

The curious case of Stanley Thai

At a Sept 6 analyst and media briefing, Supermax Corp Bhd founder Datuk Seri Stanley Thai fired off a confident salvo: “The road is bright and promising for Supermax.”

Thai was unusually cheery that day. Supermax posted its financials for the fourth quarter ended June 30, 2019 (4Q19). Despite registering a net profit of RM15.05 mil, the group had lost 56.5% quarter-on-quarter on its profit after tax for FY19.

The group’s foray into the contact lens business, led by his daughter Cecile Jaclyn Thai, is still bleeding money. Cecile is the CEO and chief of Happy Eyes at Aveo Vision. The company is headquartered in Silicon Valley, US.

And looming is possible prison time for Thai, his wife Datin Seri Cheryl Tan Bee Geok and his sister-in-law Tan Bee Hong. All three have been found guilty of insider trading and they are appealing the sentence.

Thai and Cheryl have been disqualified from Supermax’s board but husband and wife remain majority shareholders of the group. These days, Thai goes by “Founder & President, Global Sales & Marketing.”

Analysis and reporters were taken aback that Thai took centre stage at the briefing. “I was surprised that he showed up at the analysts and media briefing. He is not even on the board of the company and his court case has not been settled yet,” says an analyst.

But Thai’s swagger had to make way for the fact that the session at the five-star JW Marriott Hotel in downtown Kuala Lumpur was a controlled one. Reporters were told in strong terms to “restrict” questions “to business and questions related to Supermax business, please.”

Naturally when asked by *FocusM* on the sidelines whether his own future was “bright” and “promising”, Thai spouted a flip-pan answer: “Talking about business, of course it is shining. It’s shining,” he says while pointing to the sheen on his forehead. He declined comment to a further question on the sustainability of the group without him at the helm.

Thai tales

Supermax has been on a roller-coaster ride since 2017 due to Thai’s business and political misadventures. Till today, the group’s price-to-earnings ratio is lower than that of its peers. “The market gives it a discount due to its peers. Two possible reasons: the old insider trading issue and shooting from the hips politically.” Minority Shareholders Watch Group CEO Devanesan Evanson tells *FocusM*.

Indeed, these problems have come to define Thai and the Supermax group. On Nov 24, 2017, the Kuala Lumpur Sessions Court sentenced Thai to five years’ jail and fined him RM5 mil for insider trading. This was the first time the court meted out a custodial sentence for insider trading after

- The glove maker has been touted to be trading at a discount against its peers
- But with Thai’s case still pending questions swirl over whether the stock is a value buy or value trap



by
Emmanuel Samarathisa

a trial. The only other person who had been found guilty of such an offence is Kim Hin Industry Bhd managing director Chua Seng Huat in 2001. He was offered to pay a RM1.2 mil fine or serve a jail term of 12 months. Chua paid the fine.

Thai committed the offences when he was chief executive officer of delisted rubber glove maker APL Industries Bhd (APLI). APLI used to be a 14.09% associate of Supermax after becoming a substantial shareholder by acquiring a 12.95% equity interest in February 2005.

Supermax then ended its investment in APLI consisting of 49.98 million shares by making a full write-off totalling RM16.69 mil. Thai retired from his post as APLI CEO and managing director in December 2008.

The court charged Thai for communicating non-public information on Oct 26–29, 2007, to former minister Tiong Kiong

Choon. For abetting Thai, Tiong was convicted of two counts of disposing of a total of 6.2 million APLI shares while in possession of the same non-public information through accounts belonging to his mother-in-law and his mother. Tiong, at the time of committing the offence, was also a licensed intra-day trader with a stockbroking company.

And there was more. On Aug 9, 2018, the Kuala Lumpur Sessions Court convicted Thai’s wife Cheryl and her sister Tan Bee Hong for insider trading offences in October 2007. They were each fined RM7 mil and sentenced to a five-year jail term.

Bee Hong was found to have disposed of 350,000 APLI shares while possessing material non-public information. Cheryl, then executive director of APLI in charge of finance, was convicted of communicating the said non-public information to Bee Hong between Oct 23 and 31, 2007.

Cheryl tipped Bee Hong on the audit adjustments proposed by APLI’s auditors which would result in the company reporting a higher loss for the financial year ended June 30, 2007, compared to the previously reported unau-

dited fourth quarter for the same financial year.

APLI, due to the audit adjustments, would then be classified as a Practice Note 17 (PN17) company. PN17 is issued to financially distressed firms on Bursa Malaysia. APLI made the announcements on the bourse about the audit adjustments on Oct 31, 2007.

Thai, his wife and sister-in-law are appealing their sentences.

Shooting from the hip

Sandwiched between these two legal hussles were Thai’s political gaffes. On April 14, 2018, in the run-up to the general election, Thai apologised to then prime minister Datuk Seri Najib Razak for supporting the opposition during the previous national polls (GE13).

Thai, addressing the press, expressed regret after being heavily invoked in GE13 due to being influenced by the opposition. “With much regret, I realised that I was being influenced by the propaganda and the opposition during the election time and I truly regretted it and realised it was wrong to get involved in politics as a businessman. Thus, I hereby tender my apology to Prime Minister Najib for what I have done in GE13,” he said.

In that speech, he also trained his guns on the media for being the source of his infamy. According to Thai, he was invited for a dinner by Bloomberg Malaysia in March 2013. There he

commented that he would be joining other Malaysian Chinese in voting for the opposition.

“Considering it was a casual dinner, I made my comments,” he said.

Thai added that as those remarks were made two weeks before GE13, they were “exploited” by the opposition. By this he meant connecting with then opposition leader Datuk Seri Anwar Ibrahim and going on a campaign trail shoring up support for the opposition at political rallies.

Just like the novelty of his sentencing, Thai’s support and subsequent about-turn towards the opposition was fresh as not many declared their political allegiance outright. Thai’s apology pushed Supermax’s share price up 7% on April 16, the first day of trading after his confession.

But what drew further public interest is the drama that ensued between Thai and Tan Sri Rafidah Aziz who was then chairman of Supermax. Since GE14 saw the return of Tun Dr Mahathir Mohamed to active politics, the battle lines were clearly drawn. Many of Mahathir’s allies adopted a muscular stance towards Najib and Barisan Nasional. Some like Rafidah and former finance minister Tun Daim Zainuddin were

Share prices of the top 4 glove makers

NAME	LAST PRICE	P/E	MARKET CAP
Supermax Corporation Bhd	RM1.60	16.95	RM2.09b
Harfaqa Higgs Bhd	RM5.34	41.71	RM17.91b
Tap Glove Corporation Bhd	RM4.74	30.89	RM12.13b
Kossan Rubber Industries Bhd	RM4.29	27.78	RM5.48b

Last price & market capitalisation as at Sept 11, 2019
P/E ratio calculated based on latest financial quarter
Source: Bloomberg



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
 (Incorporated in Malaysia – Company No. 524989-M)

Focus Malaysia – September 14 – 20, 2019 (A) – Part 2

Supermax Corporation Bhd

HEALTHCARE

KEY BOARD MEMBERS AND MANAGEMENT

Albert Saycheen Cheok
 (Chairman)
 Cecile Jaclyn Thai
 (executive director)

MAJOR SHAREHOLDERS

Darik Seri Stanley Thai Kim Sim
21.29%
 Darin Seri Cheryl Tan Bee Geok
15.76%

MARKET CAP (Sept 12)

RM2.14b

Share price (Sept 12)

RM1.61

52-week high (Nov 22, 2016)

RM2.05

52-week low (Oct 11, 2016)

RM1.30

FINANCIAL RESULTS

(All ended June 30, 2019)

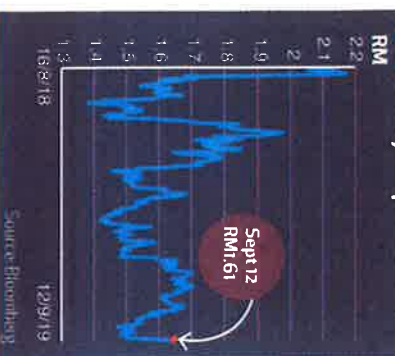
Revenue

RM375.96m

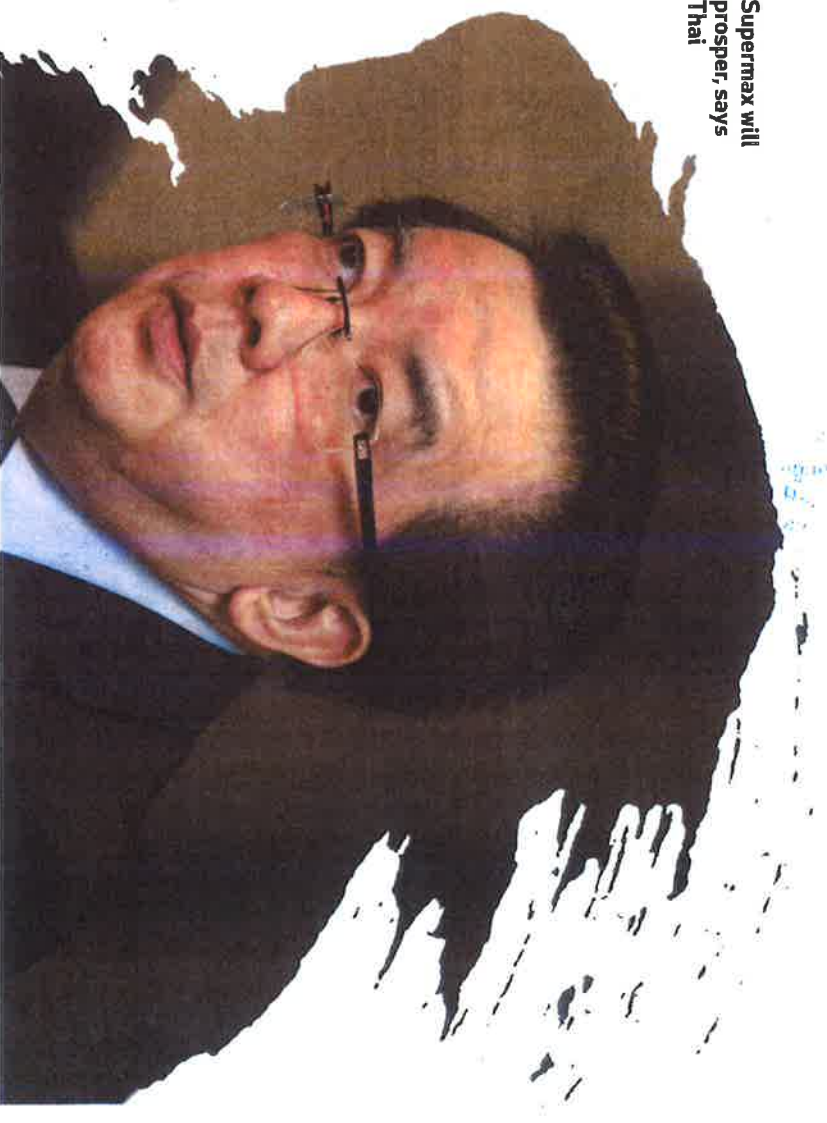
Net profit

RM15.05m

One-year price chart



Supermax will prosper, says Thai



gated by the increase in sales volume," he writes in a Sept 3 note.

TA Securities analyst Tan Kong Jin notes that the stock is trading "at a steep discount of 45%" against its contemporaries.

"Management targets an EBITDA margin of >20% going forward," he writes in a Sept 10 report.

These will be driven by two prongs: the commissioning of highly efficient plants and the revamping of older plants by

rebuilding and refurbishing production lines, adds Tan.

But one analyst on the retail side is adopting a cautious stance. "The stock is too cheap to ignore. It seems under-appreciated.

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even spotted on the campaign trail.

Rafidah would resign as chairman and director of Supermax due to her disagreement with Thai's actions. "Pursuant to the 'apology' by Stanley Thai to the prime minister for whatever he did during the 13th general election, I have resigned from serving as a director of Supermax Corporation and as the chairperson with effect from April 14. While it is his right to do what he feels he needed to do, I do not share the same sentiments," she told news portal Malaysiakini two days after her resignation.

To be fair, Thai was not the only corporate figure to openly back Najib prior to GE14. Even AirAsia CEO Tan Sri Tony Fernandes threw in his support. On May 6, Fernandes appeared in a YouTube video crediting Najib with AirAsia's success by putting the "people first" and allowing "AirAsia to grow despite opposition from all over the place".

The next day, Najib posted pictures of himself boarding an AirAsia aircraft from Kota Kinabalu to Kuala Lumpur. The plane sported the livery "Hebatkan Negeraku" (Make My Country Greater), BN's campaign slogan.

Fernandes quickly issued an apology after GE14 following BN's defeat to Pakatan Harapan, claiming he "buckled" under pressure from the previous administration.

As for Thai, he is still trying to read the political tea leaves. At the briefing, he announced that Aveo Vision, a Supermax subsidiary, would help recipients of the government's cost of living aid or Bantuan Sara Hidup (BSH) by giving out free contact lenses. "If the government gives the

Bantuan Sara Hidup, we want to give free contact lenses. So whoever receives that aid can come to us and provide their BSH receipt and we will give them free contact lenses," Thai said.

The free lenses, part of the group's "CSR programme", is "our own private initiative" with more details to follow soon, stressed Thai.

Cloudy fortunes

Most analysts are tight-lipped over the uncertainty around Thai's future and its ramifications to the company. According to Bloomberg data, nine analysts cover the stock. Only one of them, RHB Research's Alan Lim, has a neutral call on the counter. The rest are buy calls.

While Lim declined comment, MIDF analyst Nabil Zainoodin believes that the lawsuit has no effect on the company. "That has nothing to do with the business fundamentals. He is also no longer involved in the day-to-day management of the business," he tells *FocusM*.

Nabil is "positive" that the company's earnings will continue to grow on efforts to increase its production and add new capacity through the building of new plants. "Premised on this, we believe that the current subdued average selling price will be miti-



Fate of Supermax rests on Thai's case

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ated. But this can either be a value buy or a value trap," he says. "There is no catalyst visible at this point in time. To make matters worse, the contact lens business is a drag on earnings because it requires a lot of upfront capital for research and development as well as acquisitions, if any."

According to Supermax's 2018 Annual Report, the group has invested up to RM100 mil "with which we have built up a high-tech contact lens manufacturing facility".

On June 28, Supermax announced it would be acquiring coloured contact lens maker Clayton Dynamics Co Ltd for RM3.85 mil to gain entry into the cosmetic lens market in Japan. Thai, however, pointed out

that while the lens business has yet to reap huge profits, the venture only consists of less than 2% of Supermax's overall earnings. But sales are increasing, notes Thai.

"As far as the production of contact lens is concerned, management indicates that the auditor has agreed that this business segment is at its growth phase (sales surged by three times), thus no impairment is needed against its operational losses since inception," says TA's Tan.

Whither a succession plan?

Fundamentally, Supermax remains sound. As at June 30, the group posted a turnover of RM375 mil and boasted a cash reserve of RM173.81 mil. According to a Supermax spokesperson, the

group is also drawing interest from Japanese investors. "They see the glove industry as a safe haven and are also looking at Supermax for its growth potential."

MSWG's Devanesan notes that such companies despite their legacy issues can still remain attractive to institutional investors. "They become attractive when boards change. Also, institutional investors who see potential will invest and appoint their nominees to bring about change. Companies can recover," he says.

Supermax has from time to time announced that a succession plan is in motion. People are looking to his daughter Cecile and nephew Tan Chee Keong, both of whom are executive

directors on the Supermax board. But there has yet to be any clear actionable plan. Cecile, for one, is busy with her lens business and is based mostly in the US.

She did make an appearance during the media briefing and Thai proudly introduced her to the media. "She is good with answering questions off the cuff," he says. But he quickly added a caveat: "contact lens only."

Until there is a clear course of action, the fate of Supermax hinges on the court's decision over Thai and his wife Cheryl. As an analyst aptly puts it: "For Supermax, it is the instability of Stanley Thai which is dragging the company down. Until there is more clarity on Stanley's part, Supermax will always be trading at a discount." **Focus**



Beef up sanctions for insider trading offences, says Devanesan

Insider trading: Justice delayed is justice denied

ACCORDING to Bursa Malaysia, insider trading is defined as the purchase or sale of a company's securities effected by or on behalf of a person with knowledge of private yet important information about that company.

Punishment for insider trading offences are meted out according to certain sections under the Capital Markets and Services Act 2007 (CMSA) and Securities Industry Act 1983.

According to Malaysian Shareholders Watch Group (MSWG) CEO Devanesan Evanson, the Securities Commission (SC) has a sophisticated surveillance system and investigative unit. "But much can be improved on sanctions. Also timeliness of the prosecution is important for justice delayed is justice denied!"

To get an idea of some of the offences committed, here is a throwback to some important insider trading cases:

Datuk Ramesh Rajaratnam & Malaysian Merchant Marine Bhd (MMM)

Ramesh, a former MMM executive deputy chairman, was found guilty of insider trading on Sept 11 and sentenced to five years' jail and fined RM9 mil by the Kuala Lumpur Sessions Court.

Judge Azman Ahmad convicted Ramesh on all charges but allowed a stay of his jail sentence, pending an appeal. But Azman ordered the RM9 mil fine to be paid on that day itself, failing which Ramesh had to serve the default nine-year jail term. Ramesh failed to pay the fine.

Ramesh was accused of disposing of 10.2 million MMM shares while in possession of material non-public information in relation to Malaysian Rating Corporation Bhd's proposed credit downgrade on MMM's debt securities. The rating agency made public that decision on Feb 4, 2010. Ramesh disposed of MMM shares in three batches: Jan 11, Feb 19 and Feb 22, 2010.

He was found to possess material non-public information relating to MMM as a P17 company.

Datuk Sreesanthan Ellathamy & Worldwide Holdings Bhd

On Oct 19, 2016, the Securities Commission sued Sreesanthan for insider trading involving Worldwide Holdings Bhd shares.

The SC claimed that Sreesanthan had breached Section 89E(2)(a) of the Securities Industry Act 1983 following his acquisition of 600,000 Worldwide shares between June 7 and Sept 15, 2006, while in possession of material non-public information.

At that time, Sreesanthan was a senior partner in a law firm which was engaged to act as the legal adviser of the proposed privatisation of Worldwide, the SC said. Worldwide is now a wholly owned company under Perbadanan Kemajuan Negeri Selangor.

SC is seeking a disgorgement of RM1.98 mil which is three times the profits alleged to have been made by Sreesanthan as a result of the breach, a civil penalty of RM1 mil and an order to bar him from being appointed as director in any public listed company for 10 years. Sreesanthan is appealing the charge.

It was the second time Sreesanthan was charged by the SC. Previously, he was charged in 2012 with seven counts of insider trading in shares of four companies, namely Sime Darby Bhd, Maxis Communications Bhd, UEM World Bhd and VADS Bhd.

Datuk Kamarudin Meranun, Terence Wong & Malaysian Airline System Bhd

On Aug 9, 2011, Malaysian Airline System Bhd (MAS), AirAsia Bhd and AirAsia X Sdn Bhd (AAX) entered into a comprehensive collaboration framework. The agreement involved Khazanah Nasional Bhd and Tune Air Sdn Bhd in a share swap agreement where there will be cross-holding of shares resulting in Tune Air obtaining a 20.5% stake in MAS and Khazanah getting 10% in AirAsia.

It was also agreed that MAS was to be a full-service premium airline while AirAsia and AAX would be regional low-cost and

medium- to long-haul low-cost carriers, respectively. But following protests, the deal was aborted eight months later.

A string of personalities were also charged by the SC for insider trading. They include AirAsia Group Bhd co-founder and executive chairman Datuk Kamarudin Meranun who entered into a settlement with the Securities Commission amounting to RM13.64 mil for insider trading of MAS shares in August 2011.

Kamarudin, who has a 32.18% stake, is a controlling shareholder of AirAsia through his investment vehicles Tune Live Sdn Bhd and Tune Air Sdn Bhd.

On April 2, Kamarudin agreed without admission or denial of liability to settle a claim that the SC was proposing to institute against him for buying 5.66 million MAS shares between Aug 1 and 5, 2011, according to an SC statement.

Former CIMB Investment Bank Bhd head of equity research Terence Wong @ Huang Thar-Rean entered into a settlement with the SC amounting to RM573,150 for insider trading of 800,000 MAS shares in July 2011.

Wong had on April 1, 2019, agreed without admission or denial of liability to settle a claim that the regulator was proposing to institute against him for acquiring the shares while in possession of inside information contrary to Section 188(2) of the CMSA.

The shares were bought through the account of a certain Tan Ah Loy @ Tan May Ling, the SC said.

Goh Keng Huat & Road Builder Holdings Bhd

Former investment banker Goh Keng Huat was jailed six months and fined RM1 mil after he was convicted of insider trading in shares of Road Builder Holdings Bhd (RBH) in 2006.

The Kuala Lumpur Sessions Court handed down the sentence after Goh, 48, earlier pleaded guilty to one charge of insider trading under Section 89E (2) of the Securities Industry Act 1983. Goh had bought 100,000 units of RBH

shares while possessing inside information on Sept 4, 2006. He was then head of equity markets of Aseanbankers Malaysia Bhd (now Maybank Investment Bank Bhd).

Goh, who currently resides in Australia, was sentenced following a plea bargaining application under the provision of Section 172C of the Criminal Procedure Code.

The court also took into consideration nine other similar charges against Goh for his purchase of 751,600 RBH shares between Sept 5, 2006, and Oct 16, 2006.

On Oct 10, 2017, the SC charged Goh with 10 counts of insider trading and his wife Wee Siew Ling with 10 counts of abetting Goh in the commission of the offences by allowing him to acquire the RBH shares through her trading accounts.

Following Goh's admission, the SC withdrew the charges against Wee.

Inside information referred to all the charges related to the proposed takeover of RBH by JIM Corporation Bhd for about RM1.56 bil, which was announced to Bursa Malaysia on Oct 18, 2006.

Fong Chiew Hean & Three A-Resources Bhd

Fong, a former director, was jailed for a day and fined RM1 mil in default one year's jail, on Aug 22 after he pleaded guilty to nine counts of insider trading in the shares of Three A-Resources 10 years ago.

He was charged with nine counts of illegally acquiring 891,000 shares in the food supplier through the accounts of two individuals. He did this while in possession of confidential information on a proposed merger of Three A-Resources and Wilmar International Ltd. It was believed the merger could have affected Three A-Resources' share price.

The charge under Section 188(2)(a) of the CMSA carries a jail term of up to 10 years and a fine of not less than RM1 mil on conviction.