

BOURSE CRACKDOWN

Stock market regulators are to tighten regulations concerning private placement in bid to clamp down on discounts. **B2**

Clampdown on private placements

SET, SEC concerned over big discounts

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Stock market regulators are set to tighten regulations concerning private placement (PP) in an effort to prevent listed companies from offering large amounts of capital increase shares to specific investors at a big discount.

"The Stock Exchange of Thailand and the Securities and Exchange Commission will amend regulations associated with PP by requiring the offering price to be based on the market price, and not any price approved by shareholders several months in advance," said an informed source at the stock exchange.

The amendment will include requiring listed companies planning to sell new shares to specific investors to disclose more information to the public, the source said, such as providing details on the votes cast by each board member on the PP offering, the profile of the potential share buyers, and those who recommended that listed firms sell the capital increase shares to such purchasers.

The amended regulations are meant to take effect this quarter, the source said.

SET data reported 35 listed companies mobilised fresh funding by allocating newly issued shares last year, of which 34 sold the capital increase shares to specific investors, with only one going through a public offering.

Eighteen of the 34 companies sold

their shares at discount prices.

Based on the average market price on the date when companies announced the PP offering, Simat Technologies (SIMAT) offered a 90% discount to the specific investors who subscribed to its capital increase shares, Max Metal Corporation (MAX) offered an 80% discount, and CyberPlanet Interactive (CYBER) offered a 46% discount.

Small-cap companies sometimes resort to PP offerings at discount prices for wealthy investors. Such share offerings typically trigger a buying spree by retail investors after the plan is announced, with PP buyers reaping another windfall from the share price run-up.

SET data indicated SIMAT's PP buyers gained 33-970% when the shares started trading on the local bourse, MAX's PP buyers earned 960-1,820% and CYBER's buyers gained 494-1,150%.

However, some companies cancelled planned PP offerings with big discounts after strong criticism from the public and stock regulators shed light on the issue. Crown Tech Advance (AJD) recently terminated its plan to issue 1.5 billion capital increase shares through PP at a 97.48% discount from the market price.

The source said the big discount is essential for companies desperate for cash for business expansion, so they turn to existing shareholders. Some companies may plan to sell shares via PP without a silent period to draw institutional investors, particularly those unable to invest in shares during the lock-up period.

"Giving a discount of more than 10% is not illegitimate, but it's not very ethical," a Thai Investors Association source said.