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The Observer

21 June 2013

MESSAGE FROM THE CEO



Invest Malaysia last week saw some 2,000 delegates representing 60 global fund managers with over US\$15 trillion of assets under management, attending the event, organised jointly by Bursa/Maybank Kim Eng.

Evidently, fund managers including foreign funds have demonstrated a clear reaffirmation with the Prime Minister's policy and programmes required to build a sustainable economy.

Among notable developments is Khazanah Nasional's continuing strong performance. Khazanah reported that its net worth of adjusted portfolio value has grown to about RM96

billion now, a compounded annual growth rate (CAGR) of 13% from mid-2004 to May 2013.

However, the pace of the government's share divestment program seems to have slowed a little. Based on Maybank Investment Bank (Maybank IB) research estimates, the combined GLIC holdings in Malaysian equities is at least 35% for the top 100 market cap stocks (as at 14 Mar 2013) and a higher 39% for the KLCI.

As it stands, the government is already dominant in key industries like banking, oil and gas, defence and transport. These sectors could be freed up further to attract strategic investments for the private sector to flourish.

It is also encouraging to note that the PM had also called for EPF and GLICs to step up their involvement particularly in high quality mid-cap stocks. This would certainly add depth to our stock market. However, quality and liquidity ought to be of paramount importance.

Top of the agenda for the 2014 Budget Consultation sessions, according to the government, is its aim to reduce the country's fiscal deficit from 4.5% of the Gross Domestic Product (GDP) in 2012 to 4% this year.

The government says the aim of its new Fiscal Policy Committee is to meet the medium-term fiscal target of around 3% of GDP by 2015, but "without jeopardising the growth momentum of the domestic economy" and providing "ongoing fiscal support for (its) transformation initiatives".

We view the government's seriousness in addressing Malaysia's fiscal position as highly positive. The country's debt position needs to be addressed.

Following these consultations, we look forward to October 25, when the 2014 Budget will be tabled in Parliament. I hope to see increasing retail participation in the stock market which currently is at low levels below 20% compared to Singapore and Hong Kong. We particularly think that more needs to be done to attract the Gen Y into being savvy investors and this could be encouraged by having more financial planning programmes to enhance their knowledge in this area so as to rope in a new breed of investors.

Regards,

Rita

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

Malaysian Resources Corporation Berhad (MRCB)

Proposed Acquisitions of the Equity Interest in the Nusa Gapurna Development Group of Companies for Total Purchase Consideration of up to RM814.0 million ("Proposed Acquisition of Nusa Gapurna")
 Proposed Exemption to Nusa Gapurna Sdn Bhd and Persons Acting in Concert ("Proposed Exemption")
 Proposed Free Warrants, Proposed Increase in Authorised Share Capital

MSWG analysts attended MRCB's AGM/EGM held on 20 June, 2013.

MSWG's COMMENTS:

The acquisition of Nusa Gapurna Group of Companies by MRCB was a hot topic and became an issue of contention when PKNS issued a writ of summon to MRCB/Nusa Gapurna a day before the EGM. This was as a result of agreement disputes between the shareholders of PJ Sentral Sdn Bhd which is owned jointly by PKNS (30%) and Nusa Gapurna (70%). PJ Sentral property is the crown jewel of Nusa Gapurna.

The issues that come to mind for minority shareholders centred on the following:

- I. Whether there was a thorough legal due diligence conducted on the Proposed Acquisition of Nusa Gapurna
- II. Whether any pre-emption rights clauses were considered for the Proposed Acquisition of Nusa Gapurna as raised by PKNS in its Writ of Summon

Despite the grouses raised by minority shareholders at the EGM, the results of the poll showed that above 90% voted for the resolutions. Details of the results are as follows:

ORDINARY RESOLUTION 1- Proposed Acquisition of Nusa Gapurna

	Total number of shares	%	Total number of shareholders / proxies present and voting	%
For	271,035,566	99.91	161	91.48
Against	249,754	0.09	15	8.52
Total	271,285,320	100	176	100
Abstain	588,426,400	-	4	-

Spoilt	116,967	-	10	-
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ORDINARY RESOLUTION 2- Proposed Exemption

	Total number of shares	%	Total number of shareholders / proxies present and voting	%
For	271,021,316	99.90	161	91.48
Against	264,004	0.10	15	8.52
Total	271,285,320	100	176	100
Abstain	588,426,400	-	4	-
Spoilt	116,967	-	10	-

ORDINARY RESOLUTION 3- Proposed Free Warrants

	Total number of shares	%	Total number of shareholders / proxies present and voting	%
For	271,058,566	99.92	162	92.05
Against	226,754	0.08	14	7.95
Total	271,285,320	100	176	100
Abstain	588,426,400	-	4	-
Spoilt	116,967	-	10	-

ORDINARY RESOLUTION 4- Proposed Increase in Authorised Share Capital

	Total number of shares	%	Total number of shareholders / proxies present and voting	%
For	859,184,372	99.98	165	92.70
Against	171,748	0.02	13	7.30
Total	859,356,120	100	178	100
Abstain	355,600	-	2	-
Spoilt	116,967	-	10	-

MSWG's WATCHLIST

Ireka Corporation Berhad (Ireka)***Proposed Selective Capital Reduction and Repayment Exercise involving Ireka Corporation Berhad ("Ireka")***

Olymvest Sdn. Bhd, on behalf of All Non-Entitled Shareholders, holding 64.7% of the issued and paid-up

capital of Ireka has informed the Board of Directors of Ireka of its intention to privatise Ireka by way of a selective capital reduction and repayment exercise (SCR) via Olymvest Sdn. Bhd.

The entitled shareholders will receive cash repayment of RM 0.90 for each ordinary share of par value of RM1.00 each in Ireka. The RM 0.90 per Ireka share offered is on average 32% higher than the 5-day, 3-month, 1-year and 3-year volume average market prices ("VWAP") of Ireka shares up to 13/6/13.

Based on the unaudited figures for FYE 31/3/2013, the EPS is a loss of 32.85 sen and the adjusted NA per Ireka share is 84 sen and price-to-book ratio (PBR) of 1.1 times.

The rationale for the SCR exercise is because of thinly traded and low liquidity of Ireka shares as well as the difficult business environment in the construction with increasing cost of building materials and shortage of skilled workers.

Benalec Holdings Bhd

Shareholders have voted in favour of the disposal of three parcels of land valued at RM96.95 million to companies that one of its executive directors and a major shareholder have interests in. The companies acquiring the tracts are Oceancove Development Sdn Bhd, Strategic Property Sdn Bhd and Oceanfront Development Sdn Bhd. Datuk Leaw Tua Choon, an executive director of Benalec, has interests in all three companies.

According to an announcement by Bursa Malaysia, 99.78% of the shareholders voted in favour of the three resolutions for the disposal of the land parcels at an EGM. The land parcels measuring a total of 79.49 acres (31.8ha) are located in the mixed development areas of Kota Shah Bandar and Taman Kota Laksamana in Melaka. According to a circular to shareholders, the land tracts were collectively valued at RM86.57 million or RM25 per sq ft (psf) by a valuer in a valuation exercise carried out in December last year.

Local News and Developments

CIMB to host annual Asia-Pacific Conference

<http://www.theedgemaalaysia.com>

Singapore censures 20 banks on trader's bids to manipulate rates

<http://themalaysianreserve.com>

Jittery markets await clarity from the Fed

<http://www.theedgemaalaysia.com>

GLOBAL NEWS AND DEVELOPMENTS

Thailand needs to rebuild good governance

<http://www.bangkokpost.com/opinion/opinion/355197/thailand-needs-to-rebuild-good-governance>

Corporate governance 'needs to spread'

<http://www.nationmultimedia.com/business/Corporate-governance-needs-to-spread-30208192.html>

Mobius: 'Corporate governance globally is terrible'

<http://www.international-adviser.com/news/mobius-corporate-governance-terrible>

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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 Ireka Corporation Bhd and Benalec Holdings Bhd.*
 - *The CEO has insignificant holdings in MRCB shares.*
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