



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

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❖ **Prospecting Bursa Malaysia's IPO market amid global economic turbulence**

At a glance, the projection of 2022 being a bumper year for initial public offerings (IPOs) on the local bourse seems to have gone astray with the global economic growth coming under scrutiny, following the outbreak of the Russia-Ukraine conflict which has subsequently led to worldwide inflationary pressure and recessionary concerns.

Despite a risk-off environment sparked by a hawkish US Federal Reserve and external headwinds, Bursa Malaysia does not foresee major delays in listing plans slated for 2022.

Instead, the bourse expects to welcome 37 IPOs in 2022 against 30 in 2021, primarily driven by higher number of listings on the ACE Market following the re-opening of economy. For the record, the year of 2020 only saw 19 new listings while there were 30 IPOs in 2019.

Year-to-date (as of 9 August), 23 IPOs debuted on Bursa Malaysia, of which 16 were listed on the ACE Market, three were listed on the Main Market and four on the LEAP Market.

Unless an IPO is large enough to warrant an international offering, otherwise Bursa Malaysia does not foresee major delays in companies' listing plans given the ample liquidity available to support domestic offerings.

Between 1 January and 13 July this year, the local bourse had seen 20 new listings raised more than RM2.3 billion. Jointly, these 20 newly-listed companies have contributed additional market capitalisation of approximately RM7.3 billion (up to 13 July 2022). The IPO pipeline for the rest of the year remains strong, said Bursa Malaysia.

Based on the number of IPOs approved and awaiting their listing, as well as the number of exposure draft prospectuses on both Bursa Malaysia and the Securities Commission Malaysia's websites, at least five more listings are expected to take place by end-2022. Bursa Malaysia expects the vibrancy and momentum of new IPOs on Bursa Malaysia to remain throughout 2022, particularly in the key promoted areas of technology, consumer, healthcare, halal and/or environmental, social, and corporate governance (ESG)-compliant businesses.

A review of IPO debutants

A quick assessment of the 23 IPOs (up to 9 August) shows a mixed to lukewarm performance with small-capitalisation (cap) counters dominating the scene. This is evident by the fact that 87% of the debutants were en route to the ACE Market (16 IPOs) and the LEAP Market (four IPOs). Only three IPOs were listed on Bursa Malaysia's Main Market (see table below).

Name	IPO Date	Market	IPO Price	Price as of 9 August 2022	Change (%)
Coraza Integrated Technology Bhd	6 Jan 2022	ACE Market	28 sen	74 sen	+164.3%
Senheng New Retail Bhd	25 Jan 2022	Main Market	RM1.07	62.5 sen	-41.6%
SIAB Holdings Bhd	28 Feb 2022	ACE Market	30 sen	17 sen	-43.3%
Ray Go Solar Holdings Bhd	11 March 2022	LEAP Market	12 sen	14 sen	+16.7%
Farm Fresh Bhd	22 March 2022	Main Market	RM1.35	RM1.66	+22.9%
Pappajack Bhd	1 April 2022	ACE Market	30 sen	47 sen	+56.7%
Cengild Medical Bhd	18 April 2022	ACE Market	33 sen	43.5 sen	+31.8%
MN Holdings Bhd	28 April 2022	ACE Market	21 sen	21 sen	Unchanged
Cnergenz Bhd	24 May 2022	ACE Market	58 sen	63.5 sen	+9.5%
Yew Lee Pacific Group Bhd	7 June 2022	ACE Market	28 sen	26.5 sen	-5.4%
LGMS Bhd	8 June 2022	ACE Market	50 sen	91.5 sen	45.36%
Unitrade Industries Bhd	14 June 2022	ACE Market	32 sen	25.5 sen	-20.3%
SFP Tech Holdings Bhd	20 June 2022	ACE Market	30 sen	94 sen	+213.3%
Snowfit Group Bhd	21 June 2022	LEAP Market	12 sen.	20 sen	+66.7%
YX Precious Metals Bhd	23 June 2022	ACE Market	28 sen	20.5 sen	-26.8%
CC International Bhd	28 June 2022	LEAP Market	26 sen	45 sen	+73.1%
Orgabio Holdings Bhd	5 July 2022	ACE Market	31 sen	30 sen	-3.2%
DSR Taiko Bhd	6 July 2022	LEAP Market	30 sen	94 sen	+213.3%
Seng Fong Holdings Bhd	7 July 2022	Main Market	75 sen	75 sen	Unchanged
Infoline Tec Group Bhd	13 July 2022	ACE Market	32 sen	34.5 sen	+7.8%
Ecoscience International Bhd	18 July 2022	ACE Market	30 sen	28 sen	-6.7%
Umedic Group Bhd	26 July 2022	ACE Market	32 sen	51.5 sen	+60.9%
Unique Fire Holdings Bhd	5 August 2022	ACE Market	26 sen	24.5 sen	-5.8%

Source: Bursa Malaysia

Of the 23 IPOs, there were 13 gainers (price appreciated from their IPO price), eight losers (price lower than their IPO price) while two IPOs were unchanged (last traded at their IPO price).

Of the three Main Market debutants to-date, consumer electrical and electronic product retailer Senheng New Retail Bhd was the biggest loser with a decline in share price of 41.6% to 62.5 sen, compared to its IPO price of RM1.07.

The only gainer was integrated dairy product manufacturer Farm Fresh Bhd whose share price appreciated 22.9% to RM1.66 from its IPO price of RM1.35. Another Main Market counter, Seng Fong Holdings Bhd which is involved in the trading, processing and sale of rubber products was unchanged at 75 sen.

Among the ACE Market debutants, the three best performers were SFP Tech Holdings Bhd (up 213.3% to 94 sen from IPO price of 30 sen), Coraza Integrated Technology Bhd (up 164.3% to 74 sen from IPO price of 28 sen) and Umedic Group Bhd (up 60.9% to 51.5 sen from IPO price of 32 sen).

Interestingly, the top three ACE Market performers are in the technology-driven businesses with both SFP Tech and Coraza being engineering support providers in the realm of automation equipment solutions, mechanical and integrated modular assembly and manufacturing of sheet metal parts and precision machined components.

Meanwhile, UMediC Group is involved in the marketing, distribution and manufacturing of unique and vital medical devices that range from ultrasound machine to electric-powered three dimensional (3D) chest compressor and arterial blood sampling systems, to name a few products.

Of the four LEAP Market counters listed to-date, all of them are currently trading at prices higher than their IPO prices.

The two best performers are integrated durian planter/producer DSR Taiko Bhd which has gained 213.3% to 94 sen (from IPO price of 30 sen) followed by multidisciplinary professional services provider CC International Bhd (up 73.1% to 45 sen from IPO price of 26 sen).

Moving forward, two more ACE Market-bound IPOs are slated for listing on 18 Aug – Agmo Holdings Bhd and SNS Network Technology Bhd – which are priced at 26 sen and 25 sen respectively.

Regional prospect

According to EY Global IPO Trends, the Asia-Pacific region saw 181 IPOs raising US\$23.3 billion in proceeds during the second quarter of 2022 and 367 IPOs raising US\$66 billion in proceeds as of June 2022. Number of IPOs and proceeds raised had declined by 28% and 14% respectively compared to the previous corresponding period.

Meanwhile, ASEAN saw a total of 54 IPOs raising US\$2.4 billion, down 2% year-on-year in number of deals and 55% in proceeds. The notable decline in proceeds was due to

fewer mega IPOs (IPOs with proceeds equal to or greater than US\$1 billion) in 2022 compared to three mega IPOs in the year before that raised US\$3.9 billion.

The Indonesia Exchange was the most active exchange in the region by deal numbers and proceeds (22 IPOs, US\$1.3billion) and saw the unicorn IPO listing of PT GoTo Gojek Tokopedia Tbk (US\$957 million). Meanwhile, the Singapore Exchange saw its first SPAC IPO in January (three SPAC IPOs raising a total of US\$334 million in the first half of 2022).

Experts said Asia-Pacific IPO performance in the first half of 2022 was affected by macroeconomic headwinds such as Russian-Ukraine war, rising inflation rates and US-China tensions.

Nevertheless, a series of positive economic developments and new government policies in China should result in renewed optimism and a revival in IPO activities across the Asia-Pacific region for the remainder of the year.

Moving into 3Q 2022, EY noted that mega IPOs postponed in the first half of 2022 should represent a healthy pipeline of deals when the current uncertainties and volatility subside.

However, strong headwinds from the current uncertainties and market volatility are likely to persist. These include geopolitical strains, macroeconomic factors, weak capital market performance and the impact from the lingering pandemic on global travel and related sectors.

The technology sector is likely to continue as the leading sector in terms of the number of deals coming to the market. However, with greater focus on renewable sources of energy in the face of increasing oil prices, the energy sector is expected to continue to lead by proceeds from bigger deals.

Elsewhere, ESG will continue to be a key theme for investors and IPO candidates. As global climate change and energy supply constraints intensify, companies that have incorporated ESG considerations into their strategies, business and operations should attract more investors and fetch better valuation.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 15 – 20 August 2022

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-take
16.08.22 (Tue) 11.00 am	BSL Corporation Berhad (EGM)	BSL Corp proposed to issue 2.35 billion rights shares with up to 981.04 million free warrants on the basis of 12 rights shares with 5 free warrants for every 2 existing shares held by shareholders. The proceeds raised will be utilised mainly for the manufacturing expansion, upgrading the existing facilities and technologies, and working capital.
18.08.22 (Thur) 10.00 am	AMMB Holdings Berhad (AGM)	After withheld dividend payment for a year, AMMB had resumed to pay out dividend in FY2022 with dividend per share of 5 sen. Still, its dividend payout ratio of 11% was way below pre-pandemic level of between 30% and 40%. The level of payout is also the lowest among the other banking peers. Eyes are on the Board/management to resume its dividend payout level back to pre-pandemic level.
18.08.22 (Thur) 10.00 am	Cocoaland Holdings Berhad (CCM)	Cocoaland will put forward the proposed privatisation by F&N Holdings Bhd to its shareholders for consideration at this court convened meeting. F&N has proposed to privatise its 27.66%-owned associate Cocoaland by acquiring the remaining 72.34% of Cocoaland shares it did not own at RM488.15 million cash or RM1.50 per share.
18.08.22 (Thur) 10.00 am	ELK-Desa Resources Berhad (AGM)	For FY2022, the performance of ELK-Desa continued to be affected by the COVID-19 pandemic. It recorded a 10% decrease in revenue, and a 27% drop in net profit. Asset quality wise, the gross impaired loans ratio had deteriorated to 9.9% from 4.9% earlier. Moving forward, it aims to gradually grow its hire purchase receivables portfolio towards pre-pandemic levels while cautiously preserving asset quality.
20.08.22 (Sat) 11.00 am	SCGM Bhd (EGM)	SCGM proposed to divest its wholly-owned subsidiary Lee Soon Seng Plastic Industries Sdn Bhd for RM544.38 million to Mitsui & Co. and FP Corporation.

		If the transaction received greenlight from shareholders, shareholders would receive total RM2.21 per share from proposed capital reduction and repayment exercise and proposed special dividend exercise.
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
BSL Corporation Berhad (EGM)	<p>Based on the Minimum Subscription Level and the Undertakings, the Company intends to raise a minimum of RM10 million from the Proposed Rights Issue with Warrants to meet the funding requirements of the Group (Page 8 of the Circular dated 1 August 2022 ("the Circular")).</p> <p>Under the Minimum Scenario, the proceeds of RM10 million will be utilised for manufacturing expansion (Page 15 of the Circular).</p> <p>Based on BSLCORP's quarterly report on consolidated results for the financial period ended 31 May 2022, the Group has cash and bank balances (cash balance) of RM41.4 million.</p> <p>a) What is the Group's current cash balance? Why did the Group not consider using this cash balance to fund the expansion of the manufacturing business, which is estimated to cost RM26.0 million under the Base Case Scenario?</p> <p>b) Given that the Group has such a low gearing ratio of 0.08 times (based on BSLCORP's quarterly report on consolidated results for the financial period ended 31 May 2022), why does the Company not utilise bank borrowings to fund the funding requirements as set out in page 15 of the Circular instead of the Proposed Rights Issue? Has the Board considered optimising the capital structure to maximise the Company's market value?</p>
AMMB Holdings Berhad (AGM)	<p>Included in the net impairment charge, the Bank had made provisions of RM746.8 million for its loan exposure to the oil and gas (O&G) sector (page 54 of IR2022).</p> <p>a) Moving forwards, does the Bank foresee further provisions required for the affected O&G accounts? Please provide the latest percentage of coverage provided against your total O&G loan exposure.</p> <p>b) How is the progress of engaging with the two O&G debtors in restructuring their debts under their respective scheme of arrangement?</p>
ELK-Desa Resources Berhad (AGM)	<p>The net profit margin for HP segment slipped to 28.5% in FY2022, being the lowest in the past five years (page 2 of AR2022). Prior to this, its net profit margin was around 32% to 38%.</p>

	<p>a) Does the Group foresee a recovery in profitability in the near term?</p> <p>b) What is the possibility of increasing loan amount per hirer thus boosting profitability of the HP business?</p> <p>c) What are the possible areas for further cost optimization in view of your current high cost-to-income ratio at 29.4% for the HP segment?</p>
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•With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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