, while construction could take three years, beginning in 2018 and ending in 2021.

AISB said it is currently studying the development plan, and it could be revised and further adjusted, due to various factors such as market demand and economic conditions.

“The proposed development in Kayu Ara land is expected to attract interest from buyers due to its unique type of developmen (residential townhouse) and limited number of units for sale in the matured location,” AISB added.

To complete the Kayu Ara land buy deal, AISB said it will convene a meeting with its shareholders to vote on the proposal on Nov 2.

If approved, AISB expects to close the deal by end-2017.

Listed on the Main Market since June 1983, shares in AISB, the country's first steel pipe manufacturer, settled one sen or 2.27% lower at 43 sen today, valuing it at a market capitalisation of RM62.08 million.

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