Further questions in Apple bribery case

JLJ Holdings shareholders need to know their company’s chances of keeping Apple as a customer

By MAK YUEN TEEH

OMOHERB, JLJ Holdings Limited is resuming an extraordinary general meeting (EGM) to seek shareholders’ approval to change the company name to Julius Industries Limited. According to its circular to shareholders, this is in line with the Group’s increased presence in Malaysia through its key wholly-owned subsidiary Julius Industries (M) Sdn Bhd. It added that “the Directors believe that the proposed change of name will allow the Company to leverage on Julius Manufacturing’s brand name”.

Earlier, on March 20, JLJ had announced that the name of its subsidiary, Jin Li mould Manufacturing Pte Ltd, had been changed to Julius Industries Pte Ltd.

The name changes by JLJ Holdings in its short history as a listed company come after JLJ Holdings and Jin Li mould became ensnared in a bribery scandal involving an Apple global supply manager, Paul Devine.

JLJ Holdings was incorporated and listed in 2009, with an IPO price of 27 cents per share. Jin Li mould became a wholly-owned subsidiary of JLJ in 2014 and its executive chairman of Jin Li mould, executive-chairman of JLJ and executive director of Jin Li mould.

In 2008, Apple accounted for 82.5 per cent of JLJ’s revenue and profits.

Indeed, in response to pressure from lobby groups to identify its key suppliers, Apple published a list of its 156 key suppliers.

The documents filed by Apple in its civil lawsuit against Devine, which is publicly accessible online, provides a detailed account of the alleged bribery scheme and made a number of claims. The following are some of the highlights of the allegations:

In October 2006, Devine collaborated with Andrew Ang, an assistant manager of Jin Li mould, whereby Devine would supply confidential Apple information to Jin Li mould and five other Apple suppliers. In return, Devine received kickback payments from the suppliers. Ang served as the middleman between Devine and the suppliers and shared in the kickback payments. Ang is the nephew of Jin Li mould’s executive chairman of JLJ.

In June 2008, Ang resigned. According to the court documents, Devine then emailed to Chuan a proposal to continue making payments to Devine. Devine and Chuan allegedly agreed that Jin Li mould would pay Devine US$700,000 over a five-month period. In June 2009, Devine sent a memo for the US$890,000 and confirmed that the outstanding balance owed was US$13,100,000 and US$400,000. On the same day, Devine emailed to Chuan with note to NGL’s CEO printing information from the Li mould computer.

It was alleged that Jin Li mould paid Devine US$931 million to Devine. Before the alleged bribery scandal became public, JLJ’s last closing price was 23 cents per share. Today, its share price remains at the level immediately after the scandal broke, trading at around 12 cents.

What is of concern are the actions of certain key officers, and the fourth of communication from the company about the steps it is taking to address the serious issues and to prevent recurrences. Let’s look at the actions of some of the key officers.

On Aug 12, 2010, Chuan sold 10 million shares at 15 cents per share through married trades with seven unrelated individuals. Bearing in mind that Devine was arrested on Aug 13 in the United States, and that both Chuan and his nephew Ang were arrested in the court documents, questions arise regarding the timing of the sale of shares by Chuan. Even though the share sales slightly preceded the arrest of Devine on Aug 13.

On Aug 16, 2010, Tan Soon Liang, a non-executive director of JLJ, also sold his shareholdings in JLJ from 2 per cent to 1.19 per cent. That same day, JLJ issued an announcement which acknowledged the civil and criminal suits in the US and reassured investors that there was “no clear adverse impact on JLJ’s business.”

It is unclear whether Tan sold his shares before or after JLJ’s announcement. Even if the benefits of the deals are given to Tan, the key officers sold their shares while the company was reassuring investors about the lack of a negative impact on the company.

What followed was a series of other announcements to the market. On Aug 14, 2010, JLJ restated. “Neither JLJ nor Jin Li mould nor any other member of the Group is a party to any suit by Apple or the subject of any indictment whatsoever.”

On Aug 19, 2010, the company announced that Chuan had stepped down as executive chairman. Its announcement stated: “Andrew Ang is the bribe-taker in law of the Company’s Executive Chairman. In order to facilitate the immediate repair of all activities relating to the Apple Claim that may involve the Company and its subsidiaries, the Company’s Executive Chairman has also voluntarily relinquished all executive duties in the Company for the time being.”

The CEO, Andrei Ng, did not step down from his role. JLJ justified it as follows: “There has been no evidence to suggest that he had knowledge of or was involved in the alleged payments related to Apple’s civil suit.”

The company needs to do much more to reassure investors because, as mentioned above, the court documents filed in the US have alleged that Ng was included in an email from Devine who provided pricing information from one of Jin Li mould’s competitors.

On Aug 24, 2010, JLJ announced that Foo Sai Tu was appointed as the new executive chairman. The company also mentioned that the company, Chua and Ng are “co-operating with the PTO in its investigations.”

A Sterling Committee comprising Foo, Tan and two other independent directors of JLJ was also formed to look into the bribery case.

On Nov 8, 2010, the company made an announcement that “neither Jin Li mould Manufacturing Pte Ltd nor any of the Company’s subsidiaries had, at any point, made payments to Devine personally and/or Devine’s ‘vehicles’ referred to in Apple’s civil suit.”

On June 1, 2011, the company announced that Chuan had resigned from the board “as his own accord to pursue personal interest.”

Apple has been under great pressure to ensure its suppliers’ accounts and ethics