

## MINORITY SHAREHOLDER WATCHDOG GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Company No. 524989-M)

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# China-based companies in hot soup?

► Many of these listed firms have financial and accounting irregularities and do not perform well: MSWG CEO

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**PFTALING IAYA:** Shareholders are recommended to be particularly vigilant, prudent and diligent when investing in China-based companies listed on Bursa Malaysia given their propensity to "get into trouble", according to the Minority Shareholders Watch Group (MSWG).

Just over a week ago, the Securities Commission Malaysia (SC) reprimanded China-based China Stationery Ltd, Xingquan International Sports Holdings Ltd and Maxwell International Holdings Bhd for various breaches of securities laws. The SC also said that the retention of office by four of the directors in these companies are prejudicial to public interest.

MSWG CEO Devanesan Evanson said many of the other China-based companies listed here have financial and accounting irregularities and do not perform well. Interestingly, China-based companies in Singapore also had a string of problems, just like in Malaysia.

"Some of the reasons for the problems in China-based companies are because these companies are often incorporated outside Malaysia and as such different laws apply. Many of their directors are foreign nationals and locating them or holding them accountable may be a challenge. Much of their business is based and located outside Malaysia and as such the existence, scale and veracity of their operations may be questionable. These give rise to conflicts of laws and business practices and jurisdictional issues," he told SunBiz.

Out of the 12 China-based companies listed on Bursa Malaysia, four are PN17 companies. All of them are trading below the initial public offering prices.

"We advise minority shareholders to err on the side of caution, after all there are more than 900 companies listed on Bursa Malaysia. At the end of the day it is up to the risk appetite of minority shareholders. Minority shareholders should rely more on fundamental analysis and look out for key financial indicators when making their

China-based companies listed on Bursa Malaysia				
Company	Status	TTM net profit/(loss)	Share price (as at April 5)	IPO price
1 China Automobile Parts Holdings Ltd	PN17	Unable to finalise financial results	Suspended (last traded at 1 sen)	68 sen
2 China Ouhua Winery Holdings Ltd		(RM10.75m)	4.5 sen	60 sen
3 China Stationery Ltd	Reprimanded by SC	Unable to release financial results	Suspended (last traded at 1 sen)	95 sen
4 HB Global Ltd	PN17	RM11.06m	11.5 sen	80 sen
5 Kanger International Bhd		(RM1.71m)	4.5 sen	25 sen
6 K-Star Sports Ltd		(RM40.50m)	7.5 sen	RM2.15
7 Maxwell International Holdings Bhd	PN17 Reprimanded by SC	Unable to release financial results	Suspended (last traded at 1 sen)	54 sen
8 Multi Sports Holdings Bhd	PN17	(RM326,000)	1 sen	85 sen
9 Sino Hua-An International Bhd		RM29.60m	25.5 sen	RM1.00 (via reverse takeover)
10 Xidelang Holdings Ltd		RM20.80m	9.5 sen	58 sen
11 Xinghe Holdings Bhd		(RM22.94m)	3 sen	11 sen (via reverse takeover)
12 Xingquan International Sports Holdings Ltd	Reprimanded by SC	Unable to complete preparation of financial results	Suspended (last traded at 5.5 sen)	RM2.10

investment decisions," said Evanson, adding that MSWG has included the China-based companies under the list of companies that it monitors.

However, he said one should not "stereotype any set of companies or paint them with a broad brush. Every company should be evaluated on its merits.

"Just like in any country, there are good China-based companies and 'not so good' China-based companies. Given the experience with China-based companies in Malaysia, even regulators are exercising greater diligence prior to allowing these companies to list on Bursa Malaysia. There has not been any such listings in the past few years," he observed.

He said it is timely that the SC acted on these listed companies as the offences are serious and impacts minority shareholders and the stock market's integrity.

"The SC's action acts as a warning that action will be taken on capital market offences and we hope that the SC (and Bursa Malaysia) will be more severe with the sanctions to send a strong message that capital market integrity and investor protection are



Evanson



Ter

paramount," said Evanson.

Meanwhile, Associated Chinese Chambers of Commerce and Industry of Malaysia president Tan Sri Ter Leong Yap said one should not shun China-based companies just because of a few bad apples.

"These are individual cases. You cannot (have a blanket judgement) because of one or two cases like this and you think that Chinese companies are not good. There are lots of good Chinese companies worldwide, such as Tencent

and Alibaba. Those are large ones, but even the small and medium companies from China are good," Ter said.

He added that when Bursa Malaysia is able to attract Chinese companies to come into the country, and get them listed on the local bourse, that would make the Malaysian capital market more lively.

"We shouldn't judge just because of two or three (offenders). China is the second largest economy in the world and there are lots of solid companies in China," said Ter.