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MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

8 February 2013

MESSAGE FROM THE CEO

Privatisations of Bursa companies continue to dominate the local business landscape over the last two years or so. To a name a few, big names such as Proton,QSR and KFC have been delisted from the local bourse. Another upcoming privatisation in the offing is MISC Berhad, owner of the largest LNG fleet in the country.

Petronas, MISC's largest shareholder with a 62.7% stake, last week proposed to undertake a conditional general offer to acquire the remaining 37.3% of MISC shares that it does not own, at an offer price of RM5.30/share. The offer, a surprise to many in the market, amounts to an 18% premium to MISC's share price before it was halted from trading at noon last Thursday, and is 20% above the volume weighted average price (VWAP) of the preceding 5 days. The offer price values the stock at 1.1x P/B. Petronas said it has no intention of maintaining MISC's listing status. For the readers information Petronas and its team had made a presentation to MSWG on the rationale of the privatisation which included languishing charter rates and lacklustre shipping outlook. To compulsorily acquire the remaining shares this would mean Petronas would have to acquire 96.3% of the total shareholdings of MISC. (Please refer to our Quicktake on MISC Berhad.)

On the investment scene, Franklin Templeton, via its local outfit Franklin Templeton Asset Management (Malaysia) Sdn Bhd has recently launched a new bond investment fund known as Templeton Asian Bond Fund (TABF). With the launch, Malaysian investors especially retail investors would have the opportunity to tap into fixed income instruments which would leverage on robust Asian economies with sound economic fundamentals and currencies.

Lastly for our Chinese readers, have a Happy Chinese New Year. As it is a shortened week, the next week we will resume our Newsletter on the week of 18th February. May the prosperity and peace which we enjoy continue unabatedly into the year of the Snake.

Regards...

Rita

Sectoral Updates

Oil Palm
Oil palm prospects look bright. Two factors are likely to drive this position. First is the restructuring of the crude palm oil (CPO) export taxes which is expected to drive better bottom line numbers for exporters. Estimates put the increase in revenues to be higher than the 2012 palm exports of RM71.5 billion. To recap, the government has set the export taxes to be between 4.5% to 8.5% on CPO versus 23% previously. A second catalyst is also seen from Indonesia's announcement that it would increase its CPO export tax to 9% beginning February 2013.

This would indeed be a blessing for oil palm refiners, as it would make our CPO exports cheaper. And not to mention that it would be a reprieve to local palm millers who have been struggling to deal with lower prices. For the knowledge of our readers, prices of CPO have begun to creep higher than the tax threshold of RM2250 per tonnes.

OUR TAKE ON ONGOING CORPORATE TRANSACTIONS

MISC
Petronas announced on 31st January 2013, that it was privatising its shipping arm MISC Berhad. According to the announcement released to Bursa Malaysia, the deal involves the proposed acquisition of the remaining shares not held by Petronas amounting to 1.67 billion shares or 37.33% of the MISC shares for a proposed offer price of RM5.30 per share. This means Petronas would have to fork out RM8.33 billion for the remaining shares not owned by it. Based on the latest transacted price of the shares of RM4.49 (at the announcement date of the exercise), the proposed offer price works out to a 18.04% premium or 81 sen over the closing price. As disclosed in the notice of takeover, the Company further informed that it has no intention of maintaining the listing status of MISC. Currently, Petronas owns 62.7% or 2.797 billion shares in MISC.

MSWG comments:
The rationale of the privatisation will be known firmly through the offer document that would be despatched by the end of February. Representatives from Petronas and the Principal Adviser, CIMB Investment Bank Berhad had met up with MSWG to explain the privatisation. Pending the issuance of the independent adviser circular, they were of the view that the offer price is fair and represented a good opportunity for shareholders to exit. As the offeror already held 62.67% of total MISC shares, it requires another 27.33% to reach not less than 90% to have MISC delisted. However to compulsorily acquire MISC the threshold level must reach 96.3%. And to ensure the privatisation is successful and accepted by the minorities a better price should be offered.

In addition, the points to note for readers are as follows:

1. Shipping is mired with many challenges and low freight rates. More importantly we need to understand the long term contracts at good rates versus that of spot transactions which are subjected to competitive rates.
2. MISC disposed the loss-making liner business, thus the situation should look more promising for the company.
3. Last but not least MISC had issued rights issue at RM7.00 in 2010 for every 5 shares held. Based on this the average cost per share was about RM8.25 and with the offer price of RM5.30 per share, investors who had subscribed would suffer a significant loss.

We will look at it again the fairness of the offer upon the issuance of the offer document.

Patimas
Patimas saw the emergence of a foreign shareholder in China Private Equity Investments Holdings Ltd with a 5% equity stake in the company. To recap, businessman Datuk Azim Zabidi had earlier acquired 45 million shares in Patimas or 5.44% via his personal vehicle Syawaras Sdn Bhd.

MSWG comments:
The PN17 company Patimas obtains a new life through the entry of the China Private Equity. We await further development on this.

MSWG's Watchlist

Country Heights Growers Scheme (CHGS)

CHGS convened a meeting on 8th February to vote on the proposed termination scheme as announced earlier. The investor wanted better terms for the voluntary termination which are as follows:

i. A 12% dividend payment to be made by 14th of February, 2013
ii. Partial return of the growers initial capital up to 10% by 1 month
iii. And the remaining portion of the initial capital to be paid in 6 months

The reason stated by CHGS for the proposed termination was due to its inability to pay its yield due to growers by the 14th February, 2013.

The owner of management company, Plentiful Gold-Class Berhad which oversees the scheme, Tan Sri Lee has personally offered to guarantee the 12% dividend payment in his personal capacity which amounts to RM25 million.

MBF Holdings
MBF Holdings announced a privatisation exercise. An offer has been made by its controlling shareholders to acquire the remaining shares and warrants of the Company. The Offeror is led by MBF Holdings Tan Sri Ninian Morgan Lourdenadin whio owns some 87% of the shares.

The proposed takeover will be for a cash consideration of RM1.50 per MBfH Share, RM0.50 per Offer Warrant and RM4.64 per RCSLS

Local News and Developments

SC Scorecard Q4 2012: Strong finish to a record year for capital raising
http://sc.com.my/main.asp?pageid=379&linkid=3227&yearno=2013&mod=paper

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Global News and Developments

Cayman Islands To Enhance Corporate Governance Rules
http://www.tax-news.com
/news/Cayman_Islands_To_Enhance_Corporate_Governance_Rules____59484.html

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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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