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

# The Observer

**Issue #28-12**  
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## MESSAGE FROM THE CEO



With E&O losing more than RM400 million of its market value following the SC statement that there would not be an MGO and SC investigating into the trading in E&O, I urge shareholders to be cautious by relying on fundamentals and not on rumours.

Malaysia is increasingly being viewed as a safe haven for its low-beta and defensive characteristics, and funds continue to flow into our market. Moreover, China's decelerating economy and rising costs means that foreign investment is beginning to seek alternative destinations in emerging Asia. With increasing fund flow into the market, there are several good long term fundamental stocks to invest in the market.

On a different note, the draft prospectus for Astro Malaysia Holdings Berhad has been posted on the SC's website as of this week. Astro joins MMC in relisting its stocks. The fact that as of now, both companies are going ahead with the issue really does underline Malaysia's capital market strength this year.

However, our stance on listing and de-listing remains, and is particularly relevant for Astro and Malakoff, since both are returning to Bursa after a hiatus as private companies. Listings and de-listings are hugely unsettling and prejudicial to minority rights, especially since history shows that companies are often de-listed at vastly discounted values (and occasionally on the cusp of exciting growth), or re-listed at massively inflated premiums. We also believe retail minority shareholders should be given more if there is an over-subscription of its portion of the shares.

Bandar Raya shares have also been heavily traded this past week. With substantial shareholder Ambang Sehati Sdn Bhd expected to go ahead with its proposed takeover at a revised price of RM2.90 per share and RM1.80 per warrant for the total Company. This offer differs from the earlier method which was an RPT transaction buying out certain properties in the Company, whereas the current method is a voluntary offer to buy over the remaining equity interest of the minority shareholder. Whether this value is fair and reasonable will be discussed later. (Please refer to note below).

On a brighter economic note, Bank Negara announced that the Malaysian economy expanded by 5.4% in the second quarter, driven by stronger domestic demand which rose by 13.8%. It is a commendable growth, surpassing economists' expectations of 4.6%, and also beat the 4.9% growth recorded in the first quarter 2012.

It appears that our economy remains resilient supported by robust household consumption and solid investments, which help offset the effects of weaker global economy.

To all Malaysians going away for the Hari Raya holidays next week, please be careful on the roads. Always think of your loved ones and be responsible road users. Hope you have a good Hari Raya break with your family and friends.

To all my Muslim readers, I wish you "Selamat Hari Raya Aidilfitri, Maaf Zahir & Batin"

Regards...

*Rita Benoy Bushon*

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## MSWG's Quick Take On Ongoing Corporate Transactions..

### **Genting Bhd**

Genting is proposing to sell off its power business to 1Malaysia Development Bhd (1MDB) for RM2.3 billion. Genting and its indirect wholly-owned subsidiaries, Genting Power Holdings Ltd and Genting Power (M) Ltd, have entered into conditional share sale and purchase agreements with Asia Trade Investment Ltd, Ong Tiong Soon@Wang Chang Chuen and 1MDB for the disposal of their respective shareholding interests in Mastika Lagenda Sdn Bhd, which holds a 75% stake in the IPP Genting Sanyen Power Sdn Bhd.

### **MSWG'S Comments:**

*As for Genting the gains is in the region of RM1.9 billion. Minority shareholders would be anxious to know what the Company intends to do with the proceeds.*

### **BRDB**

On 30 July 2012, the Board of Directors of Bandar Raya Developments Berhad ("BRDB") announced that it had been informed by its substantial shareholder, Ambang Sehati Sdn Bhd ("Ambang Sehati") that Ambang Sehati was in the midst of finalising the financing, including procuring the necessary approvals for the funding for a potential takeover offer of voting shares and warrants in BRDB not already owned by it.

The Board was also informed that the indicative price was RM2.90 per voting share and the warrants at the corresponding indicative price of RM1.80 per warrant. The indicative price of RM2.90 per voting share was based on the estimated diluted net tangible assets per share in BRDB.

### **MSWG Comments:**

*The earlier proposal was to acquire the 4 assets of BRDB which included 1) CapSquare; 2) Permas Jusco Mall; 3) Bangsar Shopping Centre; and 4) Menara BRDB. Ambang now chooses a different method.*

*Under the previous deal, since it was a RPT where Moiz and their parties are the buyers, the Board's approval, is therefore required and the disinterested shareholders can vote at the EGM.*

*Under the current offer via the voluntary take-over method, Ambang can offer straight to disinterested shareholders who will have to decide whether to take up the offer. The duty of the Board, unlike previously, does not require it to make any decision on the Offer but they can request the offeror to review the offer price if they feel that it is not fair or reasonable. Regardless, both offer methods require an independent adviser.*

*We would like to note that our earlier request to the Board was to reveal the identities of the 23% block of shareholders under the omnibus account which was important in the RPT proposal. It is still relevant for the current take-over offer, especially in the calculation of compulsory acquisition.*

*Ambang Sehati's move to privatise the company now in less than a year after its move to buy certain properties within the group before getting the financing may raise some questions amongst shareholders.*

*The announcement had caused the share price to run up and if the take-over did not materialise investors who "jumped in" to buy the shares could suffer loss if the share price tumbles.*

*Based on the latest quarterly announcement for the period ended 31 March 2012 (1<sup>st</sup> Qtr), BRDB's net assets per share stood at RM3.71. Thus, the Offer of RM2.90 per share represents a discount of 28% to the book value. The value accorded to the previous proposed acquisition of selected assets was RM914 million which represents 1.03 times book value. We will wait for latest information before reviewing the valuation.*

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## On MSWG's Watchlist

### Gleanealy and Lingui

Over to Sarawak, this week Gleanealy and Lingui announced to Bursa that their respective companies will be undertaking a privatisation exercise by way of a members' scheme of arrangement under Section 176 of Malaysian Companies Act 1965. Both companies share a common offeror, namely Samling Global Limited.

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## Local News and Developments

Illegal futures trading: SC recovers RM2.3 million from seven individuals

<http://www.sc.com.my/main.asp?pageid=379&linkid=3141&yearno=2012&mod=paper>

Astro Malaysia Holdings Berhad draft prospectus

<http://www.sc.com.my/sub.asp?pageid=&menuid=329&newsid=&linkid=&type=S>

State GLCs Show of Support for the Corporate Integrity System Malaysia (CISM) Initiatives

<http://www.bernama.com.my/bernama/v6/newsindex.php?id=687864>

Will audit have its day in court?

<http://biz.thestar.com.my/news/story.asp?file=/2012/8/11/business/11833004&sec=business>

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## Global News and Developments

When governance is 'outsourced'

<http://www.thehindubusinessline.com/opinion/columns/aarati-krishnan/article3757953.ece?homepage=true>

Sir David has chance to make his mark with corporate governance

<http://www.telegraph.co.uk/finance/comment/damianreece/9467435/Sir-David-has-chance-to-make-his-mark-with-corporate-governance.html>

New paper: Rethink reporting obligations for corporate lawyers

<http://newsandinsight.thomsonreuters.com/Legal/News/2012/08 - August /New paper Rethink reporting obligations for corporate lawyers/>

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