

## **MINORITY SHAREHOLDERS WATCH GROUP**

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD  
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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# Politicians slammed for endorsing PLCs' business deals



*The courtesy call by the 'Elon Musk of Thailand' Somphote Ahunai on prime minister Anwar Ibrahim garnered huge interest on social media channels.*

PETALING JAYA: Politicians and government ministers have been urged to refrain from publicly endorsing business deals of public-listed companies (PLCs), especially via social media channels.

Such declarations of support for a particular company or product is potentially a conflict of interest, or in extreme circumstances, may be deemed as corruption.

Even more concerning is the presence of unscrupulous groups or individuals who take advantage of such pronouncements to run up the share prices of the PLCs concerned to make a quick "killing", at the expense of unsuspecting investors.

"Politicians and ministers must be aware of the consequences of their statements on the share price of PLCs and its impact on the fair and orderly trading of the shares," Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson told FMT Business.



Devanesan Evanson.

He said it is better to avoid endorsing one PLC over another as this may create a perception that one PLC is preferred over another.

He added it is better if such statements and business agreements are communicated confidentially to the PLC so that it can make the necessary announcements through the official dissemination channel provided by Bursa Malaysia.

"The use of the official dissemination channel is considered communication at large to the public, and this creates a level playing field among all investors.

"Otherwise, those privy to statements or notice of business agreements would have an unfair advantage as they will have preferential information," said Devanesan, adding this would result in an unlevel playing field.

MSWG was established in 2000 to protect the interests of minority shareholders through shareholder activism.

### **The controversial 'Elon Musk of Thailand' tweet**

There was a recent example of a minister appearing to express support for a private business deal over social media. In this instance, Somphote Ahunai, CEO of Bangkok-listed Energy Absolute PCL (EA), and his delegation paid a courtesy call on prime minister Anwar Ibrahim on Jan 5.

So, what was the purpose of the visit?

Shortly after the delegation left, we got the answer from Anwar's official social media channels – his Twitter and Facebook accounts. He referred to Somphote as the "Elon Musk of Thailand", and said EA has a market capitalisation of about RM45 billion.

He added EA will collaborate with Computer Forms (M) Bhd – a printer and distributor of computer forms – to develop green technology in Malaysia and EV technology transfer.

The company would also build an EV manufacturing facility for electric buses, electric cars, electric motorcycles, electric boats, electric trains, EV batteries, and others, worth a whopping RM5 billion, he revealed.

In just a few days, Anwar's tweet on the EA visit garnered almost 30,000 views while his Facebook post had 20,000 likes.

### **Computer Forms' shares gets super-charged**

News of the EA delegation's visit to Anwar boosted Bursa Malaysia-listed Computer Forms' share price the same day (Jan 5).

It closed 30 sen or 11.54% higher at RM2.90, giving the group a market capitalisation of RM756.9 million, a surge of almost RM80 million during the trading session.

The next day, it rose a further 5 sen to RM2.95 before crashing back to RM2.60 by day's end, to where it opened the previous day.

MSWG's Devanesan said politicians and ministers should be discouraged from making statements that could "stir undue volatility in the share price of PLCs".

Asked if statements of support by politicians are against the principles of good corporate governance, his view is there is no prohibition against such statements in the Malaysian Code on Corporate Governance (MCCG) or Bursa Malaysia's Listing Requirements.

"Nevertheless, the parties making such statements should be mindful of the impact of their statements on a PLC's share price," he reiterated.

### **Breach of corporate governance principles?**

However, Malaysia University of Science and Technology economist Geoffrey Williams begs to differ. He said such endorsements by ministers could breach corporate governance principles or the MCCG, but added these are "not worth the paper they are written on and are mostly ignored anyway".



Geoffrey Williams.

He acknowledges there are subtle differences when seeking to determine if politicians have crossed the line with their public pronouncements vis-à-vis PLCs.

"Where politicians or ministers endorse projects of national interest or constituency interest, there is no issue. When there is a commercial interest to them or any of their associates, then there is a potential conflict of interest in their endorsement.

“If they are paid directly or indirectly for the endorsement or interference to get the deals, then it is potentially a corruption issue for the Malaysian Anti-Corruption Commission (MACC) (to investigate),” he told FMT Business.

Williams also said it would be a conflict of interest if politicians give endorsements to listed entities whose businesses lie under the oversight of their respective ministries.

“For example, endorsing 5G rollout is fine, but endorsing particular companies or consortia to do it above their competitors is not acceptable, especially during tender processes,” he explained.

He also pointed out if a minister endorses a project or company in a commercial sense, then they risk association with that company when things go wrong. “Similarly, companies risk association with discredited politicians, so there is a reputational risk to everyone concerned.”

Williams said politicians using social media or unofficial channels to express support for business projects of PLCs is “inappropriate and suggests private commercial interests”.

### **Are regulators toothless?**

On whether capital market regulators such as Securities Commission Malaysia and Bursa Malaysia Securities should crack down on such practices, Williams does not expect much from the regulators.

“A regulatory solution is the least effective measure – regulators are too slow, and legal challenges, threats, and ineffective courts make regulations mostly useless,” he opined.

He suggests there are two better options. “The first is to outlaw it in the ministerial and parliamentary codes of conduct, and enforce it through anti-corruption laws.

Second is for such practices to be called out and “ridiculed publicly”, he said. “These are essentially public relations signals and if there is no publicity benefit, or the publicity is negative these practices will stop.”

He said the simple solution is a rule that disqualifies any company from a tender process if there is direct, indirect, public or private endorsement by politicians.

“In other words, target the companies and their lobbyists, not only the politicians,” Williams added.