MSWG
MINORITY SHAREHOLDER WATCHDOG GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad
Incorporated in Malaysia * Company No. 524898-M

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MESSAGE FROM THE CEO

Despite the UK's best efforts at repairing its CG reputation following the global financial crisis, the latest fiasco involving Barclays' rigging of the London interbank offered rates has again set the reputation of UK Corporate Governance back.

The very fact that public inquiries are being held to investigate the wrongdoings bodes well for transparency and accountability.

This episode, which has by no means been concluded -- since other banks have yet to admit and pay for their crime -- just goes to show that international financial communities -- including Malaysia -- must continue to be vigilant in monitoring (and whistle-blowing if necessary) these miscreants.

We also note with interest the mounting public concern at the twin developments at SP Setia in the last fortnight. First, the exercise of the first tranche of put options by SP Setia CEO Tan Sri Liew Kee Sin, and secondly, the company's formal announcement of the Battersea deal, a joint venture between itself, Sime Darby and the EPF.

SP Setia is expected to invest 600 million ringgit for its share in the next two years, a financial commitment which will significantly swell its debt. Question: should shareholders be concerned that Tan Sri Liew is paring his shares in the company just as it is making its biggest-ever overseas commitment, capital-wise?

I am also watching the record-breaking performance of the KLCI with great interest. Reasons offered for this rally, include earnings momentum, foreign buying and 2 biggest IPOs listings in Malaysia attracting funds. We would, nonetheless, continue to urge minority shareholders to invest knowledgeably.

AGMs peak season just ended for FY ended December 2011. Overall, the season went smoothly with around 150 meetings attended by MSWG representatives between the period of April and June 2012. PLCs in general have become more prompt in having their AGMs, with majority particularly the banks, having their AGMs much earlier than the stipulated statutory requirement. This augers well in terms of providing earlier dialogues between shareholders and their Boards. PLCs also provided well-articulated presentations and analysis on the overall performance of the company for the benefit of shareholders and were also responsive to questions raised by minority sharehholders.

However, we also noted several issues which we wish to highlight for the purpose of awareness:

1. Cases of PLCs rewarding Non-Executive Directors with gratuities and bonuses on top of directors' fees;
2. High remunerations paid for executive directors despite company's poor performances for a few years consecutively. Question is whether there should be a claw-back of remuneration in such cases;
3. Resolution on capping of directors' fees approved by shareholders in AGMs, where no approval needed in future if within capped amount and thus no resolutions tabled in future meetings for shareholders discussion;
4. Directors holding multiple directorships for PLCs of more than 5, some having the maximum directorships of 10. Some of them may have stretched it affecting their attendance in their Board meetings. We expect Boards to assess diligently such directors' commitment. Question is whether internally Boards should have policy on the number of directorships held.
5. Generally, Non- Executive Directors' remunerations except in the financial sector were still at the low end, thus this may pose a challenge to attract directors.
6. As regards Section 129(6) relating to the appointment of Directors of age 70 years old and above, a vote of 75% is required. However, at a number of AGMs, the vote counting at many AGMs was not thoroughly carried out and was a rush affair.
Another issue lately raised by some exponents of CG was whether a poll vote was mandatory for such resolution as the wordings in the Companies Act were ambiguous. We are seeking clarification on this. The practice is voting by show of hands.
7. On gender diversity in the Boards, we note that not much effort was undertaken by the Boards to emplace professional female independent directors. We hope to see more effort in this area.

Regards...

Rita

MSWG's Quick Take on Ongoing Corporate Transactions

ADVENTA
Adventa Bhd's managing director Low Chin Guan and Mulberry Asia Fund II made an offer to acquire Adventa's business and undertakings for RM320.85 million. The price is equivalent to RM2.10 per Adventa share.In a filing to Bursa Malaysia today, Adventa said Low and Mulberry made the offer through Aspion Sdn Bhd.Aspion proposed to pay RM96.255 million, or 30 per cent of the purchase consideration, on a date falling six months from the completion date, and RM224.595 million to be paid in cash on the completion date.Low, who holds a 38.25 per cent stake in Adventa, and Mulberry each held 30 per cent and 70 per cent equity interests in Aspion, respectively.Mulberry is an investment fund managed by Southern Capital Group, a private equity firm.Read more: Low, Mulberry to acquire Adventa for RM321m

MSWG'S Comments:

It is not surprising that the Company is to be taken private considering the positive outlook for the rubber gloves industry particularly with the appreciation of the US Dollar. The issue is whether the price offered is *fair and reasonable taking into account the aforesaid positive factors. In this regard, minority shareholders will have to await the independent adviser's views.*

Aliran Ihsan Resources Bhd
MMC Corp
MMC plans to take Johor's top water concessionaire, Aliran Ihsan Resources private in a deal valued at RM181.12 million, or RM1.84 a share.
AIRB, which is 62.82 per cent-controlled by MMC, is the third largest supplier of treated water in the country. Upon successful completion of the proposed exercise, AIRB will become a wholly-owned subsidiary of MMC, and delist from the local bourse.

MSWG's Comments:

Although the offer price is 10 per cent higher than the 5-day VWAP, the 1.84 ringgit offer price and is a 5 per cent premium to its last traded price, a closer look at Aliran Ihsan shows that it has cash deposits worth 273.124 million ringgit, negligible borrowings of 137,000 ringgit, and announced expectations that revenue should increase during the year due to anticipated higher production from its water treatment as well as increase in construction revenue.
In short, MMC is paying 181 million ringgit for a company which has 273 million ringgit in cash,negligible debt and an improving outlook.
Is this deal a good offer for minority shareholders?
Pricing will be key issue in materialising the exercise. The deal is a premium to AIRB's 5 days, 1-month and 3-months VWAP prices of RM1.67, RM1.66 and RM1.60 and in terms of PE, the price paid for AIRB works out to 11.6 times, which is a discount of 38.6% from the average industry PE of similar companies. Further the proposed exercise would benefit MMC as it would be able to consolidate the entire earnings of AIRB.

Muhibbah Engineering
Asia Petroleum Hub's main contractor has issued a public notice that it will commence a winding up petition against the company.
APH's net assets amount to just 19.8 million ringgit, but its crown jewel is the right to develop the petroleum hub and bunkering facility on a 100-acre man made island off Tanjung Bin in Johor.

MSWG's Comments:
Muhibbah Engineering is the sub-contractor to the main contractor ZAQ, who is currently seeking to recover the sum of contract costs from APH. We are anticipating for Muhibbah to follow suit on the matter. Currently the amount of exposure to Muhibbah is RM245 million.

Genting Malaysia
Genting Bhd
The Singapore government's proposed changes to its casino law has imposed a great deal of uncertainty on Genting Bhd and its 52%-owned unit Genting Singapore, whose Resorts World Sentosa is one of only two casino resorts in the island-republic.
In 2011, Genting derived RM7.79bil, or 39.9%, of its revenue from its Singapore subsidiary, the same as Genting's Malaysian operations which brought in RM7.77bil, or 39.7%, to the group.
Last Friday, the Singapore government, via the Casino Regulatory Authority (CRA) as well as its trade, home affairs, finance, and community development ministries, announced a slew of improvements to the six-year-old Casino Control Act.It is now seeking feedback from the public starting yesterday till Aug 6.
The key proposals include raising the maximum fine allowable for disciplinary action taken against casino operators to 10% of gross gaming revenue from the current SG$1mil limit.
Another proposal involved junket operators, also known as "international market agents" (IMA), where the

CRA would have the power to set a cap on the commission payable to them by the casino companies.

MSWG's Comments:
If any impact, it would be a negligible one for the Genting Group. Barring unforeseen circumstances It is unlikely that the new rulings would be detrimental to the company future earnings. This would be negated by Genting's astuteness in its gaming business, which has stood over time.

On MSWG's Watchlist...

MBSB

Talk intensifying that the Employees Provident Fund will privatise Malaysia Building Society Bhd (MBSB) as early as July, according to the media.
The EPF owns 65.5 per cent of MBSB, while institutional fund Permodalan Nasional Bhd is the second largest shareholder with 7.26 per cent. EPF also owns 22.5 per cent of RHB Capital, following the bank's purchase of OSK Investment Bank.

Global News and Developments

ICGN Website
http://www.icgn.org/

Feedback

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

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