

MSWG**MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia * Company No. 524898-M

The Observer

MESSAGE FROM THE CEO

7th Feb 2014



Despite the shorter and quieter week after Chinese New Year, there were still news that attracted our attention.

The government's reported rejection of MMC and Gamuda's joint bid to take over Keretapi Tanah Melayu Bhd's (KTM) operations, the assets of which is estimated to be over RM50 billion. That a private consortium should be allowed to take these assets over does seem discomfoting. The authorities may wish to consider privatising the operations whilst the assets still remain with the government and this could subsequently be like the TNBs and Telecoms issuing shares to the public.

MMC already owns Senai Airport and the Port of Tanjung Pelepas and Pasir Gudang Port. Adding KTM could result in overstretching, as now it will have more to chew on.

Another significant event which hogged the limelight was on Malaysia Airports Holdings Berhad (MAHB).

MAHB has announced that the main contractor for its new low-cost terminal klia2 has missed the Jan 31 handover deadline. MAHB has yet to receive the certificate of completion and compliance (CCC) for the KLIA2 terminal building from UEMC-Bina Puri JV, scheduled on Jan 31.

With reports suggesting that as much as 65% of the main terminal does not comply with the CCC standards, there are, naturally health and safety concerns.

We urge MAHB to deliver this project without compromising on safety standards which is paramount. This year 2014 is Visit Malaysia Year, and tourist arrivals are an integral component of revenue thus any further delay would cause lost opportunity. Not to mention reputational damage suffered apart from cost overruns. MAHB ought to get compensation for late delivery from their contractors. The Government, as an important stakeholder, has rightly decided to intervene to ensure that the opening will be on time without compromising safety.

Going forward, trading in the markets will be a challenging one in the first half of 2014. The Year of the Horse is said to usher in strong headwinds. With the US tapering its bond buying activities and coupled with the expected uncertain economic data from China and the US, our only message to investors is to trade and tread cautiously.

Regards

Rita

REGULATORY AND CAPITAL MARKET UPDATE

The Securities Commission (SC) has fined AmlInvestment Bank Bhd RM100,000 for allowing unlicensed persons to solicit fund management clients. AmlInvestment had breached the Capital Markets and Services Act 2007 for "allowing unlicensed persons to carry out activities of a licensed person in soliciting fund management clients, including receiving trading orders directly from fund management clients."

MSWG Comments

The SC's move, in this regard, should send a clear and stern warning to other fund management firms to keep a close eye on their activities.

OUR TAKE ON ONGOING CORPORATE TRANSACTIONS

PADIBERAS NASIONAL (BERNAS)

Bernas major shareholders have launched a fresh privatisation bid via an unconditional takeover offer of the monopoly rice importer. The fresh bid comes on the heel of an earlier privatisation bid via a voluntary delisting which was defeated by minority shareholders in an EGM held on January 27. During the said EGM, 155 or 70.45% of the shareholders (based on numbers) voted against the resolution to delist Bernas as opposed to 99.95% of shareholders (based on value) who voted for the resolution.

MSWG Comments

It remains to be seen whether the major shareholders will be successful this time around as the Offer remains the same as earlier. Judging by the outcome in the earlier EGM, it is clear that the minority shareholders are not in favour of the price to be offered as it is below the intrinsic value of the Company, which in MSWG's perspective should be at least RM4.18.

LOCAL NEWS AND DEVELOPMENTS

TNB: Tariff hike will have neutral impact

http://www.btimes.com.my/Current_News/BTIMES/articles/20140203232427/Article/index_html#

Govt rejects MMC-Gamuda bid to take over KTMB ops

http://www.btimes.com.my/Current_News/BTIMES/articles/ober/Article/index_html

AES valuation tiff

<http://www.thestar.com.my/Business/Business-News/2014/02/04/AES-valuation-tiff/>

M&A on the cards for Brahims

<http://www.thestar.com.my/Business/Business-News/2014/02/04/MA-on-the-cards-for-Brahims-in-H1>

GLOBAL NEWS AND DEVELOPMENTS

Does January's Dip Signal a Down Year?

http://www.bloomberg.com/video/does-january-s-dip-signal-a-down-year-VFu_0Xr9QEq_UzDcvxS7w.html

Why the Emerging Market Rout May Be About to Deepen

<http://www.bloomberg.com/video/why-the-emerging-market-rout-may-be-about-to-deepen-VwfIFbNNTnuzvzuVLOZ4yQ.html>

Markets now fear US economy chilled by more than weather

<http://www.cnn.com/id/101385927>

Look out - Technicians see more selling

<http://www.cnn.com/id/101386549>

How bad will the Nikkei meltdown get?

<http://www.cnn.com/id/101386650>

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DISCLOSURE OF INTERESTS

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.*

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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