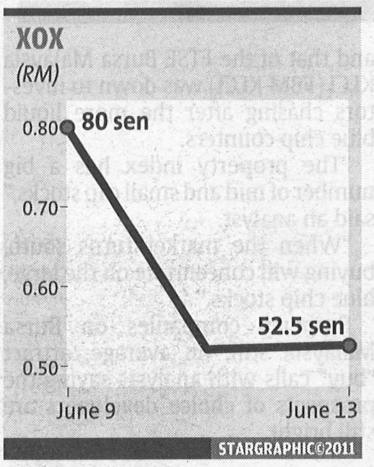
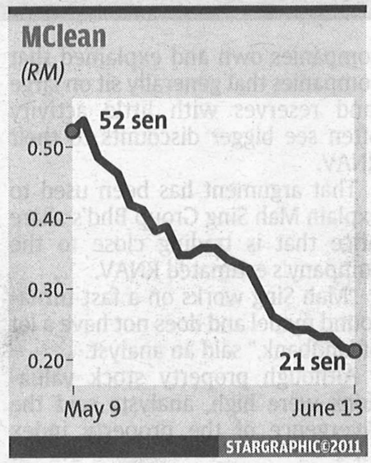
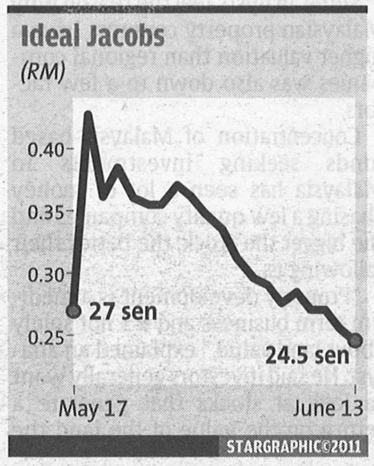
'Oversubscribed' poser

Poor performance of ACE market listings raises concern







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PETALING JAYA: While ACE-Market latest listing XOX Bhd managed to end yesterday in the positive territory, adding 0.5 sen to close at 52.5 sen, its recent poor stock performance is still a concern, drawing attention to the quality of listings on the market.

XOX had already gotten off to a poor start on its debut last Friday, closing 28 sen lower at 52 sen, which was a 35% discount from its initial offer price (IPO) of 80 sen.

The day before the mobile virtual network operator got listed, it told Bursa Malaysia that it made a net loss of RM1.67mil for the quarter ended March 31, 2011, claiming that it was due mainly to the selling and distribution expenses necessary in creating brand awareness for the company's services.

XOX's fate seemed to mirror that of two other newly-listed ACE Market companies, namely, MClean Technologies Bhd, a Singapore-based precision cleaning service provider for hard disk drives, and Ideal Jacobs (M) Corp Bhd, a US-founded industrial labels and name-plates manufacturer.

Both the companies made their debut last month, and had since, witnessed their share prices going downhill.

MClean ended its first day of trade on May 10 at 53.5 sen, slightly higher than its IPO price of 52 sen. Three weeks after listing, it told Bursa that it made a net loss of RM196,000 for the quarter ended March 31, 2011. The company attributed the net loss to its IPO expenses as well as the inclusion of overhead expenses of its newly acquired subsidiary in China, Techsin Electronics (Wuxi) Co Ltd.

Yesterday, the company closed at 21 sen, marking a decline of 60.7% since its debut on the ACE Market.

Ideal Jacobs, on the other hand, saw a drop of 43% after closing 24.5 sen yesterday from 43 sen on its first day of trade on May 18. Its IPO price was 27 sen.

Ideal Jacobs released its financial results five days before being listed, with a net profit of RM371,000 for the quarter to March 31, 2011, compared with a net profit of RM993,000 in the corresponding quarter last year.

The decline in the prices of some of these ACE Market listed shares has led to questions as to whether there are sufficient rules to ensure only quality companies are listed and whether rules should be changed vis-a-vis disclosures.

A news report recently quoted Minority Shareholder Watchdog Group CEO Rita Benoy Bushon as saying there was a need to revisit existing guidelines on company disclosures at IPO stage so that investors could make informed decisions.

She also highlighted the misperception of the public with regards to oversubscription of IPO shares as a problem. The public in general usually take "oversubscription" as involving the entire amount of shares issued when it actually involved the portion made available to the public.

An analyst concurred, saying: "In many of these listings, the bulk of shares being issued or offered for sale are going to parties under a private placement, whereby it isn't clear who these parties are."

In the case of XOX, which reported an oversubscription of 13.2 times, only 7.5 million shares out of the 46.8 million IPO shares were made available to the public. The remainder were allotted for private placement and business associates.

MClean, which reported an oversubscription of more than 100 times, had only 2.7 million shares allotted to the public. The other tranche, involving 12.7 million shares, was offered for private placement and business associates.

Ideal Jacobs, which saw an oversubscription of 315 times of the two million shares offered to the public, had 28 million shared offered for private placement.

The analyst explained that in most cases, parties under private placements of shares are not captured under the moratorium rules.

"So while there is a gentleman's agreement for them not to sell after the IPO, some of them do; nothing to stop that," he said.