



The Observer

22.12.2023

❖ **Timely boost for ACE Market listings to gain promotion to Main Market**

Eligible ACE Market listed counters on Bursa Malaysia should take advantage of the simplified and accelerated transfer process approved by the Securities Commission Malaysia (SC) to facilitate their promotion to the Main Market of Bursa Malaysia.

The framework, which will take effect on 1 January 2024 through amendments to the Equity Guidelines, should incentivise more ACE Market-listed PLCs to continuously improve their corporate values and achieve sustainable growth for shareholders.

The introduction of accelerated transfer is a timely boost, especially with heaps of companies listed in the ACE Market over the past few years.

Under the new accelerated transfer process, an ACE Market PLC must, among others, have been listed on the ACE Market for at least 12 months prior to submission of its application to the SC, have a daily market capitalisation of at least RM1 billion for the past six months, and has been meeting the profit requirements for companies seeking listing on the Main Market, and has been operating in the same core business for the most recent three full financial years.

Besides, in considering an application for an accelerated transfer process, the SC will consider the applicant's level of adoption of the best practices under the Malaysian Code on Corporate Governance.

As of 21 December 2023, there were five ACE Market-listed PLCs which fetched market capitalisation of over RM1 billion.

The accelerated transfer of listing is part of a slew of capital market measures introduced by the SC to improve the stock market vibrancy and reduce market friction.

Being listed on the Main Market carries a premium, suggesting that a PLC has achieved certain standards in terms of quality, size, and operations.

Existing provisions from ACE to Main Market retained

Meanwhile, the existing provisions in the Equity Guidelines for transferring ACE Market-listed PLCs to the Main Market have been retained. PLCs may still seek a transfer of listing under the existing provisions if they cannot satisfy the more stringent requirements, i.e., market capitalisation, applicable to the accelerated transfer process.

Under the conventional transfer application process, an applicant must have a daily market capitalisation of at least RM500 million for the one-year period preceding the application. In contrast, under the accelerated transfer process, the daily market capitalisation requirement is at least RM1 billion for the six months preceding the transfer application.

Despite the stringent requirement, the required information and documents (Appendix 3A of Equity Guidelines) for the accelerated transfer process are less voluminous than the conventional transfer process (Appendix 3 of Equity Guidelines), likely resulting in lower compliance costs and turnaround time.

Timely boost

The ACE Market remained a significant source of financing within the Malaysian equity capital market, with 20 ACE Market listings raising RM1.26 billion through initial public offerings (IPOs) as of October this year. As of December 2023, it dominated 2023's IPOs with 24 out of 32 listings, while the Main Market saw seven listings compared to five last year.

On the other hand, there was a slight dip in listings on the LEAP Market (1 in 2023 versus 3 in 2022), likely due to companies assessing the LEAP transfer framework before deciding to go public.

As of the time of writing, there were 32 IPOs taking place in Bursa Malaysia, surpassing the 31 IPOs target set by the exchange operator.

The market expects the IPOs en route for listing on Bursa Malaysia to gather momentum in 2024, boosted by the overall positive business sentiment in the country.

Deloitte Malaysia recently said it envisages the local IPO market to remain active led by quality issuers that sustained or exceeded their market capitalisation upon listing and supported by active investor participation.

The firm added that the listing requirements for the ACE Market are more accommodating towards companies with good growth propositions while the lower ticket size of IPO shares continues to attract a steady flow of investors.

In terms of dollars and cents, the 28 IPOs listed in the first 10 and half months of 2023 have collectively raised RM3.31 billion. While the total IPO funds raised year-to-date is below the RM3.71 billion garnered for the whole of 2022, the total IPO market capitalisation has touched RM12.83 billion, which surpassed the RM11.81 billion for last year and the RM9.03 billion from the pre-lockdown of 2019.

By MSWG Team

MSWG AGM/EGM Weekly Watch 25 – 29 December 2023

For this week, the following are the AGMs/EGMs of companies 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
27.12.23 (Wed) 09.00 am	ARB Berhad (EGM)	ARB Berhad proposes a distribution-in-specie of approximately 76.12% equity interest in ARB IoT Group Limited (AIGL), offering 14 AIGL shares for every 1,000 ARB shares held by entitled shareholders.
27.12.23 (Wed) 11.00 am	SMTRACK Berhad (AGM)	<p>The Group changed its financial year ended from 31 December 2022 to 30 June 2023. The Group's revenue increased by 160.3% to RM15.99 million for FPE 2023 (FPE 2021 (17-month period): RM6.14 million).</p> <p>Nevertheless, the Group recorded a higher net loss of RM15.81 million (FPE 2021 (17-month): RM7.79 million) mainly due to impairment assessment on trade receivables and impairment of goodwill incurred in FPE 2023.</p>
28.12.23 (Thur) 10.00 am	Melati Ehsan Holdings Berhad (EGM)	<p>The Company seeks shareholders' approval for the following resolutions:</p> <ul style="list-style-type: none"> - Proposed acquisition of development land measuring approximately 4,008 acres in Mukim of Batu, Kuala Lumpur, by Pembinaan Kery Sdn Bhd (PKSB) from Mega Legacy (M) Sdn Bhd (MLSB) for RM85 million in cash. - Proposed JV between PKSB and MLSB to undertake the development of the land in return for a development rights value of RM93.5 million or the aggregate of the purchase consideration plus entitlement of 20.0% of the profit, whichever is higher.
29.12.23 (Fri) 09.30 am	Boustead Heavy Industries Bhd (EGM)	<p>The Company proposes the resolutions below for shareholders' approval:</p> <ul style="list-style-type: none"> - Amendments to the constitution of the company - Settlement of outstanding bank financing with Affin Bank Berhad

		<ul style="list-style-type: none"> - Settlement of amounts owing to Boustead Holdings Berhad ("BHB") - Allotment and issuance of Redeemable Convertible Preference Shares – Class A, Islamic RCPS – Class A, RCPS – Class B, RCPS – Class C and new BHIC shares in the Company at an issue price of RM0.57 each.
29.12.23 (Fri) 03.00 pm	Hextar Capital Berhad (fka Opcom Holdings Berhad) (EGM)	<p>Opcom VC Sdn Bhd (OVCSB), a wholly-owned subsidiary of HexCap proposed to acquire 6.75% equity in Binamat Communications Berhad (Binacom) for RM14.68 million in cash.</p> <p>This move aims to increase OVCSB's overall equity interest in Binacom to 24.78%, allowing HexCap Group to treat Binacom as an associate company. The investment is expected to enhance HexCap Group's earnings by leveraging Binacom's telecommunications platform for expansion, strengthening its position in future tenders. OVCSB had previously acquired 18.03% of Binacom shares on 2 October 2023.</p>

One of the points of interest to be raised:	
Company	Points/Issues to be raised
SMTRACK Berhad (AGM)	<p>The Group had on 20 February 2023 entered into a Helicopter Purchase Agreement with Grid Engineering Sdn. Bhd. to purchase one (1) Airbus Eurocopter AS355 F2 ("Helicopter") at the purchase price of USD1.25 million. The acquisition was funded via borrowings from licensed money lender of RM7.0 million with an interest rate of 6% per annum. (Bursa's announcement dated 20 February 2023)</p> <p>a) What is the age of the Helicopter? Are there any further expenses to be incurred for the Helicopter to be operational? If yes, how much?</p> <p>b) Given the low revenue contribution from the air freight and aviation related services of 2.9% to the Group's total revenue, have the Independent Directors evaluated the returns on past investments made by the Group in the aviation segment prior to purchasing the Helicopter?</p> <p>c) What is the Group's plans for the Helicopter? When will the Helicopter be expected to start contributing to the Group's revenue?</p>
Boustead Heavy Industries Bhd (EGM)	<p><u>Proposed Debt Settlements</u></p> <p>The completion of the Proposed Debt Settlements is subject to, amongst others, the fulfilment of the conditions precedent</p>

	<p>within such period as the parties may mutually agree as per the Financiers' Settlement Agreements and BHB Settlement Agreement, failing which these settlement agreements will be terminated. In such case, repayment/settlement of the outstanding financing facilities will revert to the repayment/settlement terms as stipulated in the respective existing facility agreements with the Financiers. In the event that the Company is unable to complete the Proposed Debt Settlements in a timely manner, there is a risk that the Company will be classified as a PN 17 Issuer if the Group defaults in its payment to the Financiers (Page 16 of the Circular).</p> <p>Apart from the steps mentioned on page 16 of the Circular, what are the other reasonable steps taken to ensure the completion of the Proposed Debt Settlements and avoiding BHIC from being classified as a PN17 issuer as well as reaping the potential benefits (Page 11 of the Circular) which are expected to result from the Proposed Debt Settlements?</p>
--	---

MSWG TEAM

Rita Foo, Head, Corporate Monitoring (rita.foo@mswg.org.my)
 Norhisam Sidek, Manager, Corporate Monitoring (norhisam@mswg.org.my)
 Lee Chee Meng, Manager, Corporate Monitoring (chee.meng@mswg.org.my)
 Elaine Choo Yi Ling, Manager, Corporate Monitoring (elaine.choo@mswg.org.my)
 Lim Cian Yai, Manager, Corporate Monitoring (cianyai@mswg.org.my)
 Ooi Beng Hooi, Manager, Corporate Monitoring (ooi.benghooi@mswg.org.my)
 Jackson Tan, Manager, Corporate Monitoring (jackson@mswg.org.my)
 Nur Amirah Amirudin, Manager, Corporate Monitoring (nuramirah@mswg.org.my)
 Yan Lai Kuan, Manager, Corporate Monitoring (yan.laikuan@mswg.org.my)
 Lam Jun Ket, Manager, Corporate Monitoring (lam.junket@mswg.org.my)

DISCLOSURE OF INTERESTS

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

DISCLAIMER

This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholders Watch Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.