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MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

08 March 2013

Note:
There is no CEO's message this week as the CEO is away overseas on official business.

Regulatory / Market Update

Monetary and Financial Developments: January 2013
(Source: Bank Negara Malaysia website)

Monetary Conditions: Interbank rates were stable in January. In terms of retail lending rates, the average base lending rate (BLR) of commercial banks remained unchanged at 6.53%. Retail deposit rates were also relatively stable during the period.

Banking System: The banking system remained well-capitalised under the adoption of the Basel III Capital Adequacy Framework. The common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio stood at 12.1%, 13% and 14.5% respectively as at end-January 2013, well above the minimum requirements for the current phase-in period of 3.5%, 4.5% and 8% respectively. The level of net impaired loans ratio remained unchanged at 1.4%, while the loan loss coverage remained above 90%.

Newly published: Policies on Risk Governance
Bank Negara had on 4 March 2013 finalised for issuance the policy document on Risk Governance for commercial, investment, and Islamic banking institutions as well as insurers, takaful operators and development financial institutions. The policy document incorporates the proposals from the Concept Paper issued in February 2012, while also taking into account feedback received during the consultation process.

For more details, see Bank Negara Malaysia website http://www.bnm.gov.my/

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

BINTULU PORT HOLDINGS BERHAD ("BPHB")
The Board of BPHB announced that BPHB had, on 27 February 2013, entered into a conditional subscription agreement with State Financial Secretary, Sarawak ("SFSS") and Kenanga Investment Bank Berhad, as the appointed Placement Agent for the Proposed Placement, and proposed to undertake the proposed placement of 60,000,000 new BPHB Shares, representing 15% of the total BPHB shares to SFSS, a major shareholder of BPHB and Proposed Exemption for SFSS, its Nominated Company and the person acting in

concert from the obligation to undertake a mandatory offer for all the remaining BPHB Shares not already owned by them after completion of the Proposed Placement.

MSWG'S COMMENTS:

Amongst the issues that could be raised by shareholders is why BPHB has resorted to private placement instead of borrowing or having a rights issue to raise funds. Perhaps the company may find it more optimal to raise funds through equity instead of via debts as it may not wish to unnecessarily increase its gearing. If it is through equity funding, why not have a rights issue as it is seen to be more equitable to shareholders alike and would not be dilutive to the shareholdings of any segment of shareholders unless the shareholders choose not to subscribe to the rights issue? Private placement would have denied the chance for all shareholders to equally participate in the equity of BPHB. Is it something common to have private placement to a major shareholder instead of to an "outside" placee who may be a strategic investor or partner? Moreover, the issue price of RM6.65 which is at a discount of 5% from the 5-day volume weighted average price (up to and including 25 February 2013) to the major shareholder may further disenfranchise other shareholders. In short, is the proposal really in the best interests of the company and its shareholders as stated by BPHB's Board in the announcement via Bursa?

HONG LEONG CAPITAL BERHAD ("HLCB")

The share price of HLCB rose substantially above the offer price of RM1.71 per share amidst the existence of a new substantial shareholder, Mr. Yu Kuan Chon who is currently holding close to 9% shareholding of HLCB. In addition, HLCB informed in the announcement dated 1 March 2013 that due to the non-compliance with Rule 8.02(1) of the Main Market Listing Requirements of Bursa Malaysia as the public shareholding spread of HLCB is lower than the 20.42% of public shareholding spread accepted by Bursa Malaysia, HLCB's shares will be suspended by Bursa Malaysia on 15 April 2013, being the market day immediately following the expiry of 30 market days from the announcement dated 1 March 2013.

MSWG'S COMMENTS:

The sharp rise in HLCB's share price to almost double that of the offer price of RM1.71 seems to defy logic. With that, the 'reasonable' opinion for the offer price concurred by the independent adviser may no longer hold water. With the existence of a new substantial shareholder having a shareholding of almost close to 10%, a key percentage to determine if the company could be taken private, the privatisation offer would not be well accepted by minority shareholders if there is no revision to increase the offer price by the offeror.

MISC BERHAD ("MISC")

Tan Sri Azlan Zainol, the Chief Executive Officer of EPF, the second largest shareholder of MISC with a 9.63% stake, had expressed his view in an interview with the media that the privatisation offer of RM5.30 per share proposed by Petronas was low. In view of this, the market is expecting Petronas to increase the offer price to make it more attractive for minority shareholders to accept the offer.

MSWG'S COMMENTS:

As EPF has a substantial equity stake of 9.63% in MISC, it has enough influence to determine the fate of the privatisation. Petronas has 62.7% equity stake in MISC and needs to have another 90% of the outstanding shares it does not own (i.e. 90% of 37.3% = 33.57%) bringing to a total of 96.27% in order to compulsorily acquire all the remaining shares. Therefore, the compulsory acquisition giving Petronas 100% control would not materialise if EPF chooses not to accept the offer.
Should the offeror revise the offer price, the offeror is required to revise the offer within 46 days from the date on which the offer document was despatched and keep the revised offer for acceptance for at least another 14 days from the date of posting of the written notification of the revised offer to all offerees.

MBF HOLDINGS BERHAD ("MBfH")

MBfH in their amended announcement dated 27 February 2013 stated that the joint offerors had collected 91.24% of MBF's shares and they had no intention to maintain the listing status of MBfH and the trading of MBfH Shares and Warrants shall be suspended upon the expiry of 5 market days from the date of the Announcement, i.e. the suspension of trading will be effected from 9.00 a.m. on 7 March 2013.

Following several complaints from minority shareholders, MSWG organised a forum to obtain the views of minority shareholders on the MBfH privatisation. MSWG contacted Bursa and urged Bursa to defer the suspension of trading of MBfH shares to allow shareholders more time to trade as notice of the take-over offer was issued only recently. In this regard, Bursa Malaysia had informed the company via a letter dated 28 February 2013 that MBfH's shares will be suspended only upon 5 market days after the despatch of the Independent Advice Circular ("IAC") by Affin Investment Bank Berhad, the Independent Adviser ("IA") for the take-over offer by the joint offerors.

MSWG'S COMMENTS:
Bursa Malaysia's decision to defer the suspension of MBfH shares only upon 5 market days after the despatch of the IAC is commendable and welcomed by minority shareholders, who have yet to accept the offer, as they will be given more time to assess the advice from the IA.

In addition, minority shareholders are expecting the Board to uphold their commitment on the distribution of the proceeds from the disposal of the credit card business as dividends to shareholders who also expect that the dividend to be paid shall not be deducted from the offer price. In this regard, MSWG had also written to MBfH's Board to consider the aforesaid issue and the IAC should be based on the latest results as at 31 December 2012 and not the audited results as at 31 December 2011. The audited results as at 31 December 2011 has not factored in the gains from the sale of the card services business which was completed subsequently.

PATIMAS
On 18 February 2013, Patimas announced that the Company will be calling for an Extraordinary General Meeting ("EGM") as requisitioned pursuant to the letter dated 31 January 2013 from Syawaras Sdn Bhd and CPE Growth Capital Limited, to remove and appoint certain directors.

The expected date of completion of the Investigative Audit has been deferred to 31 March 2013 as the Company and the Investigative Auditors require additional time to obtain more audit evidence in order to conclude the report, as per the announcement on 26 February 2013.

MSWG'S COMMENTS:
Since then, Dato' Seri Abdul Azim Bin Mohd Zabidi and Datuk Nur Jazlan bin Mohamed had been appointed as non-independent non-executive directors to the Board on 1 March 2013. Dato' Seri Abdul Azim Bin Mohd Zabidi is a substantial shareholder of the Company through his interest in Syawaras Sdn Bhd. It would be interesting to observe whether the Company will be calling for the EGM.

On 5 March 2013, the Audit Committee Chairman resigned stating that his current work commitment requires his full attention. Shareholders may wonder why the Audit Committee Chairman resigned at this juncture when the Investigative Audit has yet to be completed?

MSWG's Watchlist

GENTING BERHAD ("GENTING")
Genting announced that it has agreed to purchase and complete Exhibit A, an unfinished Echelon resort in Las Vegas from Boyd Gaming Corporation for a total cash consideration of US$350 million, approximately RM1.05 billion. An independent valuation of the uncompleted Echelon is US$703 million, including the value of the 87-acre freehold land at US$349 million.

TRADEWIND PLANTATION BHD ("TWP") & PADIBERAS NASIONAL BERHAD ("BERNAS")
Following the success in the acceptance of more than 90% shares in Tradewinds (M) Bhd and thereby triggering a mandatory general offer to take over TWP and Bernas, Tan Sri Syed Mokhtar Al-Bukhary, had via his four companies, Perspective Lane, Kelana Ventures, Seaport Terminal (Johor) and Acara Kreatif extended unconditional takeover offer to buy out the remaining shares of TWP and Bernas not already owned by them. The takeover offer for TWP was RM5 per share and RM3.13 per ICULS, and the offer price

for Bernas was RM3.25 per share. The total cost for the 2 general offers would be up to RM1.17 billion.

Disclosure of Interests

1. With regard to the companies mentioned, MSWG holds a minimum number in all the shares mentioned.

Local News and Developments

EPF Wants More for MISC Stake Following $2.8 Billion Buyout Bid
http://www.bloomberg.com/news/2013-03-01/epf-wants-more-for-misc-stake-following-2-8-billion-buyout-bid.html

Bringing women to the forefront
http://www.btimes.com.my/Current_News/BTIMES/articles/hafsaa03/Article/

HLFG's attempted takeover of Hong Leong Capital raises questions
http://biz.thestar.com.my/news/story.asp?file=/2013/3/4/business/12788268&sec=business

RHB, JBIC in US$100m green tie-up
http://www.thesundaily.my/news/627035

White Knight with 'rail' passion to the rescue?
http://www.btimes.com.my/Current_News/BTIMES/articles/KTMB01/Article/

Global News and Developments

Eurozone unemployment hits 11.9%
http://www.bbc.co.uk/news/business-21627623

Pressure mounts on chaebol chiefs
http://www.ft.com/intl/cms/s/0/10d96b00-7b82-11e2-8eb3-00144feabdc0.html#axzz2MXFNhkGa

Global economy - A study in contrasts between China and Europe
http://uk.reuters.com/article/2013/03/03/uk-economy-global-weekahead-dUKBRE9220DX20130303

The big U.S. budget cuts: Will the bite match the bark?
http://uk.reuters.com/article/2013/03/01/uk-usa-fiscal-impact-idUKLNE92001720130301

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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.