

Publication: The Edge Malaysia – Corporate (pg. 24)

Date: 10 April 2017

Headline: PUC Founder has cash it can't really spend

PUC Founder has cash it can't really spend

BY LIEW JIA TENG

It has been more than a year since Jack Cheong Chia Chieh, the young chief of PUC Founder (MSC) Bhd, passed away due to sudden illness. However, the ACE Market-listed information technology (IT) solutions provider does not yet seem to have a clear business direction.

In fact, PUC has net cash of RM43.3 million, RM42.65 million of which it cannot use for any purpose other than to expand its renewable energy business.

The Ipoh-born Chia Chieh, who suffered from a rare disease, hemophagocytic lymphohistiocytosis, passed away at the age of 44 in February last year.

Now, it seems that Cheong Chia Chou, who was appointed the new managing director last December, is not keen on completing his late brother's unfinished business. Instead, he is more interested in developing the company's businesses.

"Chia Chieh was very determined to expand PUC's renewable energy business; the solar power project was like his baby. But Chia Chou is a programmer, so naturally, he is more passionate about the IT industry," says a source familiar with the company.

Besides renewable energy, PUC is also involved in media and advertising, as well as electronic payment processing services.



Under the feed-in-tariff (FIT) programme, PUC currently operates a 1MW capacity solar photovoltaic (PV) power plant in Sungai Petani, Kedah. The output will be supplied to Tenaga Nasional Bhd at a fixed rate.

It is noteworthy that in February last year, the group had raised RM42.65 million from a rights issue of irredeemable convertible unsecured loan stocks (ICULS) to fund its solar expansion. To date, however, it has yet to secure a new project.

"The solar power project has dragged on for one year. Before Chia Chieh passed away, PUC shareholders (at an EGM on Dec 29, 2015) approved the plan to expand the renewable energy business. Unfortunately, nobody followed up on that, so the money was stuck there for the whole of 2016," says the source.

PUC had in October 2015 proposed the issuance of ICULS with warrants to raise up to RM83.9 million, but the company only managed to raise RM42.65 million.

The derivative was issued on the basis of 28 rights ICULS for every 20 PUC shares. Subsequently, the entitled shareholders also received seven warrants-B for every 28 rights ICULS subscribed.

The three-year ICULS can be converted into new PUC shares at anytime between its issuance date of Feb 18, 2016, and its maturity on Feb 15, 2019. Any ICULS not converted at the end of the conversion period shall be mandatorily converted into new PUC shares on the maturity date.

It is worth noting that the ICULS paid its maiden annual coupon payment of 4% per annum on Feb 29 this year.

A corporate observer says unless the ICULS holders convert their derivatives into shares, the RM42.65 million raised from the rights ICULS exercise can only be utilised for the renewable energy business.

"PUC needs to vary the utilisation of proceeds. The EGM is only a formality; the main hurdle is the Securities Commission. The regulator is very stringent on a rights issue exercise. If the money was raised specifically for expanding the renewable energy business, it can only be used for that purpose. You cannot use it to develop IT businesses," he explains.

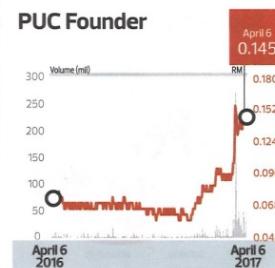
Put simply, PUC's hands are tied.

Contacted by *The Edge* via email, Chia Chou acknowledges that at this point, PUC is unable to share more than what has been announced on Bursa Malaysia.

However, he points out that PUC has completed the first tranche of a private placement exercise, raising a total of RM7.6 million to develop its technology business, specifically covering e-commerce, payment and integrated media services.

On the development of its renewable energy business, Chia Chou says PUC achieved FIT commencement date status in January for the solar PV plant in Kedah granted by the Sustainable Energy Development Authority.

"We will provide an update on other new developments of the company in due time. PUC remains committed to delivering value to



all our shareholders with a clear and strategic vision to grow the company, and will continue to develop our businesses in the respective fields," he says.

Chia Chou, 42, started his first venture, GeoFoto Pte Ltd, in 1999, with the aim of commercialising various technologies developed at the National University of Singapore. Subsequently, he sold an online photo printing solution to Fujifilm in 2001.

He joined Systems @ Work Pte Ltd (which was later acquired by WireCard AG) as the solutions director, focusing on developing and enhancing mobile applications for online payment.

Chia Chou is also the founder, director and major shareholder of Pictureworks Holdings (M) Sdn Bhd where he is responsible for its strategic direction. The company has its headquarters in Singapore and operations in seven countries.

Asia Analytica identified PUC as a stock with momentum on March 20. Year to date, the counter has more than doubled. It closed at 14.5 sen last Thursday, giving the company a market capitalisation of RM166.6 million.

According to some quarters, the share price run-up could be due to optimism among retail investors that PUC can expect a new lease of life with Chia Chou on board.

The stock has a trailing 12-month price-earnings ratio of 59 times and is currently trading at 0.93 times its book value.

It is noteworthy that PUC has been active in signing memorandums of understanding (MoU) with other parties in the past three years, but most have yet to bear any fruit.

PUC and Penang-based poultry firm PW Consolidated Bhd (now known as PWF Consolidated Bhd) had on Aug 24, 2015, inked an MoU to collaborate to build and operate an ecotype biogas electricity plant as a joint venture or investment scheme.

On Feb 19, 2016, PUC inked a term sheet with Green Forever Energy Sdn Bhd (GFE) to subscribe for three million redeemable convertible preference shares (RCPS) in the latter for RM3 million.

Both parties, however, agreed to terminate the term sheet on July 22 as GFE failed to obtain the necessary approval from the Sustainable Energy Development Authority for its FIT application in respect of a proposed 425kW PV power plant to be constructed and operated by GFE.

Earlier on June 29, 2016, PUC also signed an MoU with Federation for Motor and Credit Company Association of Malaysia (FMC) to provide financing to independent car retailers, small car supermarkets and dealers.

PUC said a financing scheme, dubbed "Vehicle Stocking Advance (VSA) Scheme", could further expand the group's business segment and generate more income.

For its the financial year ended Dec 31, 2016 (FY2016), PUC saw net profit rise 20% to RM2.67 million, up from RM2.21 million a year ago. Its revenue, however, declined 6% to RM25.75 million, from RM27.3 million the year before.

The lower revenue was mainly due to slower market conditions that affected the advertising and media segment in Malaysia, while the higher profit was mainly due to better sales margins secured by that segment. ■