

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

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MESSAGE FROM THE CEO



The AGM seasons has begun with some excitement. One incident that I wish to share with our PLCs' Boards was as regards Bursa's AGM where MSWG attended. This was particularly on a special resolution for the proposed re-appointment of a director on attaining age 70 years which required 75% of approval by shareholders in person voting by hand or by poll.

In this particular resolution, Tan Sri Datuk Dr Abdul Samad Hj. Alias was over 70 year of age and served as an independent director for close to 3 years was also the Chairman of the Audit Committee. The resolution was not carried as only 71.1% less than the required 75% voted for his re-appointment by way of poll. It was rather disturbing to see a director particularly of repute and quality to be voted off and not given the chance to continue contributing his valuable experience in the company for reasons unknown to him or his board or other shareholders.

Given the said scenario, we do hope that the institutional investors that voted against the resolution had had prior communication and engagement process to give the reasons for going against the resolution.

We at MSWG adopt the stance that there should be engagement between institutional investors and their investee companies as appropriate and have a voting policy that is transparent so that Boards of companies need not second guess the minds of institutional shareholders. It would then facilitate companies to improve their own governing protocols if need be or explain any reasons for departure.

Thus, with the above example, we can see that there is absolute merit that we embarked on the development of a Malaysian Code for Institutional Investors to provide a broad principle-based guideline for institutional investors to adopt. Engagement with investee companies is one of the principles of the Code which calls for institutional investors to engage on matters such as corporate governance and issues that are the immediate subject of votes at general meetings. Disclosure of voting policy by institutional investors is also another principle so that investee companies understand the voting guidelines of the various institutions and the rationale of the decisions made.

Regards,

Rita

MSWG IN THE NEWS

MSWG ASKS PUBLIC BANK TO PUBLISH AGM MINUTES

<http://www.thesundaily.my/news/1003150>

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

JT INTERNATIONAL BERHAD ("JTI")

The company had received a conditional takeover offer on 31 March 2014 from JT International Holding BV (JTIH), a wholly-owned subsidiary of Japan Tobacco Inc, to acquire the remaining 39.6% stake or 103.6m shares it does not already own in JTI at RM7.80 per share, representing a 20% premium to its pre-suspension price of RM6.50.

JTIH, which currently holds 60.4% of JTI's share capital, does not intend to maintain the listing status.

Other major shareholders of JTI include the Employees Provident Fund (8.13%) and Kumpulan Wang Persaraan (6.84%).

MSWG'S COMMENTS:

Whilst we do not want to see yet another profitable company being taken private from Bursa Malaysia, when shareholders are offered an exit price which is considered fair in this case a 20% premium over the pre-suspension price of RM6.50, we would accept the offer. However, in the final analysis, it is up to shareholders to assess the evaluation of the independent adviser before making their calls to accept or reject the offer based on their respective risk-reward profiles.

TELEKOM MALAYSIA BERHAD ("TMB") / GREEN PACKET BERHAD ("GPB")

Mobikom, the wholly-owned subsidiary of TMB proposed on 27 March 2014 to acquire new ordinary shares of RM1.00 each in P1 to hold approximately 57% of the enlarged issued share capital of Packet One Networks (Malaysia) Sdn Bhd ("P1"), subject to closing adjustments, for a total consideration of RM350.0 million:

- (i) Packet One Sdn Bhd, a wholly-owned subsidiary of Green Packet Berhad ("Green Packet");
- (ii) SK Telecom Co., Ltd;
- (iii) GPB;
- (iv) TMB; and
- (v) P1.

MSWG'S COMMENTS:

This deal is expensive as it implies an EV/subscriber of approximately RM1,700. The acquisition price also suggests that P1's subscriber base needs to grow fourfold from 450,000 users to 1.8 million users to

reach a more reasonable EV/EBITDA of 5.9x, whereby Celcom, the largest wireless broadband operator in the country, only has 1.2 million users. We hope that TMB should provide further justification of paying such a pricey deal despite absorbing P1's potential losses.

MSWG's WATCHLIST

ZECON BERHAD ("ZECON")

Zecon had on 2 April 2014 received a letter dated 1 April 2014 from Datuk Haji Bolhassan bin Di @ Ahmad bin Di ("Datuk Bolhassan"), a Non-Independent Non-Executive Director and a substantial shareholder of Zecon, informing of his irrevocable decision, following his further review, to vote against the Proposed Selective Capital Reduction ("Proposed SCR"). Datuk Bolhassan directly holds 11,500,000 Zecon shares, representing approximately 9.66% equity interest in Zecon or approximately 25.71% of the voting shares held by the entitled shareholders.

Pursuant to the requirements of Practice Note 44 of the Malaysian Code on Take-Overs and Mergers, 2010, the Proposed SCR would be subject to the approval of the entitled shareholders at the EGM by at least 50% in the number of entitled shareholders and 75% in value to the votes attached to the Zecon shares held by the entitled shareholders that are cast either in person or by proxy at the EGM. Further, the value to the votes cast against the Proposed SCR at the EGM must not be more than 10% of the votes attached to the Zecon Shares held by the entitled shareholders.

LOCAL NEWS AND DEVELOPMENTS

KLIA2 construction cost to rise further

<http://themalaysianreserve.com/main/news/corporate-malaysia/5661--klia2-construction-cost-to-rise-further>

klia2 to open next month, without AirAsia

<http://www.themalaysianinsider.com/malaysia/article/klia2-to-open-next-month-without-airasia>

Tradewinds Group and parties need 2.31% more to take Bernas off Bursa

<http://www.thestar.com.my/Business/Business-News/2014/03/28/Final-hurdle-for-Tradewinds-Group-and-concerted-parties-need-another-231-to-take-Bernas-off-Bursa-Ma/>

Valuation of Telekom-P1 deal 'quite excessive'

<http://www.theedgemaalaysia.com/in-the-edge-financial-daily-today/282447-valuation-of-telekom-p1-deal-quite-excessive-fd.html>

Shareholders vote against KLCI director's reappointment

<http://www.thesundaily.my/news/1000352>

Unemployment rate unchanged at 3.3pc

<http://www.nst.com.my/business/latest/unemployment-rate-unchanged-at-3-3pc-1.536821>

Najib launches Langkawi development plan to boost tourist arrivals

<http://www.themalaymailonline.com/money/article/najib-launches-langkawi-development-plan-to-boost-tourist-arrivals>

Bursa Malaysia Securities publicly reprimands Eonmetall Group Berhad for breach of Main Market Listing Requirements

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/2481>

JT International gets take-over offer at RM7.80 a share

<http://www.theedgemaalaysia.com/business-news/282724-update-jt-international-gets-take-over-offer-at-rm780-a-share.html>

Bank Negara Malaysia SAC given 90-day deadline to revert

<http://themalaysianreserve.com/main/sectorial/islamic-finance/5660-bank-negara-malaysia-sac-given-90-day-deadline-to-revert>

GLOBAL NEWS AND DEVELOPMENTS

U.S. GDP Grew 2.6% In The Fourth Quarter 2013, Up From Last Estimate

http://www.forbes.com/fdc/welcome_mjx.shtml

Stress Test' Failure Sparked Scramble at Citigroup

<http://online.wsj.com/news/articles/SB10001424052702304688104579465851513193722>

Japan's Sales-Tax Boost Will Test Abenomics

<http://online.wsj.com/news/articles/SB10001424052702304688104579467800064535102>

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<http://online.wsj.com/news/articles/SB10001424052702304688104579467800064535102>

Bad loan writedowns soar at China banks

<http://www.ft.com/intl/cms/s/0/fa1dab34-b824-11e3-92f9-00144feabdc0.html#axzz2xWg14Dxa>

Knife Threat Failed to Halt Korea's First Female Bank CEO

<http://www.bloomberg.com/news/2014-03-27/knife-threat-failed-to-halt-first-korean-female-bank-ceo.html>

PwC is sued for \$1 billion over MF Global collapse

<http://www.reuters.com/article/2014/03/28/us-pwc-mfglobal-lawsuit-idUSBREA2R1OS20140328>

Eurozone inflation falls to 0.5% in March

<http://www.bbc.com/news/business-26817775>

Getting women on board: How can female bosses reach the top

<http://edition.cnn.com/2014/03/27/business/getting-women-on-board-study-ftse/index.html>

GM Recalls 1.5 Million Cars for Steering Defect

<http://abcnews.go.com/Business/wireStory/gm-recalls-13-million-cars-steering-defect-23132582>

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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 save for Zecon Berhad.*
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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.

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