Spot the dog

How Richina Pacific eats shareholders

By Mark Story, Auckland
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The wooden spoon for destroying shareholder value must go to investment holding company Richina Pacific, which owns: Mainzeal, Leather New Zealand, Mair Venison, Leather China and an aquarium in China, Richina Underwater World. Since its listing in May 1997 at 205 cents, the share price has spiralled down to its current low of 45 cents a share. With a capital loss of 21% since mid-February, the stock is now trading at a 64% discount to net tangible assets of $1.25. Instead of getting rich in China with its aquariums, the company has all but lost its shirt in this difficult but potentially lucrative market. Last February, the company reported a bottom line loss of $28.8 million. Here's what went wrong.

Anatomy of mismanagement

April 1996: Richina buys controlling stake in Mainzeal and refocuses on Asia.

August 1996: Mainzeal changes name to Richina Pacific.

October 1996: Negotiates development rights to Beijing aquarium; appoints Ken Whitely managing director.

February 1997: To attract overseas investors, the company makes a one-for-two rights issue and one-for-five share consolidation at 65 cents a share simultaneously, instead of heeding the market's call for a share placement.

March 1997: Terry O'Boyle appointed over the top of Whitely to run the aquarium business; he speaks no Mandarin and has no experience doing business in China.

April 1997: Large private investors exit the stock; some institutions follow.

May 1997: Share price drops to 40 cents before relisting on NZSE at 205 cents a share.

December 1997: Problems surround Beijing aquarium opening:

- It's opened before completion;
- The wrong Chinese official is invited;
- Official advises media not to attend;
- Company spends over $200,000 inviting New Zealand media and capital market analysts to attend opening.

February 1998: By capitalising instead of expensing costs, the company posts a $5.7 million profit for year ending December 1997, which should have been a reported profit of $1.7 million.

March 1998: O'Boyle is fired; aquarium goes unmanaged for three months.

April 1998: Capital market told to expect a similar result for full year 1998.

April 1998: Capital market baffled by failed talks to merge Britomart developer Pacific Capital Assets with most of the assets of Richina Pacific, a deal that would have brought together disparate entities -— construction, dairy farming, leather and venison.

May 1998: Richina Pacific declines an offer from shareholder (4.5%) Ashley International to buy Under-water World for $53 million.

May AGM 1998: The company warns it's in trouble.

June 1998: Remaining institutional investors exit stock. Ex-Kelly Tarlton's boss Graham Osborne appointed to run the Beijing aquarium; like O'Boyle, he has no knowledge of Mandarin and lasts only three months. CEO Tony Caughey leaves and is not replaced.

November 1998: A Malaysian, Chim is appointed to run the Beijing aquarium.

December 1998: Shanghai Tannery, forecast to break even, posts $7.8 million loss for the year.

February 1999: The company reports a bottom line loss of $28.8 million for year ending December 31, 1998. Losses and write-downs cut $41 million from shareholder equity, from

$130.4 million to $90.1 million.

April 1999: Promising Wellington-based asset, Mobil-on-the-Park development ($29 million), still only 73% tenanted and is unlikely to be sold until fully leased; at present tenancy levels this will take time.