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MSWG**MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia * Company No. 524898-M

The Observer

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MESSAGE FROM THE CEO



We are glad that the issue of excessive executive compensation has recently been raised in the media. This is often an area of corporate governance that is overlooked by shareholders. A review is overdue and more awareness of such issue should be highlighted. Listed companies must be able to defend the money it pays their executives, and this must be backed by how well the company has fared particularly from the financial performance viewpoint.

A glaring example has occurred at Puncak Niaga, where the highly controversial issue of directors' remuneration has surfaced. According to its latest Annual Report, it shows that an executive director was paid around RM33.4 million in FY 2012 compared to about RM8.4 million in the previous year, an increase of around 300%. It is presumed that the amount was paid to the Executive Chairman.

At around 14% of group net profit of **RM232.7 million** for the FY 2012 -- and to just one director -- this is a compensation that is clearly disproportionate and should be questioned by all minority shareholders both institutional and retail shareholders to justify the increase at its AGM which is due on 26 June 2013.

For the information of readers, about two weeks ago, Puncak Niaga held an EGM to seek shareholders' approval for an issuance of redeemable convertible secured Sukuk Ijarah. There was lack of clarity on the utilisation of proceeds and insufficient pertinent information for shareholders to make an informed decision. Amidst dissatisfaction of many shareholders, the resolution was approved.

On a separate matter, from a markets perspective, anticipation of the Federal Reserve's tapering of its bond-buying program has sent some jitters into the market, leading to a selloff by foreign funds last week. While Malaysia's fundamentals remain robust, Asia's overall trade picture remains uncertain, due to prolonged weakness, notably in China and the Eurozone. As always, we advocate participating in the markets based on fundamentals.

The 1st of June also marked the effective date of Bursa Malaysia's amended Main Market and ACE Market Listing Requirements, aimed at strengthening and enhancing the corporate governance practices of listed issuers.

The amendments include:

- Aligning disclosure of corporate governance statements with the Malaysian Code on Corporate Governance 2012 (MCCG 2012) in annual reports;
- Mandating poll voting for related party transactions which require specific shareholder approval;
- Limiting the number of directorships in listed issuers from 10 to 5;
- Mandating the establishment of a nominating committee and requiring disclosure of its activities, and;
- Enhancing disclosures in annual reports in relation to directors' training.

Bursa's intention was for these CG amendments to offer improved guidance to listed issuers, resulting in more meaningful and quality disclosures in corporate governance statements. We hope listed issuers will pay appropriate heed to Bursa's call, and to end 'boilerplate' comments, when meaningful and substantive guidance can instead be preferred.

Regards,

Rita

MARKET AND REGULATORY UPDATE

Latest BNM Update

The international reserves of Bank Negara Malaysia amounted to RM436.9 billion (equivalent to USD141.4 billion) as at 15 May 2013. The reserves position is sufficient to finance 9.6 months of retained imports. Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), increased to 1.7% in April 2013 (March: 1.6%).

Interbank rates were stable in April. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%.

Insurers brace for likely price war

The motor and fire tariffs will be removed in 2016 and insurers are preparing themselves to either defend or enlarging their market shares by strengthening distribution channels, improving customers' service, enhanced product development, brand building, actuarial capability, improving claims management and cost containment.

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

Malaysia Airports Holdings Berhad (MAHB)

With the delay of the KLIA2, MAHB has announced to Bursa Malaysia that it "will impose liquidated ascertained damages on those contractors and any other recourse available to the operator under contract". MAHB said that it would impose liquidated and ascertained damages (LAD) on the responsible parties. The main contractors for the KLIA2 project are UEM Construction Sdn Bhd, and JV partner, Bina Puri. The construction project was worth RM997.2 million. Bina Puri's portion was 40% or about RM400 million. The contract first started in August 2010.

Bina Puri's Executive Director Matthew Tee had said that contractually, Bina Puri had grounds to appeal for further extension without incurring the LAD.

MSWG's COMMENTS

Malaysia Airports Holdings Bhd (MAHB) must ensure that the klia2 project has to be completed in time as this is the second time delay. MAHB must be firm to the contractors that there will be no further extension of time and apply the LAD on those contractors that caused the delay.

Whilst MAHB should take action against contractors found to be wanting in discharging their tasks, its Board should also ensure that those responsible including MAHB's management have to account for any lapses. We wish to reiterate that for any projects undertaken particularly for such a massive project there should be a strong risk management framework in place with proper risk mitigation measures too.

Change of Guards

- Malayan Banking Bhd

Shareholders of Maybank will welcome news that chief financial officer Mohamed Rafique Merican has been named its officer-in-charge until the appointment of a new president and chief executive officer (CEO).

MSWG's COMMENTS

We would however go further to note that this remains a temporary appointment. Maybank is the country's biggest company by market value and a new CEO and President should be named as soon as practicable, though this should be a merit-oriented appointment, and must follow a rigorous appraisal of candidates.

- Maxis Berhad

Similarly, we note also Maxis Berhad's announcement that Johan Dannelind will not be taking up the CEO role in July as earlier announced. While Maxis has announced that its CFO Nasution Mohammed has been appointed Joint Chief Operating Officer (COO) to enjoin the current Joint COO, Suren J. Amarasekera to provide overall leadership, this appointment also remains an interim one.

MSWG's COMMENTS

Again, we hope that a suitable replacement will be found as soon as is practicable, following the same merit-focused procedures.

MSWG's WATCHLIST

Sime Darby Bhd

Sime Darby is partnering China's Weifang Municipal Port and Navigation Bureau in a RMB2bn (RM1bn) project to build eight terminals at Weifang Port, a port in eastern Shandong province in China.

Sime Darby, via its indirect subsidiary Sime Darby Overseas (HK) Ltd, had signed a Memorandum of Understanding (MoU) with Weifang Municipal Port and Navigation Bureau to build two 30,000-tonne liquid chemical terminals, three 30,000-tonne multi-purpose terminals and three 30,000-tonne general terminals at Weifang Port.

Nakamichi Corporation Bhd

The Company's major shareholders Goh Kheng Peow and his wife See Thoo Chan holding 32.94% equity interest have proposed to remove Lo Man Heng, the firm's executive director and CEO from the board at the upcoming AGM on 28 June 2013.

PLCs recently classified PN17 –

- **IRM Group Bhd**
- **Pan Malaysian Industries Bhd**
- **Hytex Integrated Bhd**

IRM Group Bhd:

Due to external auditors expressing a modified opinion on the company's going concern based on the company latest audited financial statements and the Company's shareholders equity is now less than 50% of the Company paid-up capital.

Pan Malaysian Industries Bhd:

Company's shareholders equity on a consolidated basis is 25% or less of the issued and paid-up capital and such shareholders' equity is less than RM40 million.

Hytex Integrated Bhd:

Company's shareholders equity on a consolidated basis is 50% or less of the issued and paid-up share capital.

Local News and Developments

Malayan Banking Bhd has appointed its group chief financial officer, Mohamed Rafique Merican as the officer-in-charge with effect from 5 June 2013. He will oversee the overall running of the day-to-day operations of the Maybank Group and ensure continuity in the entire operations of the group.

<http://biz.thestar.com.my/news/story.asp?file=/2013/6/4/business/13194737&sec=business>

Johor state government is to impose new property tax rate on foreign owners owning about 130,000 houses in the state

www.theedgemaalaysia.com

Golden Plus Holdings Bhd continues to be suspended by Bursa Malaysia Securities as it failed to submit its quarterly report ended March 31, 2013. It has been suspended since Aug 3, 2009.

<http://biz.thestar.com.my/news/story.asp?file=/2013/6/4/business/13194737&sec=business>

No risk of Bursa Bubble; BlackRock

www.thesundaily.my/news/733784

Global News and Developments

Jamie Dimon's \$5 billion bet against bonds

http://finance.fortune.cnn.com/2013/06/03/jpmorgan-dimon-bond-bet/?iid=SF_F_River

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Feedback

We welcome your feedback on our newsletter and our work. Email us at mswg.ceo@mswg.org.my with your comments and suggestions.

DISCLOSURE OF INTERESTS

With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter save for Nakamichi Corporation Berhad and IRM Group Berhad.

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