

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

13th issue, 2014
27th March 2014

MESSAGE FROM THE CEO



First of all, I wish to extend my deepest and heartfelt condolences and commiserations to all friends and family members who have experienced grief arising from the loss of MH370.

Already grappling with financial difficulties MAS now needs to deal with an airline disaster of unprecedented proportions. It will indeed be a very challenging phase for the Board.

The MH370 incident had brought out many of our own shortcomings and some areas of strength. I believe we must address the areas where we lack including doing a critical evaluation and having self-introspection. Valuable lessons can be learnt from this incident alone and we should extend these lessons to all Board members in Malaysia. Surely one of them is in the area of crisis management. And to be a truly global player, we must be transparent from the onset to gain the trust of all stakeholders.

Separately, we saw some warning signs coming from Fitch Ratings, whose latest report said that high household debts would continue to overshadow Malaysian banks' outlook. With interest rates anticipated to rise, households might find it difficult to service their debts and according to Fitch would become a drag on growth as a whole.

Finally, some good news: Malaysia has emerged as the world's top manufacturing location, according to Cushman & Wakefield's (C&W) latest Manufacturing Index 2014.

In the report, three principal areas - costs, risks and conditions - are analysed, with Malaysia coming out on top ahead of Taiwan, South Korea, Thailand and China. This is good news and will be a boon for the country, particularly when considered against the country's need to have a strong exports sector to beef up our current account. Having a strong current account surplus will reduce the risk of large funds outflow that besieged emerging-market countries like India, Indonesia and Turkey last year, all of whom suffer from current account deficits.

Regards,

Rita

MARKET AND REGULATORY UPDATE

Malaysian Industrial Development Finance Bhd (MIDF), Bursa Malaysia and SME Corporation are in talks to trim the current listing costs of RM1m-2m for small and medium enterprises (SMEs) by year end. MIDF Group Managing Director (“GMD”) Datuk Mohd Najib Abdullah said this measure was part of efforts to encourage more SMEs to float their shares on the local bourse.

According to MIDF GMD, the three parties have yet to reach a definitive point on the matter as there are many stakeholders involved in the listing process, such as lawyers, market researchers and accountants. Besides discussing alternative ways to trim the cost, the three organisations would also discuss with various other stakeholders on what can be done. SMEs were the backbone of the economy and are expected to contribute 41% to the gross domestic product and a further 62% to employment by 2020.

MSWG’S COMMENT:

Market observers say that regulators are getting concerned that the pipeline for new IPOs, especially in the mid- to small-cap segment, is getting thin, and there is insufficient interest to list. However, while reducing the listing fees may serve to fatten the pipeline for new listings, our view remain unchanged: quality over quantity, anytime.

MSWG’S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

KIAN JOO CAN FACTORY BERHAD (“KIAN JOO”)

Kian Joo had on 25 March 2014 announced that the company has entered into a Business Sale Agreement, Properties Sale Agreements and Assets Sale Agreement with Aspire Insight Sdn. Bhd. (“AISB”) on 25 March 2014 in relation to the Proposed Disposal. Upon completion of the Proposed Disposal, Kian Joo will undertake a capital repayment exercise to return the cash proceeds arising from the Proposed Disposal to the shareholders via the Proposed Proceeds Distribution.

MSWG’S COMMENT:

Though Kian Joo has entered a formal agreement with AISB in relation to the disposal of Kian Joo’s core assets and liabilities for a cash consideration of RM3.30 per Kian Joo share, this would not stop Kian Joo shareholders from considering and accepting a better offer from Toyota Tsusho Corp. (“TTC”), provided that TTC would have offered to partial take-over of Kian Joo at an offer price of RM3.74 before the EGM for the Proposed Disposal.

MISC BERHAD (“MISC”) / UTUSAN MELAYU (MALAYSIA) BERHAD (“UMB”)

MISC had on 21 March 2014 announced that the company has entered into an Agreement for Sale and Purchase of Shares with Golden Age Logistics Sdn. Bhd. (“GALSB”), a wholly-owned subsidiary of Utusan Printcorp Sdn. Bhd. (“UPSB”) for the disposal of the entire equity interest held by MISC in MISC

Integrated Logistics Sdn. Bhd. (“MILS”), a wholly-owned subsidiary of MISC for a cash consideration of RM250.0 million.

MSWG’S COMMENT:

UPSB is a 40%-owned associate of UMB, which main activity is the printing and distribution of daily newspaper. MILS’ principal activities are in the provision of project logistics and supply chain management which includes freight management, forwarding, transportation, dry and cold warehousing, and different from the core activities of UMB.

In view of the above, would the acquisition of MILS be considered as major diversification which require specific expertise in managing the new division and hence require approval from shareholders of UMB?

SYMPHONY HOUSE BHD (“SHB”)

The company had on 26 March 2014 entered into a Heads of Agreement (“HOA”) with Ranhill Energy for proposed reverse take-over of symphony by Ranhill Energy And Resources Berhad (“Ranhill Energy”), being the ultimate holding company of Ranhill Group Sdn Bhd (formerly known as Ranhill Power Sdn Bhd). Pursuant to the HOA, SHB and Ranhill Energy have agreed to negotiate exclusively in good faith the detailed terms and conditions of the proposal with the intention to finalise and enter into the relevant definitive agreements within 2 months from the date of the HOA or such other period as the parties may mutually agree upon.

MSWG’S COMMENT:

Will minority shareholders of SHB benefit upon the proposed reverse take-over by Ranhill Energy (“Proposed RTO”) where the new business from Ranhill Energy is completely a different business from the core activities of SHB? Could the gain from the Proposed RTO be able to cover the discount on disposal of SHB’s existing core business to related parties? These are key issues that we would like to further analyse before we can make a comment on whether the Proposed RTO can benefit or be the cost on shareholders of SHB.

MSWG’s WATCHLIST

PERDANA PETROLEUM BERHAD (“PPB”)

It was recently reported in The Star Online that former Executive Chairman and Chief Executive Officer of Perdana Petroleum Bhd (formerly known as Petra Perdana Bhd), Tengku Datuk Ibrahim Petra Tengku Indra Petra and its three former non-executive directors have been vindicated of charges of breach of fiduciary duty in selling down the company’s stake in Petra Energy Bhd (PEB) about four years ago. However, the Company announced on 21 March 2014 that the Board of Directors of PPB would be seeking legal advice and is considering an appeal against the decision.

MASTERSKILL EDUCATION GROUP BERHAD (“MEGB”)

Masterskill major shareholder Siva Kumar M. Jeyapalan, has entered into a put-and-call option with an individual from Hong Kong to dispose of his entire stake in the education group for RM1.10 per share on 19 March 2014, which is a premium of 172% from the closing price of RM0.405 on 19 March 2014.

Under the agreement, the individual, Gary How Soong Khong, has a call option to purchase the shares, which forms 29.76% of Masterskill, and it is valid for six months from the date of the agreement that was entered into on Wednesday.

Siva Kumar, a former investment banker, granted the call option to How and according to the agreement, once the notice has been issued it cannot be withdrawn.

In return for granting the call option, How has granted Siva Kumar a put option for the shares at the same price of RM1.10 and it is valid for nine months.

LOCAL NEWS AND DEVELOPMENTS

Ranhill heads to Bursa via RTO

<http://www.thestar.com.my/Business/Business-News/2014/03/26/Ranhill-head-to-Bursa-via-RTO/>

Under fire, MAS CEO says will weigh resignation 'later'

<http://www.themalaymailonline.com/malaysia/article/under-fire-mas-ceo-says-will-weigh-resignation-later>

Halim makes new bid for PLUS, says will keep toll rates unchanged

<http://www.thestar.com.my/Business/Business-News/2014/03/25/Former-Renong-supremo-to-keep-toll-rates-unchanged/>

Masterskill's Siva Kumar gets offer for his block

<http://www.thestar.com.my/Business/Business-News/2014/03/21/Masterskills-Siva-Kumar-gets-offer-for-his-block/>

PNB denies receiving proposal from Syed Mokhtar

<http://www.thesundaily.my/news/996597>

Rising Malaysian Household Debt Poses Growing Risks

https://www.fitchratings.com/gws/en/fitchwire/fitchwirearticle/Rising-Malaysian-Household?pr_id=824691

Supplementary supply (2013) Bill 2014 tabled

<http://www.nst.com.my/latest/supplementary-supply-2013-bill-2014-tabled-1.529810>

Boustead Plantations IPO receives SC green light

<http://www.thestar.com.my/Business/Business-News/2014/03/25/Boustead-Plantations-IPO-receives-SC-green-light/>

7-Eleven Malaysia gets IPO approval, targets May listing -source

<http://www.reuters.com/article/2014/03/24/7-eleven-ipo-idUSL4N0ML0YV20140324>

Kian Joo accepts Aspire offer

<http://www.thestar.com.my/Business/Business-News/2014/03/25/Kian-Joo-accepts-Aspire-offer/>

Ex-Perdana Petroleum CEO and directors cleared

<http://www.thestar.com.my/Business/Business-News/2014/03/22/ExPerdana-Petroleum-CEO-and-directors-cleared/>

MISC sells logistics unit to Utusan Printcorp for RM250m

<http://www.theedgemaalaysia.com/business-news/281542-update-misc-sells-logistics-unit-to-utusan-printcorp-for-rm250m.html>

Key West banks on China's Supreme Global to revive its flagging fortunes

<http://www.thestar.com.my/Business/Business-News/2014/03/24/Key-West-banks-on-Supreme-Global-It-aims-for-a-lift-with-reverse-takeover-of-Chinese-edible-oils/>

Kossan's second attempt on Vietnam

<http://www.thesundaily.my/news/995265>

Registrar of CRAs to reduce inaccuracy

<http://www.thesundaily.my/news/995266>

GLOBAL NEWS AND DEVELOPMENTS

Russia Suspended From G-8 as Leaders Warn of Sanctions

<http://www.bloomberg.com/news/2014-03-24/russia-suspended-from-g-8-as-leaders-warn-of-sanctions.html>

Goldman Cuts Topix Forecasts on 'Unanticipated Weakness'

<http://www.bloomberg.com/news/2014-03-25/goldman-cuts-topix-forecasts-on-unanticipated-weakness-.html>

Top J.P. Morgan Executive in China to Leave Bank

http://online.wsj.com/news/articles/SB10001424052702304679404579457760203547006?mod=WSJASIA_hpp_LEFTTopWhatNews&mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304679404579457760203547006.html%3Fmod%3DWSJASIA_hpp_LEFTTopWhatNews

Eyeing Alibaba IPO, bankers skipped lucrative mandates

<http://www.reuters.com/article/2014/03/25/us-alibaba-group-fees-idUSBREA2O0BD20140325>

MSWG Analysts

Lya Rahman, General Manager, Corporate Services, lyarahman@mswg.org.my

Chong Chee Fern, General Manager, Corporate Monitoring chongcf@mswg.org.my

Rebecca Yap, Head, Corporate Monitoring rebecca.yap@mswg.org.my

Quah Ban Aik, Head, Corporate Monitoring banaik.quah@mswg.org.my

Ng Hoon Ho, Senior Manager, Corporate Monitoring nghh@mswg.org.my

Norhisam Sidek, Manager, Corporate Monitoring norhisam@mswg.org.my

Shahnul Niza Mohd Yusof, Manager, Research shahnul.niza@mswg.org.my

Lee Chee Meng, Manager, Corporate Monitoring cheemeng@mswg.org.my
Wong Kin Wing, Senior Analyst, Corporate Monitoring, kinwing@mswg.org.my
Nor Khalidah Khalil, Analyst, Corporate Monitoring khalidah@mswg.org.my
Vinodth Ramasamy, Analyst, Corporate Monitoring vinodth.ram@mswg.org.my

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.

DISCLAIMER

This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholder Watchdog Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.

ENDS./