

Ireka sees another year in the red

by **Yen Ne Foo**

KUALA LUMPUR: Ireka Corp Bhd will likely remain loss-making in the financial year just ended, which would be its second straight year of losses, said its executive director Monica Lai Voon Huey.

"If you look at the nine months' numbers, I would say, obviously it (Ireka's performance) is a loss position. I don't think we will be able to reverse that overnight," she told reporters after the group's extraordinary general meeting (EGM) last Friday.

"Going forward to financial year 2015 (FY15) [ending March 31], we are all working very hard [so] that operationally, we will be in the black. This excludes the contribution from Aseana [Properties Ltd]," she said.

The construction and property development company is due to release its FY14 financial results this week.

Ireka swung into a net loss of RM37.42 million in FY12, compared to a net profit of RM11.1 million the previous year, on lower revenue of RM331.8 million from RM431.29 million.

A smaller order book and losses made by Aseana, a 23%-owned associate company listed on the London Stock Exchange, contributed to Ireka's poor financial performance in FY12.

Now armed with a replenished order book in its construction business, Ireka is optimistic that the group will return to the black in FY15.

"Our current order book stands at RM1 billion. We have almost doubled the order book over the last year or so. This is the reason why we are more bullish [about the] construction [segment]," said Lai.

Ireka targets to increase its order book from RM1.5 billion to RM1.6 billion in FY15.

"[As for] our property division, we have in our books some RM2 billion [in landbank with] gross development value that will be realised over the next six to eight years. That would contribute to our bottom line and turn our group around," Lai said.

Ireka has a landbank of 65 acres

(26.3ha) in the Kuala Lumpur City Centre, Nilai and Kajang for commercial, residential and industrial use.

Nonetheless, the prospect of Aseana contributing to Ireka's bottom line remains uncertain as its projects have long gestation periods and take time to mature.

"Because these are initial years of operations, it takes some years before they stabilise. The plan is to stabilise the operations and then dispose of the assets. Hopefully, this will bring the profits and cash flow back to Ireka," said Lai.

Aseana's current operating assets are Four Points by Sheraton Sandakan Hotel, Harbour Mall Sandakan, Aloft Kuala Lumpur Sentral Hotel and City International Hospital in Vietnam.

It is also developing the RuMa Hotel and Residences, a 40-storey property in Jalan Kia Peng in the capital. This development is only expected to contribute to Aseana's revenue after its targeted completion and handover in the first quarter of FY17.

Ireka executive director Lai Voon Hon said the group will be "selective" when bidding for new construction and property development projects to "conserve profit margin".

Earlier at the EGM, Ireka shareholders voted in favour of a resolution for it to issue one rights share for every two shares with a free detachable warrant for every two existing shares, which will add some RM37 million to the group's coffers based on the indicative price of the first call of 65 sen per rights share.

It may raise additional gross proceeds of RM56 million upon the full exercise of the warrants based on an indicative exercise price of RM1, said Lai.

She said the amount will give Ireka its much needed "breathing space", which will be used for working capital for the next three to five years.

Ireka's share price closed up 3.5 sen or 4.19% at 87 sen last Friday, giving it a market capitalisation of RM102.5 million.