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Ireka expects bulk of Aseana's assets to be sold by FY2020

The Edge, Malaysia

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BY ADELINE PAUL RAJ

Ireka Corp Bhd expects its London Stock Exchange (LSE)-listed associate company, Aseana Properties Ltd, to have sold most of the six assets on its divestment programme by the end of the former's financial year ending March 31, 2020 (FY2020).

Loss-making Ireka has a 23.07% stake in Aseana.

Returns from the sale of the assets — which includes a hospital in Ho Chi Minh City (HCMC) and The RuMa Hotel and Residences in Kuala Lumpur — would hasten Ireka's return to profitability.

"Obviously, we hope all the assets can be disposed of as soon as possible, and certainly within the next two financial years. We would certainly like to see the majority being disposed of within FY2020," group managing director Datuk Lai Voon Hon tells *The Edge* in a brief telephone interview. He was asked for an update on Aseana's asset divestment programme.

"We look forward to a faster return to the black from the sales of the six assets, but obviously, we

are not depending only on that to turn Ireka around. We have our other businesses too, in construction and so on," Lai adds.

The other four assets are the International Healthcare Park (in which the hospital is located) in HCMC; Four Points by Sheraton Hotel and Harbour Mall (both in Sandakan, Sabah); and 80 acres of land in Kota Kinabalu that were originally meant for a seafront resort and residential development.

According to Aseana, the six assets had a realisable net asset value of US\$183.40 million (RM766.382 million) as at Dec 31 last year.

Aseana seems to have run behind schedule for the two assets in Vietnam, going by its asset disposal timeline presented in May. Based on that timeline, the two were to have been sold by June (see chart).

"There were some target dates but, obviously, it also depends on whether the market is right and whether the price we were offered is attractive enough for the shareholders to accept. So, we may have missed some dates, but we are still actively promoting the divestment," Lai explains.

Aseana's asset disposal timeline as at May 2019

ASSETS	RNAV AS AT DEC 31, 2018 (US\$ MILLION)	OUTSTANDING DEBT AS AT DEC 31, 2018 (US\$ MILLION)	EXPECTED DISPOSAL DATE*
The RuMa Hotel and Residences	59.51	5.63	Q4 2019
Four Points by Sheraton Sandakan Hotel	32.83	-	Q1 2020
Harbour Mall Sandakan	34.07	23.76	Q3 2019
City International Hospital	24.77	41.00	Q2 2019
International Healthcare Park	19.39	14.64	Q2 2019
Seafront resort and residential development land, Kota Kinabalu	12.83	-	Q4 2019
Total	183.40	85.03	

RNAV = Realisable net asset value
* The directors will revise the expected disposal schedule as a result of the prevailing market conditions and progress made by the development manager in disposing the company's remaining assets.

He adds that now is the right time to dispose of the City International Hospital in HCMC, in particular, given the strong investor interest and M&A activity in the healthcare sector.

"As far as the hospital is concerned, Aseana has already appointed a divestment manager to manage the sales process. So far, they have approached quite

a number of potential buyers and we already have a few interested buyers ready to bid for the project," he says. Lai declined to elaborate.

Ireka's wholly-owned subsidiary, Ireka Development Management Sdn Bhd (IDM), which had been the exclusive development manager for Aseana's assets since April 2007, voluntarily resigned from the role in June this year.

It did so to avoid any perception of conflict between IDM's role as development manager and Ireka's position as a substantial shareholder of Aseana.

Aseana has since appointed a CEO — Chan Say Yeong, former CEO of Paramount Corp Bhd — to oversee its operations and lead the orderly disposal of the company's assets.

Aseana, which was listed on the Main Market of LSE in April 2007, was set up as a property investment fund with the aim of investing in property projects in Malaysia and Vietnam.

The company's asset divestment started in June 2015 after shareholders approved a new divestment policy to realise its assets. The assets it has sold over the years include Aloft Kuala Lumpur Sentral Hotel (June 2016) for US\$104.3 million and hotel suites and serviced residences at The RuMa Hotel and Residences (July 2015 to April 2019) for US\$74.2 million.

It is now left with just the six assets. It is worth noting that City International Hospital, Harbour Mall,

CONTINUES NEXT PAGE



26 AUG, 2019

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Page 2 of 3

Eyeing urban transport opportunities

FROM PREVIOUS PAGE

Four Points by Sheraton and The RuMa Hotel and Residences are still in the red as at end-April.

In its 2018 annual report, Aseana stated if it does not dispose of the assets by the end of this year, shareholders will be given the opportunity to review the future of the group, which includes the option to vote for the continuation of the company.

Aseana registered a total comprehensive loss of US\$7.5 million for its financial year ended Dec 31, 2018, mainly due to losses incurred by The RuMa Hotel and Residences, and finance costs attributable to its four operating assets.

Meanwhile, in the last five years, Ireka was profitable only in FY2017. Lai says the poor report card was partly due to its share of losses in Aseana and the fact that the latter's accounting practice did not allow for the recognition of progressive development profits.

Ireka registered a wider net loss of RM29.08 million in FY2019 compared with RM15.99 million the year earlier, mainly due to a significant reduction in construction revenue while overhead and operating costs remained high. Additionally, there was a reduction in management fees following the restructuring agreement between Aseana and IDM. Ireka's share of losses from Aseana that year was RM2.6 million.

Its construction activities via the infrastructure division is the main driver of Ireka's revenue, accounting for 75.9% of group revenue of RM200.1 million in FY2019. The rest comes from the real estate division and trading and services division.

Ireka had an outstanding construction order book of RM258.6 million as at April 30 this year. It plans to pursue urban transport opportunities in Malaysia and in the Asean region via a joint venture with CRRC Urban Traffic (Europe) Co Ltd. **E**



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Page 3 of 3

SUMMARIES

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