

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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UNUSUAL OCCURENCE

MSWG raises alarm as G3 Global warrants outshine mother shares

KUALA LUMPUR: The Minority Shareholders Watch Group (MSWG) has raised a red flag on G3 Global Bhd's warrants, which are priced higher than the mother shares.

G3 Global is traded in the Main Market of Bursa Malaysia under the consumer products sector.

Noting that it was a rare for the warrant price to be higher than that of the mother share, MSWG chief executive officer Devanesan Evanson urged regulators to look into the unusual occurrence.

G3 Global warrants, which were listed on Oct 9, 2017, had their origin in the company's rights issue-cum-warrants exercise, which entailed the listing of 275 million rights shares along with 206.25 million free detachable warrants.

The warrants have a conversion period of five years and an exercise/conversion ratio of 1:1 with a strike price of 10 sen. They are scheduled to expire on Oct 2, 2022.

The warrants, which com-

menced trading at 71 sen, started trading above the mother share price on May 12 when they closed at RM2.95 versus the mother shares' RM2.71.

The gap grew to 34.16 per cent on Sept 10 when the warrants were priced at RM3.22 versus RM2.40 for the mother shares.

As at Oct 1, G3 Global warrants were traded at RM3.01, which were 15.32 per cent higher than the price of the mother shares at RM2.61.

"With the conversion ratio of 1:1

and strike price of 10 sen, it makes little sense for investors to buy and convert G3 Global warrants into mother shares now, unless they are confident that the share price of G3 Global will eventually rise beyond the price of the warrants they purchased.

"While the time-value factor may fuel the rally of G3 Global warrants as investors are willing to pay a higher premium for a longer expiry period, is such a 'high' premium warranted, though?" said Devanesan.

He also said given the rule of thumb that investors would always do their best to maximise their profits, it was also very unlikely for warrants to be traded above the mother shares without participation from uninformed investors.

Warrant holders should remember to exercise their right to buy the company's shares at the exercise price or sell their warrants in the open market prior to their expiry date, Devanesan added.