

MALAYSIA SHARE PLEDGE MARKET OPPORTUNITES

In 2021 March, we published a commentary highlighting the size of Malaysia’s share pledging market and the price performance after the disclosure of share pledging related transactions to date. In this report, we will explore the latest situation with data as of February 2022.

KEY TAKEAWAYS

01 Share pledging financing is well developed in Malaysia and comparable to other developed countries.

02

Share pledging financing has been **adopted by 100 companies in Malaysia for more than 1,500 transactions from 2015 to Feb 2022.**

03

The stock price of the pledged stocks in Malaysia **outperformed the major index in Malaysia from 2020 to Feb 2022.**

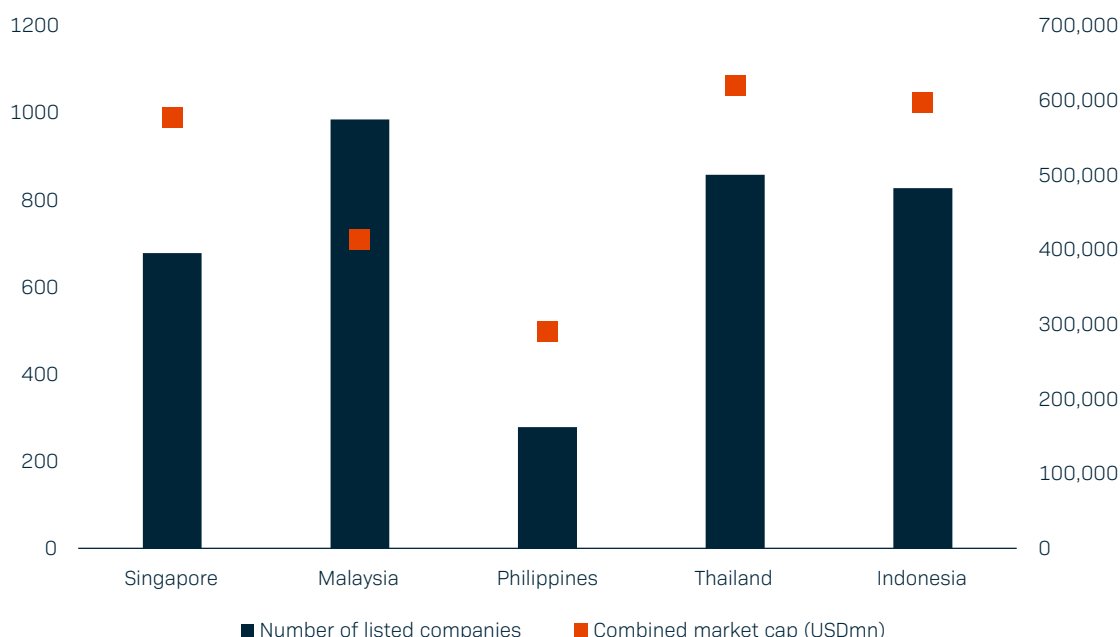
04

According to our analysis, the price of pledged stocks in Malaysia **increased by 16% from the most recent date it was pledge until 9 February 2022.**

MALAYSIA HAS ONE OF THE LARGEST EQUITY MARKETS IN SOUTHEAST ASIA

The stock market in Malaysia is one of the largest in Southeast Asia (“SEA”). There were 985 listed companies in Malaysia (according of Bloomberg as of 9 Feb 2022), which is among the highest in the region. The combined market capitalization of Malaysian listed companies is also comparable with other markets in SEA.

EQUITY MARKET SIZE COMPARISON OF THE MAJOR ECONOMIES IN SOUTHEAST ASIA



HUGE APPETITE IN MALAYSIA'S SHARE-BACKED FINANCING MARKET

Public disclosure is required when a major shareholder or director of a listed company pledges their shares in Malaysia. We have analyzed the number of instances for which there has been a disclosed share pledge transaction.

Whenever there is a change in shareholding in Malaysia, the company discloses "the circumstances by reason of which the change has occurred". While the specifics vary widely, we used keyword searches to identify those related to share pledging transactions from **2015 to Feb 2022**. This includes:

PLEGGED SECURITIES ACCOUNT

1,502 Disclosures

FINANCING

81 Disclosures

DISPOSAL OF PLEDGED SHARES BY THE BANK

6 Disclosures

LOAN FACILITY

4 Disclosures

MASTER SHARE SALES & REPURCHASE AGREEMENT

6 Disclosures

LOAN AGREEMENT

1 Disclosure

BANK LOAN

1 Disclosure

SHARE-BACKED FINANCING DISCLOSURES FROM 2015 TO FEB 2022

50,812 disclosures under
Changes in Director's Interest
(Section 219 of CA 2016)

666 disclosures
related to share pledging
transactions

77 unique companies

197,014 disclosures under
Changes in Substantial Shareholder's Interest
(Section 138 of CA 2016)

955 disclosures
related to share pledging
transactions

85 unique companies



Total of

100 unique stocks

across both populations

From our analysis, 100 unique companies disclosed a share-backed financing related transaction between 2015 to 2022. This is comparable to other developed markets in Asia including Hong Kong.

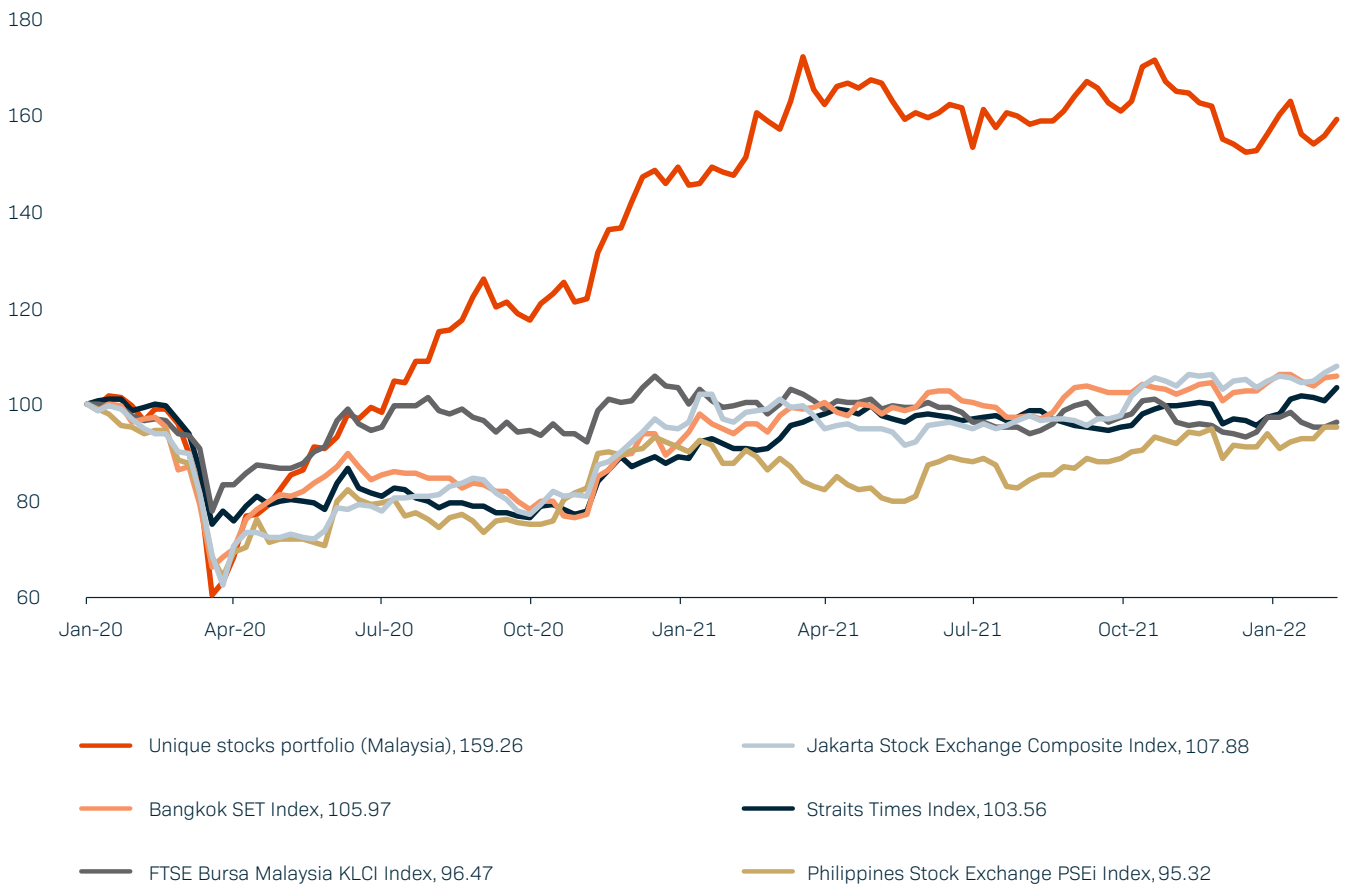
SHARE PRICE PERFORMANCE ANALYSIS POST SHARE PLEDGING DISCLOSURE

We analyzed the share price movement of the 100 unique stocks immediately after their most recent share pledging-related disclosures and aggregated the performance results below:



We have also indexed the share price performance of the 100 unique stocks in Malaysia from 2020 to Feb 2022 on an equally-weighted basis and compared the performance with major stock indices in Malaysia.

RETURN COMPARISON (REBASED):



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