

MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

10 MAY 2013

MESSAGE FROM THE CEO



Now the 13th General Election is behind us and the BN has been given the mandate to form the government, we the “Rakyat” have to ensure that we move forward for a better Malaysia. We ask the PM to show his mettle to reach out to all Malaysians to push aside the differences for a common goal under the 1Malaysia banner promoting a shared vision of stability, modernisation and growth with good governance. I hope to see more professional representatives, including women and young minds in the Cabinet. It is hoped that focus is given on an enhanced education system to make it more inclusive, progressive, modern and world class which necessarily means an investment in our future generation. In addition, security issues to be tackled and, of course, ensuring a competitive and business-friendly environment.

Our stock market had surged on the 1st day after the GE13 by more than 100 points above 1,800 levels, now sustaining at 1750 levels. The relief rally was not unexpected due to pent-up demand before elections. On the forex front, the Ringgit also strengthened against US Dollar, rising to a high of RM2.957:US\$1 since August 2011 due to a higher degree of certainty post elections and inflows of funds.

Separately, we are now in the midst of the peak AGM season. There have been some very good disclosures in the Annual Reports especially the bigger companies. We want to encourage PLCs to publish detailed minutes of their AGM proceedings on their websites as this would be in line with the corporate governance expectations in the region. Already we are behind Thailand as 90% of their PLCs adopt this practice since a few years back and it is also being done now in the Philippines where the practice has been initiated last year. We hope that our PLCs will match this expectation. Also in line with the Asean CG Scorecard that provides a benchmark of good practices within the Asean region which is now being used by all the Asean countries to score their PLCs, this criterion plays an important part in the scoring process. The minutes of the AGMs should include pertinent information such as the proposed resolutions, the voting results, attendance of directors and details of what transpired at the meeting, including questions raised by shareholders/proxy holders as well as the response by the boards.

Regards,

Rita

SELECTIVE GLOBAL REGULATORY UPDATE

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

Oversees the auditors of companies to protect investors

The PCAOB is a non-profit corporation established by US Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

In a recent repropoed auditing standard, the PCAOB stated that related party transactions have been contributing factors in numerous prominent financial reporting frauds over the last few decades. Financial reporting frauds also have involved significant transactions that are outside the normal course of business for the company or that otherwise appear to be unusual due to their timing, size, or nature ("significant unusual transactions"); and a company's financial relationships and transactions with its executive officers. Corporate scandals involving these areas, such as financial reporting frauds at Enron Corporation, Tyco International, Ltd., Refco, Inc., and WorldCom, Inc., undermined investor confidence, resulted in significant losses for investors, as well as the loss of many jobs for employees. These critical areas have continued to be a contributing factor in more recent cases.

The repropoed standard and amendments would update and strengthen auditor performance requirements in these critical areas, which could pose significant risks of material misstatement in company financial statements. The repropoed standard is currently open for public comment.

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

LATEXX PARTNERS BERHAD ("LATEXX")

The Independent Advice Circular ("IAC") in relation to the privatisation offer had been issued on 6 May 2013. According to the IAC, the offer price of RM2.30 is fair and reasonable and not detrimental to offerees. The non-interested Directors had also advised the non-interested shareholders to accept the offer.

The offerors had proposed a conditional take-over of the entire shares not already owned by Semperit Investments Asia Pte. Ltd. at an offer price of RM2.30 per share and RM1.77 per warrant.

MSWG'S COMMENTS:

Considering that the price-to-earnings ("P/E") and EV/EBITDA multiples of the offer price of RM2.30 are above the comparable companies' ranges of P/E and EV/EBITDA multiples as stated in the IAC and also the fact that shareholders of Latexx have approved for the de-listing of Latexx at the extraordinary general meeting convened on 3 April 2013, offerees may wish to accept the offer if they intend to monetise their investments in Latexx.

MALAYSIA AIRPORTS HOLDINGS BERHAD ("MAHB")

As announced on Bursa Malaysia's ("Bursa") website on 7 May 2013, MAHB Board, at its meeting on the same day, expressed its view that the contractors for KLIA2 might have difficulty in meeting the deadline of 28 June 2013, despite the commitment given by the contractors. MAHB would be meeting the contractors again soon to confirm the ability of the contractors to meet the deadline. Any further updates would be announced accordingly.

MSWG's COMMENTS:

We hope there would be no unnecessary cost over-runs due to this delay. In addition, as it has already been behind schedule, it is important that MAHB concentrates on the completion of KLIA2 as the existing LCCT has already burst to its brim and affecting the budget airline players in terms of passengers. Furthermore, image-wise, it could impact on the tourist arrivals as it is a big contributor to our nation's coffers.

MSWG's WATCHLIST

GLOBAL CARRIERS BERHAD (“GLOBALC”)

On 6 May 2013, the Board of Globalc announced on the Bursa Malaysia’s (“Bursa”) website that the company would not be able to issue its Annual Audited Financial Statements for FYE 2012 (“AAFS”) by 30 April 2013 due to unresolved significant audit queries in the accounts of Globalc Group which were recently brought to the attention of the Audit Committee and the Board when the external auditors expressed concerns that they have not been able to obtain sufficient audit evidence to form an opinion for the purpose of issuance of the AAFS.

In view of the above, Bursa will suspend the shares of the company from trading on 7 May 2013 until the issuance of the AAFS. According to the announcement, the expected date of issuance of the AAFS is on or before 31 May 2013.

GOLDEN PLUS HOLDINGS BERHAD (“GOLDEN PLUS”)

Bursa had on 6 May 2013 issued an investor alert announcement on its website that Golden Plus failed to submit its AAFS by 30 April 2013. In view of this, the suspension of the company’s shares will continue until further notice.

THE NOMAD GROUP BHD (“NOMAD”)

The AGM of Nomad yesterday unveiled an interesting development on the intricacy of regulation of Bursa Malaysia’s Listing Requirements. In a special resolution tabled at the AGM, shareholders of Nomad have voted against the Proposed Amendments to the Articles of Association (AA) pertaining to matters such as 1) the appointment of multiple proxies by an Exempt Authorised Nominee; 2) Qualification of Proxy and 3) Rights of Proxy to speak. Such amendments, according to the Company’s explanation, are necessary in order to have the Company’s AA in line with that of Bursa Malaysia’s Listing Requirements.

HB GLOBAL LIMITED (FORMERLY KNOWN AS SOZO GLOBAL LTD) (“HB GLOBAL”)

HB Global has slipped into PN17 category after its external auditors expressed a disclaimer opinion in relation to the variance between its latest audited financial statements for the financial year ended Dec 31, 2012 and the unaudited results. The company had on 7 May 2013 informed on Bursa’s website that it intended to formulate a regularisation plan to address its PN17 status. It will submit a regularisation plan to Bursa as well as to the Securities Commission if the plan will result in a significant change in the business direction or policy of the company within 12 months after the announcement. Bursa has directed the company to immediately appoint a special auditor to undertake an investigation into the affairs of the company, in particular its financials, to identify any potential irregularities.

Local News and Developments

GE13: KLCI surges to historic high of 1,826

http://biz.thestar.com.my/news/story.asp?file=/2013/5/6/business/20130506100210&sec=business&utm_source=TSOL_main&utm_medium=links&utm_campaign=GE13

Accountancy action plan will detail demand and supply, and how the profession should be regulated

<http://biz.thestar.com.my/news/story.asp?file=/2013/5/6/business/13059241&sec=business>

Global News and Developments

Berkshire Hathaway’s 2013 Shareholder Meeting

<http://dealbook.nytimes.com/2013/05/04/live-blog-berkshire-hathaways-2013-shareholder-meeting/>

Euro zone slump drags on, Chinese growth sags

<http://www.reuters.com/article/2013/05/06/us-global-economy-idUSBRE9450AZ20130506>

Fortune 500

<http://money.cnn.com/magazines/fortune/fortune500/2013/snapshots/2255.html>

JPMorgan Investors Urged to Split Chairman Role, Oust Directors

<http://www.businessweek.com/news/2013-05-03/jpmorgan-should-name-chairman-to-watch-ceo-iss-tells-investors>

Leading Independent Governance Experts and a Proxy Advisor Raise Concerns over Elliott Pay Scheme

<http://online.wsj.com/article/PR-CO-20130502-913723.html>

Thomson Reuters Launches Environmental, Social Indexes

<http://www.sustainablebusiness.com/index.cfm/go/news.display/id/24830>

Activists Want to Silence Business

<http://stream.wsj.com/story/latest-headlines/SS-2-63399/SS-2-224349/>

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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 Latexx, Globalc and HB Global.

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