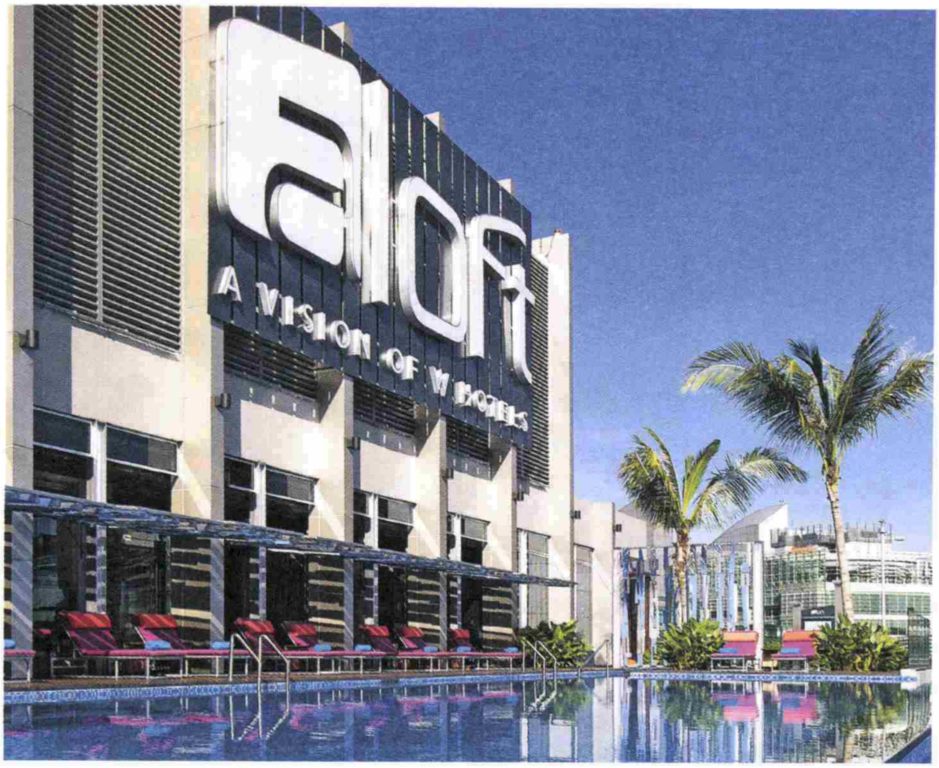

Ireka stands to gain over RM30 mil from its share of the sale of the Aloft Kuala Lumpur Sentral

Sale of Aloft KL Sentral sparks rally

by Alan Voon

THE share price of construction and property development company Ireka Corp Bhd rose 20% on the first day of April after its 23%-owned associate company Aseana Properties Ltd announced the sale of Aloft Kuala Lumpur Sentral hotel for RM418.7 mil. After the huge rally from 50 sen to 60 sen, Ireka's share price remained at that price at the closing on April 6 while the company warrant IREKA-WB ended trading at 17 sen.

Ireka has three core businesses which are infrastructure, real estate and technologies. Under its infrastructure division, Ireka's construction and engineering teams have achieved a number of significant milestones, contributing to nation-building through a plethora of major-sized civil and structural engineering projects. The division currently has a book order of over RM1.08 bil. Within its real estate business, Ireka takes pride in the creation of the i-ZEN brand of luxury properties.

In 2007, Ireka successfully listed Aseana Properties on the London Stock Exchange's Main Market to undertake property development in Malaysia and Vietnam. Ireka's technology arm, i-Tech Network Solutions Sdn Bhd specialises in networking and systems integration providing IT consultancy, hardware fulfilment and data centre services.

Ireka posted a net loss of RM28.8 mil for the first three quarters of FYE 3/16 which ended Dec 31. This is a reversal of net profit of RM8.91 mil recorded in the corresponding period of FYE 3/15. The result included a share of losses of RM18.07 mil from Aseana Properties of which RM15.25 mil was attributable to unrealised currency exchange translation losses due to the weakening of the ringgit last year. The construction and property development segments also suffered losses in the period due to the settlement of a legal suit and no new projects launched.

Following the proposed sale of Aloft Kuala Lumpur Sentral, Aseana Properties is on track to record a gain of approximately US$35.9 mil (RM140 mil) on completion of the disposal, expected in the second half of this year. This gain, of which Ireka's share would amount to US$8.3 mil, would be reflected in Ireka's FYE3/17 results. Following the disposal, Aseana Properties will do a capital distribution of about US$10 mil to shareholders. Ireka has a stated dividend policy of 40% and has paid out dividend of three sen in FYE3/15 despite suffering losses. Shareholders of Ireka can then look forward to a bumper dividend payout year in FY3/17 with the gain from Aloft Kuala Lumpur Sentral contributing profit of over RM30 mil.

With further disposal of assets planned for Aseana Properties over the next two years following the divestment plan approved by shareholders last year, Ireka's financial results over the next few years are expected to be boosted by its share of profit from Aseana Properties. This should provide some support for its share price appreciation in the medium term.

IREKA-WB is out-of-money now and therefore trades at a high premium of close to 100%. However, this warrant has a relatively high gearing of 3.53 times and would do well when the mother share's price increases further. Its theoretical valuation is also not high as its implied volatility of 58.2% is lower than the mother share's historical volatility of 84.2%. IREKA-WB remains an attractive product to participate in the growth in share price of Ireka. FocusM

The writer is CEO of Warrants Capital Sdn Bhd

IREKA CORP BHD

Warrant Price:	**17 sen**
Share Price:	**60 sen**
Exercise Price:	**RM1**
Warrants Expiry Date:	**25/6/2019**
Premium:	**95%**
Gearing:	**3.53**
Underlying Historical Volatility:	**84.2%**
Warrant's Implied Volatility:	**58.2%**
Delta:	**0.56**
Effective Gearing:	**1.96**