

MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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(Part 1)

Rookies take a beating

BEING "rookies" in the capital market, they too have been caught by surprise by the amount of heavy beating that their company's shares have gotten recently. That's the sentiment MClean Technologies Bhd CEO Bert Chow shares with *StarBizWeek*.

The Singapore-based precision cleaning service provider for hard disk drives MClean made its debut on the ACE Market on May 10 at an initial public offer (IPO) price of 52 sen.

It's been a downhill ride for the counter since then. Yesterday, MClean closed at 23 sen, more than half its IPO price.

"We were surprised by how the market perceived our counter, considering the company's foundation and experience in the business," Chow says.

MClean is a leading player in the volatile HDD industry, with its customer base currently concentrated mainly in Singapore (54.5%), Malaysia (22%) and China (20%).

Some analysts reckon that the company's announcement of a net loss a few weeks after its IPO has been the main

dampener.

"From the listing perspective, there may be no profit requirement; but from the market's perspective, profitability is essential," an investment banker explains.

MClean made a net loss of RM196,000 for the quarter ended March 31, 2011, which it attributed to its IPO expenses as well as the inclusion of overhead expenses of its newly acquired subsidiary in China, Techsin Electronics (Wuxi) Co Ltd.

For the corresponding period last year, MClean made a net profit of RM2.04mil.

"Our business remains profitable, and we expect the turnaround to happen from the second quarter onwards, especially with our business in China fast picking up the slack," Chow explains.

XOX Bhd, on the other hand, expects to return to black by the third quarter onwards. In its prospectus, XOX said it

was targeting a net profit of RM19.8mil for the year ending Dec 31, 2011.

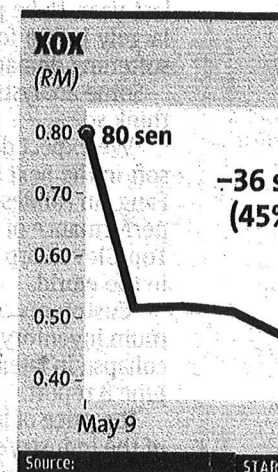
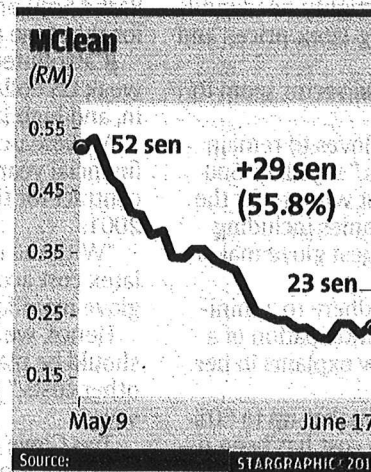
The mobile virtual network operator (MVNO) made its debut on the ACE Market on June 10, following which saw the company's share price sliding down.

On the eve of its listing, the company announced a net loss of RM1.67mil for the quarter ended March 31, 2011, claiming that it was due mainly to expenses spent on creating brand awareness.

Yesterday, XOX closed at 44 sen, 45% down from its IPO price of 80 sen.

"Our business is improving by the quarter and we will let the results speak for itself," XOX managing director and CEO Ng Kok Heng tells *StarBizWeek*, adding that the company's profit target is "right and realistic".

"We're focused on growing our business now; at the end of the day, it is really up to the market to judge," Ng says.



Analysts point out that the scenario of new IPOs being beaten down so heavily could also be due to overpricing of the company's shares.

In the case of MClean, TA Research had valued the stock at 29 sen, based on seven times fair price-earnings ratio (PER), but ECM Libra in its earlier note said the company's IPO price at 12.9

times preceding year's PER v valued.

As for XOX, TA Research had it at 70 sen based on 8.9 times year's PER. TA Research note petition in the growing mobile remained tight, and anticipated role in the sector to be small. **Cecilia Kok**