



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

15 March 2013

MESSAGE FROM THE CEO



On the privatisation of MBF Holdings Berhad (MBfH), we wish to inform MBfH shareholders that on 14 March 2013, the joint offerors had revised the offer price from RM1.50 to RM1.70 per share. We are pleased to note that our request to MBfH's Board and carbon copied to Tan Sri Dr. Ninian Mogan Lourdenadin to give the dividend due which was from the sales of the MBfH credit card business amounting to between 19 to 30 sen per share had borne fruits. The revised offer price would effectively bring about similar results as desired by minority shareholders in a forum organised by MSWG.

This past week also witnessed some selling pressure on MISC shares, which is not surprising, following the release by Independent Adviser, describing Petronas' takeover offer as "not fair" but "reasonable". The justification for acceptance at the offer price among others were "the fact that MISC is in a trough and the offer provides an exit opportunity for investors to realise their investment". MSWG believes that these reasons were not compelling enough.

Based on the offer price's discount ranging from 7% and 13% to the indicative valuation of MISC coupled with the relatively high issue price of RM7.00 per share for the rights issue undertaken two years ago, MSWG is also of the opinion that the offer price is low and ought to be upped if the company intends to privatise.

On a separate issue, I have attended the International Corporate Governance Network conference in Italy last week and was interested in a policy on nominating minority directors which was introduced in the nineties that has changed the landscape in corporate governance there. This would mean that only shareholding of less than 2% can nominate on a minority shareholder director in the Board. We will need to study this proposal further.

Regards...

Rita

Market Updates

The total trade of Malaysia in January grew by 9.2% as compared to the corresponding period last year. This was contributed from the growth of 3.5% in exports while imports rose 16%. As 65% of the exports were mainly manufactured goods, the growth of the exports had also driven the growth of manufacturing sector's

sales up to 7.4% while the Industrial Production Index ("IPI") increased 4.6% in January year-on-year.

MSWG'S COMMENTS:

The better than expected growth of total trade showed that the recovery of the major trading partners such as China and USA was gaining traction despite the sluggish GDP growth achieved by the Euro-zone countries and Japan. The export may grow further if the CPO price stabilised or even pick up in momentum in the next few quarters. Meanwhile the growth of IPI was lower than the growth of manufacturing sector's sales indicating that manufacturers are required to increase production to restore inventories through the improvement of productivity by formulating plans to develop advance technology and human resource.

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

MISC BERHAD ("MISC")

The Independent Adviser ("IA"), AmInvestment Bank had expressed the view that the privatisation offer was not fair but reasonable due to the bleak future outlook of shipping sector and weak share price performance in the past few years. In the Independent Advice Circular ("IAC"), the IA advised minority shareholders to accept the offer to realise their investment at RM5.30 which is at a premium of between 19.64% and 27.10% over the 5-day to 3-month volume weighted average market price of MISC up to the date of notice of the offer on 31 January 2013. In addition, the IA also advised minority shareholders to monitor MISC market prices and dispose their shares in the open market if they are able to secure a market price higher than the offer price.

MSWG'S COMMENTS:

Despite EPF, which holds the critical shareholding in the offer, hoping for a higher price for the shares than what Petronas is offering and also the IA advising that the Petronas' offer at RM5.30 is not fair, there is no sign that Petronas would increase the offer price. The offer price of RM5.30 not only represents a discount ranging from 6.9% and 13.1% to the indicative valuation of MISC, it is also approximately 24% lower than the issue price of RM7 for the rights issue undertaken two years ago.

Based on these, MSWG is of the view that the offer price is low and acceptance by minority shareholders could be not forthcoming.

Shareholders must assess the advice stated in the IAC whether to accept or reject the offer based on their risk profile, investment time horizon, entry price and their willingness to hold shares in unlisted entity in the event that the company is privatised.

HWANG-DBS (MALAYSIA) BERHAD ("HWANG-DBS")

The founder of Hwang-DBS, Datuk Seri Hwang Sing Lue passed away on 16 December 2012. Since then the share price of Hwang-DBS has increased substantially from RM2.45 to its peak in 5 years at RM4.33 as at 13 March 2013.

MSWG'S COMMENTS:

The share price of Hwang-DBS had increased substantially by more than 75% within a period of 3 months amidst the media reports. Hwang-DBS seems to be a potential target based on the media report that Affin Holdings Bhd and AMMB Holdings Bhd are courting for the stake of Hwang-DBS. There were no announcements nor queries made by these reports, thus we are not able to confirm such corporate exercise.

MBF HOLDINGS BERHAD ("MBfH")

The joint offerors had on 11 March 2013 issued a statement to notify shareholders and warrant holders that the offer has been extended to 3 April 2013. The levels of holdings of the joint offerors have reached 92.86% of total issued and paid-up shares and 96.16% of total outstanding warrants.

On 14 March 2013, the joint offerors announced the revision of the offer price from RM1.50 to RM1.70 per share and RM0.50 to RM0.70 per warrant.

MSWG'S COMMENTS:

MSWG had held a forum on 28 February 2013 for the minority shareholders and those present had collectively requested for the dividend due from the proceeds of the sale of credit card amounting from 19 to 30 sen per share and that the dividend should be given to shareholders and not deducted from the offer price. On this request, MSWG had written a letter to MBfH's Board and carbon copied to Tan Sri Dr. Ninian Mogan Lourdenadin.

The revised offer from RM1.50 to RM1.70 effectively means that the dividend due has been incorporated. Though the revised offer price is at a 28% discount to the latest net assets per share of RM2.37, we believe minority shareholders ought to evaluate the proposal positively and diligently in the light of the early request being met to a very large extent.

MSWG's Watchlist

HONG LEONG CAPITAL BERHAD ("HLCAP")

Bursa Malaysia had issued Unusual Market Activity ("UMA") queries to HLCap regarding the sharp rise in price in the company's shares. The company replied to Bursa Malaysia and confirmed that to the best of its knowledge and after making due enquiry with the Directors and substantial shareholders of the company, the company is not aware of any issue that may have contributed to the unusual market activity.

Local News and Developments

Emas Kiara deputy executive chairman offers 23% premium in takeover

<http://biz.thestar.com.my/news/story.asp?file=/2013/3/12/business/20130312182127&sec=business>

Wanted – more women in top posts

<http://www.thesundaily.my/news/633983>

Global News and Developments

Shareholders at the gates: America's proxy season will pit management against owners as never before

<http://www.economist.com/news/business/21573134-americas-proxy-season-will-pit-management-against-owners-never-shareholders>

Sandy Spring Bank tweaks corporate governance ahead of 2013 say on pay

<http://www.bizjournals.com/washington/blog/2013/03/sandy-spring-bank-tweaks-corporate.html>

Corporate governance forum highlights level of integrity of directors

<http://www.royalgazette.com/article/20130307/BUSINESS03/703079954>

Disclosure of Interests

With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies.

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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.

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