

Ireka's associate Aseana Properties to be profitable in 2012

Aseana's profits from Vietnam and new projects recognised from 2012

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KUALA LUMPUR: Ireka Corp Bhd's 23%-owned associate company Aseana Properties Ltd, which weighed down the former's profitability, is expected to be profitable in the calendar year 2012.

"As you know, with the latest IFRIC ruling in Malaysia, you only recognise profits upon completion of projects. Because of that, Aseana's profits as far as the Vietnam projects and new projects are concerned, will only come in from 2012 onwards," Ireka's group executive director Lai Voon Hon said after the company's AGM here yesterday.

"We are confident that beyond calendar year 2012, there will be quite a bit of profits coming in from Aseana."

To be noted is that Ireka's financial year ends slightly later than Aseana's. The former's financial year ends on March 31 while the latter's financial year ends on Dec 31 every year.

London-listed Aseana is the property fund arm of Ireka, and invests primarily in real estate projects in Malaysia and Vietnam.

Ireka is the exclusive development



Monica Lai, Lai Voon Hon and MD Lai Siew Wah at the press conference after Ireka's AGM yesterday. Photo by Suhaimi Yusuf

manager of the fund, with an initial size of US\$250 million (RM772.5 million), for which it earns a fixed annual management fee and a performance fee.

The fund holds all of Ireka's earlier ongoing projects in Malaysia, leaving the parent company, which is also involved in construction, with an asset-light balance sheet.

Some of the projects under Aseana's belt include Tiffani by i-ZEN, one Mont'Kiara, SENI Mont'Kiara, Sandakan Harbour Square (Phase

3 & 4) and some developments in Vietnam.

In the latest reported quarterly results for Ireka's first quarter ended June 30, 2010, Ireka was in the red, due to the loss of its associate totalling RM6.53 million, which was more than Ireka's profit from operations of RM5.42 million for the same period.

The losses from associate, namely Aseana, also stemmed from the fact that Ireka had raised its stake in Aseana from under 20% to 23%, making

the latter an associate company, and equity accounting its earnings.

"Operationally we remain confident that we will remain positive. But the only thing that we have to be weary of is the loss from Aseana. That one is a little bit more difficult to predict. But I think operationally, with construction material prices being stable as it is, we are quite confident this year," said Ireka's chief financial officer (CFO) Monica VH Lai.

On the same matter, Monica said "stability in the prices of key construction materials such as steel bars throughout FY2010 has helped to maintain a healthy profit margin for our construction contracts".

To a question on how the performance would be like in terms of revenue, Monica said, "we hope to maintain what we had from last year".

Ireka's outstanding construction order book current stands at about RM325 million, and consists mainly of contracts at SENI Mont'Kiara, Sandakan Harbour Square and KL Sentral Lot G.

Lai says that replenishing the company's order book will be a "key priority" in the current financial year and its current order book will take it through FY2012.

He also adds that Ireka has tendered for RM2 billion worth of projects and is confident of securing some within the current financial year.

The company will also tender for construction works in the Iskandar Development Region, and hopes to be part of the team building the new Low-Cost Carrier Terminal at Sepang.

Meanwhile, to a question on whether Ireka is actively scouting for landbank at the moment, Lai says that the company was always on the lookout for potential development land but is more focused on land situated in "prime areas".

"We are quite particular on location and we always buy land in key cities like Hanoi and Ho Chi Minh City in Vietnam because we believe those are the areas that have the greatest potential for growth. If we can come out with a good concept and good proposal, that's where we can make maximum returns," Lai says.

Lai added that the property market in Vietnam is "fairly soft" at the moment due to the tight credit environment there. Nonetheless, he added that the "underlying demand is still present, but at the moment there is a very high entry cost".

"From our standpoint we are very confident that in a year or two, the Vietnamese property market will bounce back very strongly," he says.

The company added in a statement that it believes Vietnam is at the right cycle for an economic expansion.