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

The Observer

(Since the imposition of Movement Control Order (MCO) by Malaysian government beginning from 18 March 2020, public listed companies have postponed their general meetings while some have proceeded with virtual general meetings.

On another note, MSWG would like to wish our Muslims friend Selamat Hari Raya Aidilfitri.)

22.05.2020

Is COVID-19 a convenient excuse for PLCs?

Kudos to Bursa Malaysia for not acceding to Affin Bank Bhd's recent attempt to backtrack on the quantum of its earlier declared final dividend even as the latter's reasoning made valid business sense.

The market regulator's rejection dated 6 May has prevented a precedent – at least in Malaysia – whereby no other banks are known to have sought to reduce their dividend pay-outs once publicly declared.

Affin Bank had on 27 April sought to review its final dividend for the financial year ended 31 December 2019 to five sen per share (entailing a total payout of RM99.3 million) from seven sen per share (or total pay-out of RM139.02 million) as per its 4QFY19 financial results announced on 27 February.

Nevertheless, Affin Bank's rationale of wanting to preserve its capital and liquidity amid the economic slowdown triggered by the COVID-19 pandemic has been in tandem with the practice of some major global banks.

In early April, British banks in the likes of Barclays, the Royal Bank of Scotland, HSBC, the Lloyds Banking Group and Standard Chartered announced that they would scrap their outstanding dividends for FY19 and would not return money to shareholders this year following pressure from the Bank of England.

On a similar note, the European Central Bank has also urged banks across the eurozone to refrain from dividend payments and share buybacks until October in order to "support households, small businesses and corporate borrowers and/or to absorb losses on existing exposures to such borrowers."

In Affin Bank's case, Bursa Malaysia's rationale may have very well been that once a dividend is announced to the exchange, there should not be any alteration to the dividend entitlement declared or proposed to shareholders.

This is to safeguard the interest of investors and shareholders since dividend entitlement and payment forms part of the key considerations in making their investment decision.

TAE in the spotlight again

Another company which seeks to backtrack on an earlier deal is stockbroker TA Enterprise Bhd (TAE) which is seeking the Securities Commission's (SC) consent via an application submitted on 6 May to withdraw its conditional voluntary offer to take over its property arm TA Global Bhd.

According to paragraph 9.11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions that once a company made an announcement of its intention to make a take-over offer under subparagraphs 9.10(1), the offeror shall not withdraw the take-over offer without the prior written consent of SC.

The intent to withdraw its offer comes on the heels of TAE's recent corporate exercise which culminates in an offer price of 28 sen for TA Global that was 82% lower than the latter's estimated revised net asset value of RM1.10 (share price of TA Global closed at 20.5 sen on 22 May).

TAE wanted to abort the deal it proposed on 12 February after considering the adverse impact of the COVID-19 health crisis on TA Global's financial performance for the financial year ending 31 December 2020.

This follows TA Global's announcement on 13 April that it would temporarily closed down six of its hotels in Malaysia (Malacca), Australia, Thailand and in Canada due to the pandemic which had disrupted global travel.

On 12 February, TAE had offered to acquire 2.12 billion ordinary shares or a 39.83% equity interest in subsidiary TA Global for 28 sen per share, the proposed acquisition will be satisfied via cash or a share exchange based on an exchange ratio of 0.4211 new ordinary share in TAE to be issued at an issue price of 66.5 sen each for every one offer share surrendered.

TAE has proposed issuance of up to 550.54 million new TAE shares at an issue price of 66.5 sen each, to be subscribed by TAE's and TAG's substantial shareholder and chairman Datuk Tiah Thee Kian.

Similar to Affin Bank's case, allowing TAE to have its way will not set the right precedent in that more companies will come forward to call off their earlier announced corporate exercises by using COVID-19 as an excuse for their bleak business outlook.

Such development does not augur well for minority shareholders who might have invested in TAG or TAE shares based on the announced corporate action; with its share price having moved to accommodate such announcement.

In essence, market regulators must not only ensure that there is an element of certainty in the market when it comes to corporate actions, but to perhaps impose deterrent penalties on companies which attempt to retract an earlier deal without proper justification (SC has yet to revert to TAE's request at time of writing).

Second time lucky

Unlike Affin Bank Bhd and TA Enterprise Bhd, the current health crisis may have worked in Yee Lee Corp Bhd's favour.

Even after lowering its offer price to RM2.06 per share (from an earlier offer of RM2.33 per share) for the remaining 10.06% it did not own, the edible oils producer and distributor got to surpass the 90% threshold that is needed to withdraw its listing status.

In a Bursa Malaysia filing dated 15 May, Yee Lee Corp said the joint offerors in its unconditional voluntary take-over exercise were already holding around 90.08% of the company.

News that Yee Lee Corp will be taken private by its founder and executive chairman Datuk Lim A Heng @ Lim Kok Cheong as well as other major shareholders first surfaced on 26 April 2019.

However, as the joint offerors were unable to garner 90% shareholding in the company at the closing date of their voluntary takeover offer on 3 June 2019, the offer was extended twice to 3 July 2019.

A six-month cooling period then ensued before the joint offerors could make another attempt to delist or take the company private.

As it is, minority shareholders who are still holding on to the shares of Yee Lee Corp must decide swiftly if they wish to accept the RM2.06 per share offer (which is 11.6% discount from the original offer) or end up holding the shares in a private limited company upon the company's eventual delisting.

On a more positive note, the major shareholders of Ho Wah Genting Bhd (HWGB) have raised the takeover price for the shares of the company from 14 sen to 20.5 sen on 15 May as minority shareholders deemed the earlier offer as unattractive (share price of HWGB closed at 37 sen on 22 May).

On 27 April, the wire and cable manufacturer received a notice of conditional voluntary takeover offer from Ho Wah Genting Holding Sdn Bhd, Dato' Lim Ooi Hong, Lim Wee Kiat and Datuk Teo Tiew to acquire the remaining shares that they do not own in HWGB at 12.5 sen each compared with the current market price of 20 sen back then. The offer was revised upward to 14 sen per share on 5 May.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 25 - 29 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
29.05.20 (Fri) 10.00 am	RHB Bank Bhd (AGM)	Eyes will be on RHB's asset quality amid current COVID-19 outbreak, as well as the likely trend of gross and net impaired loan ratios after the expiry of six month loan moratorium period in October.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
RHB Bank Bhd (AGM)	RHB Bank distributed 31 sen dividend per share in FY19, translating into a dividend payout ratio of 50.1% which is also the highest in its history. Is the dividend payout ratio sustainable in FY20 and FY21?

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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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