MSWG
MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

The Observer

(Following the announcement made by Prime Minister, YAB Tan Sri Muhyiddin Mohd Yassin on 23 April 2020, and in relation to the extension of Movement Control Order to 12 May 2020 to contain the COVID-19 outbreak, public listed companies have postponed their general meetings while some have proceeded with virtual general meetings.).

01.05.2020

Don't be overjoyed that IDSS remains suspended

Investors of speculative stocks can sigh relief now that the Securities Commission (SC) and Bursa Malaysia have extended the temporary suspension of short-selling by another two months to 30 June.

The temporary suspension of short selling remains a short-term measure to provide stability and confidence in the Malaysian capital market, according to the market regulators.

"The extension of the temporary suspension will ensure that market management measures are still in place, to manage risks within the prevailing uncertain and challenging environment amid Covid-19 pandemic, as well as to mitigate any excessive speculative activities in the marketplace," the SC and Bursa Malaysia said in a joint statement on 28 April.

Recall that both market regulators had imposed a temporary suspension on intraday short-selling (IDSS), regulated short-selling (RSS) as well as intraday short-selling by proprietary day traders from 23 March to 30 April to mitigate heightened volatility and global uncertainties stemming from the COVID-19 pandemic.

Malaysia is not alone in prolonging the suspension period on short-selling given market regulators in five European countries – France, Spain, Austria, Belgium and Greece – have also extended their bans which were scheduled to end in late-April to mid-May to stabilise stock prices.

Closer to home, South Korea's financial regulator has banned short selling in listed shares on its KOSPI and KOSDAQ for six months with effect from 16 March to curb speculative trading amid economic blow following the COVID-19 outbreak.

Boon and bane

On the bright side, the continuous suspension of short-selling would insulate the local bourse from volatility resulting from three key events:

- Knee-jerk reaction from global markets (especially the US) given the world is already in recession and the COVID-19 pandemic has yet to be fully contained (a vaccine will not be available for widespread use for at least another 12 to 18 months);

- Global oil price slump due to price war, persisting concerns over storage incapacity and under-consumption; and

- Many listed companies will be unveiling quarterly results which will reflect the effect of COVID-19 on their business performance.

On the other side of the equation, short-selling does help to stabilise asset prices by improving price efficiency, enhancing stock liquidity and improving market quality on the longer term although it is often associated with inflicting misery on investors who have already been impoverished by stock market traumas.

In fact, empirical studies found that outright banning of short-selling does more harm to the market by undermining transparency over stock prices and "liquidity" or the ability of people to trade easily.

Another factor which is often being overlooked is that short-selling forces discipline on the Company's behavior. Short sellers have been shown to be able to identify misbehavior and unfavorable information that is not reflected in stock prices and this facilitates price discovery.

Moving forward, it is hoped that short selling will resume once trading uncertainties in the local bourse has improved as it does boast some advantages.

To recap, the IDSS which is dreaded among stock punters came into being on 16 April 2018 in line with Bursa Malaysia's vision of further developing the local capital market.

The same applies to the related 'circuit-breaker' measure by the SC and Bursa Malaysia to temporary relax margin financing rules to ease the pressure of forced selling on the stock market.

The waiver and modification of these rulings – which may also allow investors to provide other types of collateral for purposes of margin financing – is effective from 27 March until 30 September 2020.

More recently, the market regulators have even accorded a further lifeline to potential affected public listed companies under Practice Note 17 (PN17) and Guidance Note 3 (GN3) of Main and ACE Market Listing Requirements.

Under the latest relief and flexibility measure announced by SC and Bursa Malaysia on 16 April 2020, PLCs that triggers criteria under PN17 or GN3 between 17 April 2020 and 30 June 2021 will not be automatically classified as an affected listed issuer under PN17 or GN3.

At the end of the day, it is worthwhile pondering if over-protecting the market would cause companies to lose their survival instinct by the time we reopen our economic activities fully once the COVID-19 pandemic is contained.

Hopefully the affected listed issuers would use the reliefs effectively to mitigate the impact of the unprecedented pandemic for long term benefit of both the Company and the investors.

Devanesan Evanson
Chief Executive Officer

Ho Wah Genting Berhad – a puzzling conditional voluntary take-over offer

On 27 April, the Board of Directors (the Board) of Ho Wah Genting Berhad (HWGB) announced that the Company has received a notice of conditional voluntary take-over offer (VGO Notice) from Ho Wah Genting Holding Sdn Bhd (HWGH or the Offeror) as well as Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew, being the Ultimate Offerors for the Offer, through M&A Securities Sdn Bhd, notifying the Board, the intention of the Offeror to make an offer to acquire the following:-

i) all the remaining ordinary shares in HWGB (HWGB Share) not already owned by the Offeror and Ultimate Offerors and such number of new HWGB Shares that may be issued and allotted prior to the closing date of the Offer arising from the exercise of the outstanding Warrant-D 2016/2021 issued by HWGB (Warrants) and/or exercise of existing outstanding employees share option in HWGB (ESOS Option) and new ESOS Options which may be further granted pursuant to the employees share option scheme of HWGB, collectively (Offer Shares)

ii) all the remaining Warrants in HWGB not already owned by the Offeror and Ultimate Offerors ("Offer Warrants")

for a cash offer price of 12.5 sen per Offer Share and 1 sen per Offer Warrant respectively (Offer).

(Source: HWGB's announcement dated 27 April on Bursa Malaysia's website)

MSWG's comments:

As at 24 April (last trading day before the VGO notice was served), HWGB shares and its warrants were traded at 22 sen and 8 sen respectively. The conditional voluntary offers of 12.5 sen per share and 1 sen per warrant represents a 43.2% discount per Offer Share and 87.5% discount to the Offer Warrant. The non-interested shareholders of HWGB should also take note of the following in relation to the VGO:

1. The Offer is conditional upon the Offeror having received valid acceptances by the closing date of the Offer, which would result in the Offeror holding in aggregate, together with such HWGB Shares that are already acquired, held or entitled to be acquired or held by the Offerror, more than 50% of the voting shares of HWGB

2. The Offeror intends to maintain the listing status of HWGB on the Main Market of Bursa Securities.

A puzzling offer

The Offer raises the following questions for us to ponder upon:

a) Why is the Offeror making such an Offer at almost half of the Company's current share price? Would not shareholders rather sell in the market and get a much higher price?

   Given that the Offeror did not trigger any mandatory rules that require them to make such Offer, what is the Offeror's ultimate intention since they also intend to maintain the listing status of HWGB?

b) Will this be an exit offer for certain parties who had gotten or subscribed for HWGB Shares earlier at a lower price, whilst allowing the Offeror to substantially raise its stake in the Company at a below market price?

   Noteworthy, there were private placements and share-settlement of debts of about 35% of issues shares at prices between 8 sen and 10 sen earlier.

Amidst the current challenging economic environment, this conditional VGO exercise will be an added cost to HWGB as the Board will need to appoint an Independent Adviser to advise the non-interested directors and shareholders of the Company, on the fairness and reasonableness of the Offer.

Minority shareholders must also note that HWGB announced in this February that its net loss narrowed to RM6.99 million in financial year ended 31 December 2019 from a net loss of RM32.99 million a year earlier. The company's latest reported net assets per share stood at 7 sen.

The Board, on such Notice was being served to the Company has come to the conclusion that the Offer was worth considering: what could have been the rationale and motivation for the Board's conclusion?

Elaine Choo
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 4 - 8 May 2020

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Quick-take
05.05.20 (Tue) 02.00 pm	Westports Holdings Bhd (AGM)	It recorded higher revenue and PAT of RM1.78 billion and RM591 million in FY19 compared to FY18. Nevertheless, with global lockdown due to COVID-19 pandemic and a challenging global economic environment, how will it sail through this stormy year?
05.05.20 (Tue) 03.00 pm	Westports Holdings Bhd (EGM)	It has proposed to acquire 361.76 acres of leasehold land in Selangor for RM393.9 million to develop container terminal facilities 10 to CT13, and part of CT14. This expansion plan will increase its total handling capacity to cater to growing demand for port services moving forward.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Westports Holdings Bhd (AGM)	In relation to a related party transaction, Wesports sponsored RM2 million (2018: RM2 million) to KL Dragons Sdn Bhd (a company founded and co-owned by Datuk Ruben Emir Gnanalingam bin Abdullah) on sponsorships for basketball team (Note 35, page 79 of AR2019). a) What is the rationale for the said sponsorship?

	b) As reported under the MD's message under the outlook, the Covid-19 outbreak is expected to adversely affect economic growth and weigh down the already slowing global economic growth (page 7 of AR2019). Does Westports plan to continue with the sponsorship? If yes, what is the expected amount of sponsorship to be given to KL Dragons Sdn Bhd for the financial year ending 2020?
Westports Holdings Bhd (EGM)	Part of the Proposed Expansion would only be possible after land reclamation has been carried out on the Acquired PKNS Land and part of the Land (the said Land under the Proposed Acquisition) (page 11 of the Circular). a) What is the total estimated cost of land reclamation to be carried out on the Acquired PKNS Land and part of the Land? b) How long will it take to complete the land reclamation and ready for use?

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DISCLOSURE OF INTERESTS

•With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.

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