

17/10/2001

Effective Cap yet to file 2000 accounts with ROC

Shahriman Johari

EFFECTIVE Capital Sdn Bhd, which managed the transfer of Malaysian shares from Singapore's over-the-counter market and is reported to be under a government probe, appears not to have yet filed its financial accounts for the year to December 31 2000 with the Registrar of Companies (ROC).

A check at the registrar only found accounts for the 1999 financial year, dated May 26 2000, which showed that the company posted a profit after tax of RM5.46 million. The profit was mainly due to a tidy RM12.82 million profit made on the sale of shares previously traded on Singapore's Central Limit Order Book (CLOB) market which it bought in 1999.

Controlled by Singaporean businessman Akhbar Khan, Effective Capital initially made a cash offer to buy all CLOB shares in April that year. This was criticised by shareholders who pointed out that the offer was on average a 50 per cent discount to prices on the local stock market then.

When the offer closed about two months later, only 359 out of 172,000 account holders accepted to sell 9.18 million shares for a total of RM11.15 million.

It appears that Effective Capital managed to sell the shares for more than double the price it had originally paid for them.

"The cash offer was financed by a term loan of RM11.15 million. Subsequently, the company entered into an agreement on December 29 1999 to dispose of all the shares resulting in a gain of RM12.82 million," the company said in a note to its accounts.

The company did not identify the buyer but said that a "corporate body" owed it RM23.49 million which was part of the proceeds from the CLOB share sale.

Effective Capital came into the limelight two years ago when it was the first private company that offered a solution to repatriate the shares. Its offer had raised eyebrows because the little-known company proposed to buy the shares, estimated to be worth more than RM10 billion at the time, at a steep discount and in cash.

The shares, formerly traded on CLOB, had been frozen since September 1998 after Malaysia imposed selective capital control measures.

Effective Capital managed to brush aside rival offers from United Engineers (Malaysia) Bhd, Telekom Malaysia Bhd and a company controlled by the Negri Sembilan royal family, to secure rights from Malaysian and Singaporean authorities to manage the stocks' repatriation.

It was reported that a financial audit on Effective Capital has been ordered by Prime Minister Datuk Seri Dr Mahathir Mohamad as part of an investigation into the business affairs of Khan.

The report added that Effective Capital made almost RM180 million in net profit from charging a 1.5 per cent fee on the shares' price as at February 15 2000.

When asked about the probe, the Prime Minister yesterday said that it is a routine audit on something that interests the Government.

"We are looking at all companies. When necessary, we do an audit. It is a normal thing," he told newsmen after launching Permodalan Nasional Bhd's new unit trust Amanah Saham Nasional 3 Imbang in Kuala Lumpur.

Dr Mahathir said now that the CLOB issue has been concluded and the shares have been transferred, the Government wants to know what will happen next.

(END)

