



Seng Fong to raise RM68.11m from IPO

KUALA LUMPUR: Rubber processor and trader Seng Fong Holdings Bhd, en route to list on Bursa Malaysia's Main Market on July 7, plans to raise RM68.11 million from its initial public offering (IPO).

The IPO entails an issue of 160.87 million shares – comprising a public issue of 90.81 million new shares and an offer for sale of 70.06 million existing shares – at an issue price of 75 sen per share.

Seng Fong said in a statement a retail offering of 42.20 million shares representing 8.1% of enlarged number of issued shares will be made available whereby 25.95 million shares representing 5.0% of enlarged number of issued shares are for the Malaysian public, of which 50% will be set aside for bumiputra investors including individuals, companies, societies, cooperatives and institutions, while 16.25 million shares representing 3.1% of enlarged number of issued shares are reserved for application by eligible persons.

Meanwhile, its institutional offering of 118.67 million shares representing 22.9% of enlarged number of issued shares will be made available, with 64.87 million shares by way of private placement to bumiputra investors approved by the Ministry of International Trade and Industry, and 53.80 million shares by way of private placement



Top row from left are Seng Fong Holdings chairman Ng Ah Bah @ Kok Yee, Er Hock Lai and executive director E Tak Bin. Bottom row, from left are executive director Jimmy Er Tzer Nam and Lee

to other institutional and selected investors.

After the IPO, the group will have an enlarged total of 518.96 million shares, and will have a market capitalisation of RM389.22 million upon listing.

Seng Fong managing director Er Hock Lai said the group's immediate objectives are to optimise production by increasing its total annual capacity through the hiring of additional workers for a second working shift and implementing environmental, social, and governance (ESG) initiatives to make its business more sustainable.

"We intend to use part of the proceeds raised from the IPO to fund our working capital requirements to expand annual production capacity to 166,000 metric tonnes by 2023 from the current capacity of 142,000 metric tons. To further our ESG initiatives, we are also using proceeds raised from the IPO to repay bank borrowings that we have used to install two solar systems that will help reduce overall electricity expenses," he announced during the group's virtual prospectus launch yesterday.

"We are also allocating proceeds

raised from the IPO for the installation of two biomass system using wood chips and replacing diesel to reduce overall fuel costs for our factories. We estimate that the use of the solar systems will result in savings of RM2.6 million while the biomass system will help us save RM3.5 million. On top of the cost saving, the use of renewable energy to reduce electricity and fuel consumption is in line with our emphasis on having sustainable business operations and the need to conserve the environment."

He added that the group is building on its solid fundamentals and business reputation and intends to recommend at least 50% of its annual net profit as dividend to shareholders subject to the approval of the board of directors and shareholders.

Hong Leong Investment Bank (HLIB) group managing director and CEO Lee Jim Leng believes that Seng Fong will be able to leverage on this IPO to attain its immediate objectives while enhancing its presence in the international market for rubber processing.

"Almost all of Seng Fong's revenue is derived from sales to international customers for FY19 to FY21. For the nine months ended March 31, 2022, Seng Fong posted a net profit of RM31.32 million and revenue of RM662.43 million."

HLIB is the underwriter and placement agent for Seng Fong's IPO exercise.