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PRG's manufacturing arm surges 44% on HK trading debut

BY TAN XUE YING

HONG KONG: PRG Holdings Bhd's manufacturing subsidiary, Furniweb Holdings Ltd, is off to a strong start after surging as much as 44% over its initial public offering (IPO) price on the Growth Enterprise Market (GEM) board of the Hong Kong Stock Exchange yesterday.

The stock opened at 60 Hong Kong cents, and climbed to as high as 72 cents during the day before paring gains.

Furniweb ended its first trading day at 64 cents, up 14 cents or 28% over its IPO price of 50 cents, with a total of 131.49 million shares done, giving it a market capitalisation of HK\$342.72 million (RM185.06 million).

Speaking to reporters after the listing ceremony here, PRG group managing director Datuk Lua Choon Hann said he is pleased with the performance of Furniweb's share price, and that moving forward, strengthening the fundamentals of its business would be the foremost concern.

He said the company is committed to further growth and will seek

to continuously enhance shareholders' value through the expansion of production capacity.

"We believe the listing of Furniweb on the HK Stock Exchange will provide liquidity to both retail and institutional investors, leading to better price discovery for both shares in Furniweb and PRG," Lua added.

Furniweb's IPO received overwhelming response from investors — its 126 million shares offered were oversubscribed by 162.6 times.

Malaysia's Deputy Finance Minister Datuk Lee Chee Leong was also present at the listing ceremony.

Commenting on volatility in the Hong Kong share market, Furniweb chairman and non-executive director Datuk Lim Heen Peok said it would not be any

different on other stock exchanges, and it should not be worrying as long as there is proper conduct.

"We are not fearful [of market volatility]. The management is clear on conducting ourselves [in the] proper manner and remain compliant with rules," he added.

Lim also said that it would be a "logical step" for Furniweb to transfer its listing status to the Main Board of Hong Kong's stock exchange in the future, and that the management is keen on giving it a go.

"However, we are not pressured to move to the Main Board in one or two years. Instead, we will make a natural and strategic progression," Lim added.



Lua: The listing will lead to better price discovery for both Furniweb and PRG shares.
Photo by Patrick Goh

When asked about dividend policies, Furniweb chief executive Jimmy Cheah said, as of now, the board had not decided on a definite policy.

Furniweb raised HK\$63 million from the IPO. Out of the net proceeds of HK\$35.6 million, after deducting listing fees, the company plans to utilise HK\$32.4 million of its proceeds for the construction of a third production facility in Vietnam and acquisition of new machines.

The company plans to establish a new production facility on a vacant site within a piece of land in Vietnam currently leased and used by its operations there.

Based on its prospectus, the construction of the new factory is expected to commence during the six months ending June 30, 2018, and to be completed by June 30, 2019.

Despite the 7.3% minimum wage hike in Vietnam, Cheah said labour costs in Vietnam remain competitive in comparison with neighbouring countries such as China. It currently has approximately 900 staff members in Vietnam, where it has been operating for nearly 20 years, he added.

Furniweb is a company principally engaged in the manufacturing of covered elastic yarn, narrow elastic fabric, rubber tape, furniture and seat belt webbing.

The largest contributor to its revenue is elastic textile, coming in at 54.4% in the financial year ended Dec 31, 2016 (FY16), whereas webbing products contributed 32.7%, and rubber tape and metal components for furniture stood at 12.9% collectively.

As at Sept 19, the company had a total of five production facilities in Malaysia and Vietnam manufacturing products to be sold or exported to over 30 countries, including the US, the UK, India, Indonesia, Australia, Sri Lanka and Pakistan.

In FY16, Furniweb's five production facilities in Malaysia and Vietnam showed an utilisation rate ranging from 88.2% to 92.4%.

Post-listing, PRG Holdings remains a controlling shareholder with a 75% stake in its manufacturing unit. At closing bell, PRG closed one sen or 0.99% higher at RM1.02 with some 304,000 shares exchanged, with a market capitalisation of RM307.62 million.