

A long wait for Ireka shareholders

BY TAN SIEW MUNG

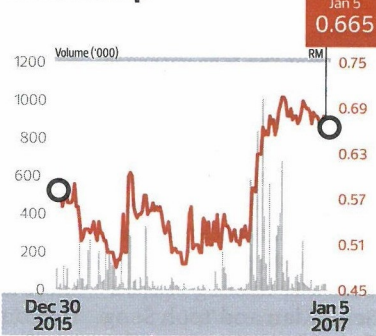
Ireka Corp Bhd's long-awaited first distribution of dividends from 23.07%-owned Aseana Properties Ltd has finally been realised, after more than a year of waiting. However, its shareholders will still need to be patient as it is not a big amount.

Last week, Aseana announced to the London Stock Exchange that a resolution to return US\$10 million (about RM44.88 million), or 75 US cents per share, to shareholders has been passed. Ireka's share will work out to US\$2.3 million, or about RM10 million.

When contacted, Ireka's strategy and corporate development director Chan Chee Kian says Ireka should receive the dividend within this week.

"This gives certainty of cash distribution. It is in line with what we have said — that Ireka is looking forward to Aseana paying back its capital. We are looking forward to that return," he tells *The Edge* over the phone. Chan is also chief investment officer of Ireka subsidiary, Ireka Development Management

Ireka Corp



Sdn Bhd, the exclusive development manager of Aseana.

However, Ireka shareholders are unlikely to see a special dividend anytime soon.

"It is only a small amount ... the board will decide how to utilise it. It could be used as working capital to enhance the group's cash flow," Chan says. As at Sept 30, 2016, the group was in a net debt position of RM122.91 million. He declines to comment on the timing or amount of the second payment as it depends on Aseana's asset disposal plans.

ASEANA PROPERTY PORTFOLIO	REVALUED NET ASSET VALUE AS OF SEPT 30, 2016 (US\$ MIL)	STATUS
Malaysia		
Tiffani by iZEN, Kuala Lumpur	1.47	99.7% sold as at Nov 30, 2016, targets to sell the last penthouse unit by 2Q2017
Sandakan Harbour Square, Sandakan, Sabah	66.33	Planned sale by: Harbour Mall Sandakan (Q1 2018); Four Points by Sheraton Sandakan Hotel (Q2 2018)
SENI Mont' Kiara, Kuala Lumpur	21.66	Targeted sales: 100% by 4Q2017
The RuMa Hotel and Residences, Kuala Lumpur	43.01	Completion expected in 3Q2017
Seafront resort and residential development, Kota Kinabalu, Sabah	13.1	Planned sale of development lands by: Lot 1 & 2: Q2 2017; Lot 3: Q4 2017
Vietnam		
Equity investment in Nam Long, Ho Chi Minh City	4.01	Disposed of the remaining shares in two tranches, 1.7 million shares at VND21,500 per share (US\$0.96 per share) in Sept 2016 and 3.91 million shares at VND22,000 per share (US\$0.99 per share) in Nov, 2016 for total proceeds of VND122.54 billion (US\$5.49 million)
International Healthcare Park and City International Hospital, Ho Chi Minh City	44.46	Divestment plans in place to dispose of hospital and parcels of land by June 2018

Ireka managing director Datuk Lai Voon Hon had indicated in an earlier interview with *The Edge* that

as soon as the first distribution kicks in, subsequent payouts will be quicker. Ireka has targeted to distribute dividends twice a year if there is excess cash.

Lai had said the entire process of Aseana's asset divestment would contribute about RM200 million to RM250 million to Ireka, after foreign exchange rate adjustments, over the next two to three years.

Despite news of the first dividend payment from Aseana, Ireka's share price closed flat at 66.5 sen last Thursday, down 6% from its one-year high of 71 sen on Oct 28.

In June 2015, Aseana's shareholders gave the board the green light to adopt a new divestment policy to realise its assets until June 2018.

The first distribution was supposed to be in October 2015. However, it did not happen. Lai had said the delay was due to lengthy regulatory processes, including getting the consent of financial institutions and authorities to reduce Aseana's capital.

Based on its latest corporate presentation, assets that Aseana targets to sell this year include SENI Mont'Kiara in Kuala Lumpur and the Seafront resort and residential development in Kota Kinabalu.

However, whether it is able to sell these assets according to its timeline amid challenging economic conditions, remains to be seen.

"We will try our best to achieve the asset disposal timeline. They are chunky assets ... it takes time," Chan says.

Ireka slipped into a loss of RM9.63 million in the second quarter ended Sept 30, 2016 (2QFY2017), which was, however, less than the RM15.65 million it lost a year ago.

The group posted a net profit of RM27.98 million in 1QFY2017. This due to its share of the loss in Aseana of RM4.96 million (1Q2017: profit of RM28.65 million) and a loss of RM2.01 million (1Q2017: profit of RM0.14 million) which is attributable to Ireka.

It is worth noting that Aseana's three operating assets — City International Hospital in Ho Chi Minh City, Vietnam; Harbour Mall in Sandakan; and Four Points by Sheraton Sandakan — are still in the red.

"All operating assets go through a gestation period; they won't make money from day one. For instance, our assets in Sandakan ... we opened these properties at the end of 2012, but the market has been affected by various issues so, the period of stabilisation is a bit longer," Chan explains.

He says the Sandakan mall and hotel are good assets as they are the only such facilities in Sabah's second largest city.

As for City International Hospital, it is among the three or four hospitals in Ho Chi Minh City and Chan believes it will start to be profitable in a few years as the Vietnamese economy is growing.

The outlook for Ireka remains cloudy despite the first cash payment from Aseana.

"The value of the stock hinges on the Aseana stake. Because of the slowing property market, I think Aseana is having a hard time trying to sell its assets. Until it can sell its assets, investors will not be keen on investing in Ireka," a local property analyst tells *The Edge* over the phone.

"To me, earnings visibility remains weak. It is only waiting for the cash from Aseana's assets disposal, and you don't know when that will be concluded."

As at Sept 30, 2016, the group's construction order book stood at about RM960 million, about RM400 million of which remain outstanding.

Lai had told *The Edge* earlier that Ireka is bidding for RM4 billion worth of jobs and is targeting to secure contracts worth RM1 billion to RM1.5 billion in FY2017.

The group plans to launch six property projects with an estimated gross development value of RM1.3 billion over the next 18 months, most of which are for the mid-range market.