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PM: Share buyback ideas being studied (HL)

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MALAYSIA is looking to Hong Kong and Taiwan for ideas in implementing share buybacks to help firms troubled by drastic drops in the value of their shares.

Prime Minister Datuk Seri Dr Mahathir Mohamad named the two countries but said the Government will study other models as well. In some countries, he said, governments have adopted "so-called drastic" measures to save their companies from falling into the hands of foreigners.

In Taiwan, for example, the Government imposes a moratorium to ensure that banks do not sell shares of a debtor company once the value of its shares drops below the level at the time the loan was made.

"We are studying... we hope we will be able to do it. These are some of the measures that can help bring about economic recovery," he told newsmen after launching a Workers' Day celebration in Kuala Lumpur yesterday.

The Prime Minister was asked whether Malaysia would emulate the move by Hong Kong to buy back shares of its public listed companies.

The Government in Hong Kong had on Friday said that two of its government funds bought equities to hurt hedge funds which had sold a "substantial" amount of Hong Kong dollars and stocks while trying to break the currency's peg to the US dollar.

Noting that the value of Malaysian shares is currently at an "unusual" level, Dr Mahathir said, through shares buyback, the Government hopes to push up their prices and help the companies overcome problems arising from the bearish sentiments on the Kuala Lumpur Stock Exchange.

"We may have to buy back the shares to increase their value because of the present unusual level of share prices... the net tangible assets per share of the companies are now higher than the share prices," he said.

Net tangible assets refers to assets attributable to each ordinary share in issue.

Dr Mahathir said the depressed share value has left Malaysian companies vulnerable to takeovers and acquisitions by foreigners.

If the share price slide continues, they may be bought over by foreigners who will then strip the companies of their assets.

"They will buy over the companies because it is cheap for them to do so in the present stock market situation... then, they will dispose of all the companies' properties and close down and leave," Dr Mahathir said.

"This is what we are afraid of because it is clear that the local stock market is unable to determine the real value of the companies.

"Previously, the prices went up too high and now they slide to the extent that we find net tangible assets being five times higher than the prices of the shares," he added.

Asked whether there were signs that the foreigners were trying to take over local companies, Dr Mahathir said:

"This, I think, is one of the reasons for the rapid depreciation in the value of shares. They are... we have information that they are."

The Prime Minister said another problem is the Government cannot ascertain if the approved foreign equity limit has been exceeded.

"At the moment, we have no means of telling because it is now scrippless and share transactions take place very rapidly.

"So, we don't know at any one time whether it is more or less (than the approved limit). We are trying to keep track."

To another question, Dr Mahathir said the Government may draw funds from

Tabung Haji, an agency that manages the pilgrims fund, for the purpose of buying back shares.

"We have been using Tabung Haji's funds for various reasons but we do so through proper channels and in accordance with strict regulations.

"If we have additional cash, we may buy back shares."

On the role of the media, he said matters that can help revive the economy should be highlighted.

For example, why publish Singapore's Central Limit Order Book quotes when it does not profit Malaysia at all, when it is not even a legal market in the country, Dr Mahathir said.