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Ireka to maintain RM5mil dividends

KUALA LUMPUR: Ireka Corp Bhd, whose construction order book currently stands at RM964mil, plans to maintain its quantum of dividends for the next few years, says group financial controller Monica Lai.

Ireka shareholders approved a final net dividend of 4.35 sen for the financial year ended March 31, totalling RM5mil and equivalent to about 82% of the year's net profits. Ireka will announce the ex-dividend date next week.

"Going forward, Ireka's earnings will be boosted by lower construction costs as the price of building materials has softened. With a moderate gearing level of 0.45 times, we should be able to take on more borrowings for new projects," Lai told reporters after the company AGM yesterday.

For its first quarter ended June 30, Ireka posted a net profit of RM3.46mil, making it the third straight quarter of profits after earlier losses caused by the sharp surge in building material costs.

The construction company had also said it had been pre-qualified for over RM2.5bil worth of jobs, mostly related to government infrastructure and private sector residential and housing projects in Malaysia.

Ireka, which in the last 3 years has only been involved in projects from its associate company, property developer Aseana Properties Ltd, is now aggressively seeking work from outside the group.

"For the last three years we have relied on work from Aseana due to market conditions which included a shortage of construction expertise and high material prices such as steel bars. But we are now poised to win work from outside the group, having built up the necessary track record and expertise," said executive director Lai Voon Hon.

Ireka owns 23% in Aseana Properties, which was listed on the London Stock Exchange (LSE) in 2007 as a closed-end fund investing in high-end properties in Malaysia and Vietnam.

Among its projects are the completed i-Zen brand of luxury properties and the on-going SENI Mont Kiara, the latter making up a significant portion of Ireka's current order book. SENI Mont Kiara, whose sales slowed due to the softening property market since its launch in 2007, had been 60% sold to-date, said Voon Hon.

Weak sentiment on property stocks has also dampened the stock price of Aseana Properties on the LSE, with its share price hovering around 31 US cents, below its net asset value of 91 cents and its initial public offering price of US\$1 per share.

Despite the low price, Ireka has no plans of significantly increasing its holding in Aseana Properties or taking the latter private.

"We listed Aseana as a high-end property investment vehicle focused on Malaysia and Vietnam. Many of our investors will not be looking at selling out now as they know the potential (of Aseana)," he said.

Aseana Properties had around US\$67mil in cash as at the end of last year.