

Ireka positive on Aseana

It's confident Aseana Properties will start to contribute in next two to three years

By **ANGIE NG**

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KUALA LUMPUR: Ireka Corp Bhd is confident its 23%-owned associate company, Aseana Properties Ltd, which has been weighing down on the company's financial performance with its losses, will be able to contribute positively to the group in the next two to three years.

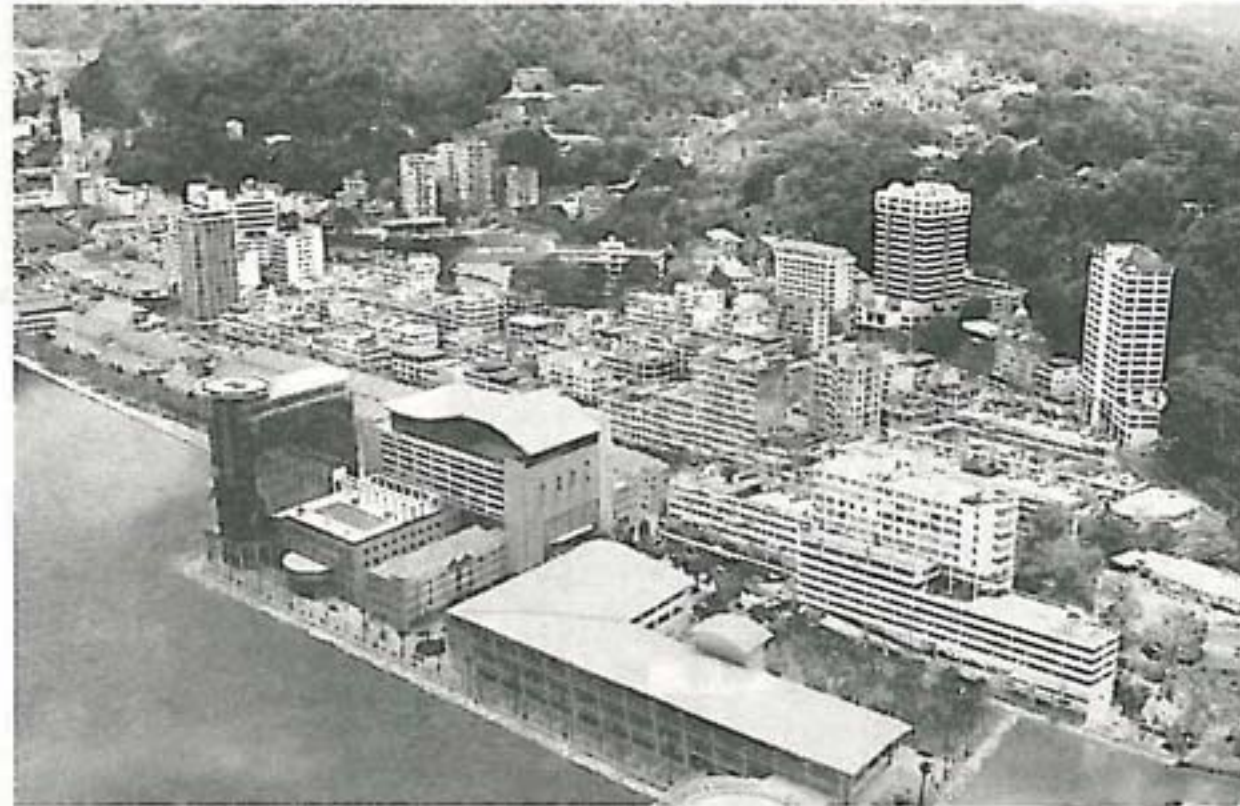
Ireka group executive director Lai Voon Hon said Aseana's portfolio included seven development projects in Malaysia and three projects in Vietnam. It also has a 16.4% equity investment in Ho Chi Minh City-based Nam Long Corp.

"Most of the projects in Aseana are only kicking off from this year and we see Aseana contributing positively to Ireka from financial year 2012 onwards.

"Going forward, the number of projects that will be able to contribute to Aseana's bottomline will increase.

"We are confident that beyond 2012, there will be quite a bit of profits coming in from Aseana," Lai told *StarBiz*.

For the nine-month period ended December 31, 2010, Ireka recorded a pre-tax loss of RM10.26mil, compared with a pre-tax profit of RM8.16mil in the preceding year. Revenue was 7% higher at RM308.8mil.



Ireka is involved in the construction of phases three and four of Sandakan Harbour Square in Sabah

The loss was in part attributable to a share of loss in Aseana Properties of RM7.5mil and a mark-to-market loss for share investment in Kinh Bac City Development Shareholding Corporation of RM1.6mil.

According to Lai, having Aseana as the property fund arm of Ireka is a good business model.

As the exclusive development manager of the fund, Ireka earns a fixed annual management fee and a performance fee from Aseana.

The fund holds all of Ireka's earlier ongoing property projects in

Malaysia, leaving the parent company, which is also involved in construction, with an asset-light balance sheet.

"Aseana gives Ireka the platform to expand its expertise to emerging markets such as Vietnam and for the group to undertake more development projects as compared to Ireka undertaking the projects on its own.

"Listed on the London Stock Exchange, Aseana has a larger capital base and the ability to own more development assets or investments.

"Ireka currently manages a portfo-

lio of current and upcoming projects with a total estimated gross development value (GDV) in excess of US\$2bil," Lai added.

He said with Aseana more mature now, Ireka was looking to beef up its property development division and was actively scouting for land in prime areas in Malaysia and Vietnam. It is also looking for joint venture opportunities with land owners.

Together with Aseana Properties, Ireka will soon commence on a number of new development projects, including a residential project in Jalan Kia Peng, Kuala Lumpur.

According to Lai, the plan is to raise the ratio of earnings contribution between the property and construction divisions to 50:50 over the next five years from 5:95 now.

As at Dec 31, 2010, Ireka's construction order book amounted to RM1.003bil with approximately RM430mil still outstanding.

Over the last nine months, the group has tendered for jobs totalling over RM1bil and has successfully secured three projects with total contract sum of about RM297mil.

Its local construction portfolio include SENI Mont' Kiara, a high end condominium project in Mont' Kiara; an integrated hotel cum office towers project at KL Sentral and the Kulai-Second Link Expressway

Interchange.

It is also involved in the construction of phases three and four of Sandakan Harbour Square in Sabah, comprising a modern lifestyle mall and a hotel.

Lai said Ireka, which had been active in Vietnam's property market over the past four years, was ready to export its construction expertise there.

The group is confident Vietnam's property and construction markets would bounce back strongly in a year or two's time.

Lai said the construction industry in Vietnam was growing in tandem with the economic development of the country and demand for expertise in the infrastructure, commercial and residential segments would continue to rise.

Earlier this month, Ireka Engineering and Construction Vietnam Company Ltd (IECVCL), a wholly-owned subsidiary of Ireka Corp Bhd, secured a construction package to build a general hospital at the International Hi-Tech Healthcare Park (IHHP) in Binh Tan District, Ho Chi Minh City, in Vietnam.

The contract, valued at RM27.58mil, comprises the construction of a reinforced concrete structure and related ancillary works for the general hospital.