

# The Edge Malaysia

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August 23, 2010

THEEDGE MALAYSIA | AUGUST 23, 2010

## Major expansion for Jadi

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**T**oner manufacturer Jadi Imaging Holdings Bhd has found a suitor in independent power producer Mega First Corp Bhd, with the latter accumulating shares in Jadi over the past one month.

While this will not lead to a merger and acquisition, Mega First has been buying Jadi shares, first through a private placement and later on the open market. It now owns a 17.9% stake in Jadi.

Mega First could possibly be raising its stake to 20% or higher so that it can equity account for its share of profit in Jadi.

Meanwhile, as Mega First purchased Jadi shares on the open market, the latter's share price made a steep climb from about 20 sen to a high of 32 sen recently. It closed at 29 sen last Thursday.

Mega First's interest in Jadi began when it took a private placement of 61.46 million new shares for 20 sen each, which gave it a 9.09% equity interest in Jadi. Mega First then proceeded to buy more shares, with the last reported purchase made last Monday.

Mega First has an active interest in portfolio investment. For instance, it bought RM272 million worth of quoted shares last year and sold RM141 million worth of them, making a gain of RM21 million.

It has, however, decided to own a substantial stake in Jadi, which sug-



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brew group, which is reputedly the biggest brewer of beer in Cambodia. In 2005, Carlsberg bought a 50% stake in Cambrew Ltd, which produces beer under its Angkor brand. Liew points out that Jadi is on the verge of a major expansion of its manufacturing capacity. The group installed a second manufacturing line at its plant in Suzhou, China, in June. In Malaysia, it will move into a new production facility in Klang next month. Jadi currently has a plant in the Hicom-Glenmarie Industrial Park near Petaling Jaya.

The group plans to expand its current total capacity of 5,300 tonnes of toners a year to 9,700 tonnes by next year. "All our black toner lines are running at full capacity this year," says Liew. Jadi exports toners all over the world, mainly in the after-market where they are used in laser printers and photocopiers.

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Demand for generic toners picked up during the recent recession as users sought lower-priced products. Recovery in demand has helped to improve Jadi's profit margins, which had dropped in recent years. The company saw revenue of RM25 million and a net profit of RM3.7 million for 1QFY2010 ended March 31, an improvement over its earnings of RM1.7 million in the previous corresponding quarter.

Jadi executive chairman and CEO Liew Kim Siong believes the link could be Mega First's major shareholders' interest in green technology.

Jadi will soon commercially produce toners using palm oil as raw material instead of petroleum. "Palm oil is renewable and biodegradable, and it can be used in toner production to replace petroleum-based toners," he tells *The Edge*.

The major shareholders' interest in green technology can be seen from their large shareholding in D&O Green Technologies Bhd, which is also listed on Bursa Malaysia.

Mega First's biggest shareholder is its chairman Goh Nan Kioh, who is also chairman of Pearl River Tyre (Holdings) Ltd, a tyre manufacturer listed in Hong Kong. Pearl River has an indirect stake of 16.6% in D&O.

Goh Nan Yang, a director of Mega First and brother of Nan Kioh, is also a substantial shareholder of D&O, which makes environmentally friendly LED lighting products.

Nan Kioh is also CEO of the Cam-

Jadi has proposed an issue of free warrants on the basis of one free warrant for every two shares held. The exercise price for the warrants is 17 sen each, which should then have an intrinsic value relative to its share price of 29 sen.

Liew says the warrant issue is intended to reward loyal shareholders and also to prepare for the next phase of the company's expansion. It expects to invest RM80 million to RM100 million over the next five years. The warrants will raise about RM60 million for the company.

With all this, it is envisioned that Jadi will become the world's biggest independent toner manufacturer within the next few years. For the moment, the largest independent manufacturer is in Japan.