

TRI investors fume over delay

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Naluri took 3 days to disclose rejection of share plan

By **J.S. Dhaliwall**

KUALA LUMPUR: Investors in Technology Resources Industries Bhd are fuming.

After the government rejected part of a US\$474 million (RM1.80 billion) debt reorganisation by the nation's biggest publicly traded mobile phone operator, the stock fell by almost a tenth in three days.

Trouble is, few but the company's biggest shareholders knew why.

Naluri Bhd, controlled by TRI chairman Tan Sri Tajudin Ramli, took three days to make public the regulator's decision rejecting its plan to buy TRI shares. Naluri didn't break any rules, but investors say the case raises concerns about the timely disclosure of price sensitive information.

"It's frustrating, it was a significant announcement" that should have been disclosed immediately, said Foo Su Cheng, who helps manage about RM500 million at UOB-OSK Asset Management Sdn which owns some TRI shares.

Such criticism, echoed by some of the country's biggest money managers, may hurt efforts to woo investors' funds to the country's stock market.

The benchmark stock index has dropped 13% this year and is down 42% from its 2000 peak.

At the height of the 1998 recession, minority investors criticised the government for failing to protect their interests after a string of corporate bailouts. Capital controls imposed in September 1998, trapping as much as US\$10 billion (RM38 billion) of portfolio funds for a year, added to investors' dismay.

"If Naluri believes in practising good corporate governance or has the interest of minority shareholders in mind, they should have announced it immediately," said Chong Sui San, who helps manage

RM800 million at Malaysia British Assurance Bhd and owns TRI shares.

"This will be a test" for securities regulators vigilance, she said.

While investors say they have no proof to show insider trades may have moved the market to their disadvantage, they point to a sequence of events that should have compelled Naluri to make its announcement sooner.

The acquisition of shares proposed by Naluri was part of TRI's RM1.8 billion debt revamp. The plan's rejection hurt TRI's efforts to repay US\$492 million (RM1.87 billion) before April to bondholders and retain control of mobile phone unit Celcom Malaysia Sdn, on which bondholders have a claim.

TRI asked shareholders and Naluri to put up the RM1.8 billion to help repay bondholders after its first default in 1999. Under the plan, TRI

met to discuss the ruling.

Naluri's announcement on the regulator's decision came after the market closed on Wednesday. Following the announcement, the stock tumbled 7.6%.

Naluri said it will appeal the regulator's decision.

The company may well have been within the rules in making the announcement only on Oct 31.

The rules require a listed company to make immediate public disclosure of all material information concerning its affairs except in exceptional circumstances when an announcement would hurt its ability to pursue its corporate objectives.

TRI and Naluri officials were not available for comment while Naluri's advisers, Southern Investment Bank Bhd, said there was nothing unusual about the three-day delay.

"Naluri received the letter on

Few but the company's biggest shareholders knew why the stock fell by almost a tenth in three days.

was to sell RM755 million of stock to existing shareholders at RM1 a share on the basis of one new share for every one held. It also planned to sell RM1.05 billion of new shares at RM1.45 to investors, including Naluri and suppliers.

On Oct 26, the Securities Commission wrote to Naluri that it won't be allowed to buy the TRI shares, because it would drain the company of cash.

TRI's shares fell 2.6% that day, a Friday. The following Monday they tumbled 3.1%, and dropped 4.7% on Tuesday and 1.7% on Wednesday. The stock lost RM181 million in market value.

Some 6.1 million TRI shares were traded on Tuesday, almost double its six-month daily average of 3.46 million shares, the day Naluri's board

Friday and the board had a meeting on Tuesday to discuss what other steps could be taken," said Rozana Makhzan, head of corporate finance at Southern Investment Bank.

It is an "unwritten rule" in investment banking to announce decisions by regulators within three market days, she said.

Besides, regulators have not balked at reining in the biggest companies in the country in the past.

In February 1998, the KLSE fined United Engineers (M) Bhd for failing to tell investors about its share purchase in parent Renong Bhd in a "factual, clear" way.

The transaction pushed the key stock index down 16% in four days after investors saw it as a bailout of Renong's former chairman, Halim Saad. - Bloomberg