

Email not displaying correctly? [View it in your browser.](#)



The Observer

Issue # 26 -13
12 July 2013

MESSAGE FROM THE CEO



To continue with my sharing on the ICGN Conference, I wish to add that the concept of “majority voting”, although has its benefits, have shortcomings too, particularly in the Asian context due to the bulky shareholding structure in many public listed companies in Asia. The bulky shareholders or major shareholders that are family controlled can easily disenfranchise minorities if they wish to do so, and have their nominees elected instead by simple majority voting. Thus, in the Asian region, we may need to have yet another way to deal with this matter, either via minority slate or cumulative voting method. Food for thought!

Separately, on the capital market front, it is interesting to note that despite the uncertainties in recent weeks that could have been attributed by comments from the Federal Reserve, that it may soon commence tapering of its quantitative easing programme, Malaysia continues to have a healthy IPO market. Recent issues of AirAsia-X and upcoming issues such as Westport Holdings, Sona Petroleum, UMW Oil & Gas, Ranhill Energy and Berjaya Auto allude to an IPO pipeline which remains healthy. AirAsia-X with its huge capital raising exercise was successful in its debut at a price range of its IPO price-levels.

Coming back to the Fed tapering, though it did not occur as was expected, it should not be viewed negatively as these are signs that confidence in the US economy is returning, and in the long term could be positive for the global capital markets. We feel that the slowing China growth, though a concern, is after all making the difficult transition away from dependence on relying on state-owned enterprises to a consumption-led economy.

As hot money departs from our shores and the region too, it leaves a more honest and transparent Malaysia behind, which can only be a good thing in the long-term as it would have to stand strong with foundations of good corporate governance. This is where we believe that long-term capital and smart money should find its way back.

Separately, recent developments in the financial sector warrant mention, since they form part of the broader macro efforts to instil greater monetary discipline. Bank Negara’s tighter guidelines on personal and mortgage lending practices are an extension of its efforts to better oversee the shadow banking system and thus, are welcomed. We had hoped, however, that the shortening of the tenure limit for financing of residential properties for first time buyers was excluded to facilitate first time buyers to own a roof over their heads. (See “Market and Regulatory Update” for more details)

The Ramadhan month has just begun this week on Wednesday and I would like to wish our Muslim readers and colleagues, Selamat Berpuasa.

Regards,

Rita

MSWG IN THE NEWS

We've no links with group, says MSWG

<http://www.thesundaily.my/news/767034>

MARKET AND REGULATORY UPDATES

Bank Negara Malaysia (“BNM”) lending guidelines tightened

BNM announced on 5 July 2013 that it was imposing three measures to curb consumer debt that has reached 82.9% of GDP at end-Mar 2013:

- 1) Maximum tenure of 10 years for financing extended for personal use;
- 2) Maximum tenure of 35 years for financing granted for the purchase of residential and non-residential properties; and
- 3) Prohibition on the offering of pre-approved personal financing products.

MSWG's COMMENTS:

These measures apply to all financial institutions and credit cooperatives regulated by BNM and Suruhanjaya Koperasi Malaysia and include non-banking financial institutions such as MBSB, RCE Capital and AEON Credit. These measures would mean that BNM would be able to manage to some extent the lending growth of non-banking financial institutions which have larger exposures to personal loans compared to many conventional banks. It would also provide uniformity in the credit terms provided by banking and non-banking institutions allowing BNM to effectively manage the escalating household indebtedness and reinforcing responsible financing by industry players.

Even though BNM's pre-emptive measures may restrict unhealthy practices, we had hoped that certain measure such as limiting up to 35 years for financing for the purchase of residential properties could have been exempted for genuine property buyers in purchasing their 1st property. This is to facilitate genuine first-time house buyers a roof over their heads as it could make it more affordable for them to own a house.

MSWG QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

GOLDIS BERHAD (“GOLDIS”)

According to the announcement released by the Board of Goldis on 3 July 2013, the Board had, after due deliberation, decided not to table the Proposed Distribution of IGB shares via Steady Paramount Sdn Bhd (“Proposed Distribution”) announced earlier on 8 May 2013 after taking into consideration the negative feedback from shareholders of Goldis on the Proposed Distribution.

MSWG's COMMENTS:

We had commented in our previous newsletter dated 17 May 2013 that the method of distributing indirectly IGB shares via an unlisted SPV may not be in the best interest of minority shareholders, thus the cancellation of the Proposed Distribution had been aligned to our previous stand. The Board should consider other ways to unlock the investment value in IGB shares such as distributing the IGB shares as dividend in specie directly to shareholders.

MSWG's WATCHLIST

OSK HOLDINGS BERHAD ("OSK")

OSK's Managing Director Tan Sri Ong Leong Huat ("Offeror") has made a mandatory offer to acquire all the remaining shares in the company at RM1.68 each.

The one-third threshold was triggered after the Offeror acquired an additional 42.68 million shares in OSK through direct deals and open market purchases.

The Offeror's recent purchases had increased his stake in OSK held through OSK Equity Holdings Sdn Bhd by 4.4% from 32.3% to 36.7%. The Offeror intends to maintain the listing status of OSK unless sufficient valid acceptances are obtained to invoke the compulsory acquisition. The Offer price is at Price-to-Earnings Ratio of 32.8x and Price-to-Book Ratio of 1.06x based on the audited net earnings per share and net asset per share for FYE 31 December 2012 respectively.

Local News and Developments

New laws toughen up financial regulatory framework

<http://www.thesundaily.my/news/763205>

FSA and IFSA now in force

<http://themalaysianreserve.com/main/news/corporate-malaysia/4035-fsa-and-ifs-a-now-in-force>

Global News and Developments

Rethinking governance: what should companies be responsible for?

<http://www.newstatesman.com/business/2013/07/rethinking-governance-what-should-companies-be-responsible>

New Report Shows Lower Shareholder Voting Support at Smaller Public Companies

<http://www.marketwatch.com/story/new-report-shows-lower-shareholder-voting-support-at-smaller-public-companies-2013-07-08>

Gulf Keystone Petroleum shareholder hits out at bosses

<http://www.guardian.co.uk/business/2013/jul/07/gulf-keystone-petroleum-shareholder>

MSWG Analysts

Lya Rahman, General Manager, Corporate Services, lyarahman@mswg.org.my

Chong Chee Fern, General Manager, Corporate Monitoring chongcf@mswg.org.my

Rebecca Yap, Head, Corporate Monitoring rebecca.yap@mswg.org.my

Quah Ban Aik, Head, Corporate Monitoring banaik.quah@mswg.org.my

Ng Hoon Ho, Senior Manager, Corporate Monitoring nghh@mswg.org.my

Norhisam Sidek, Manager, Corporate Monitoring norhisam@mswg.org.my

Shahnul Niza Mohd Yusof, Manager, Research shahnul.niza@mswg.org.my
Lee Chee Meng, Manager, Corporate Monitoring cheemeng@mswg.org.my
Wong Kin Wing, Senior Analyst, Corporate Monitoring, kinwing@mswg.org.my
Nor Khalidah Khalil, Analyst, Corporate Monitoring khalidah@mswg.org.my
Muhammad 'Ammar Maslan, Analyst, Corporate Monitoring ammar@mswg.org.my
Vinodth Ram Ramasamy, Analyst, Corporate Monitoring vinodth.ram@mswg.org.my

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 Goldis.*
-

DISCLAIMER

This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholder Watchdog Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.

You are receiving this email because you opted-in at our website, subscribe to MSWG's services, or have indicated an interest in staying informed of MSWG and its work.

[Unsubscribe](#) << Test Email Address >> from this list | [Forward to a friend](#)

Our mailing address is:

Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan, Off Jalan Raja Chulan
Kuala Lumpur, Wilayah Persekutuan 50200
Malaysia

[Add us to your address book](#)

Copyright (C) 2013 Minority Shareholder Watchdog Group All rights reserved.

