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

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The Observer

Issue # 33 -13**13 September 2013****MESSAGE FROM THE CEO**

The selldown in the shares of Pelikan International Corporation Bhd and China Stationery Ltd (CSL) by major shareholders of both companies following unconfirmed reports of a dissolution of their partnership is worrying. If indeed the partnership has soured, the relevant announcements must be made to inform all shareholders.

On the corporate front, we noted the efforts by the newly setup Malaysia Competition Commission (MyCC) in their probe into the AirAsia-MAS collaboration where both companies were imposed a fine of RM10 million each for "serious infringement" under Section 4(2) (b) of the Competition Act. According to MyCC when businesses agree to share markets, they are agreeing to stop competing at the expense of consumers. In the same vein, perhaps it is also time to extend into other areas of monopolistic practices that crowd out competition such as telecommunication, power distribution, airports management and so on. As competition drives innovation, quality and lowers prices for the benefits of consumers, monopolies do the opposite: they stifle business, create inertia and thus resulting in the nation being less competitive.

Separately, on the international front, 2 new Board members have been added to the Board of JP Morgan. This seems to balance the powerful Jamie Dimon who takes on the dual roles of the CEO and Chairman of the company. In addition, the lead independent director was given more powers, including the right to call full board meetings at any time, by the Board. In this episode, we see the important role institutional investors played in influencing change in the board of the investee company.

Regards,

Rita

CEO IN THE NEWS

More belt-tightening measures inevitable
<http://www.btimes.com.my/articles/mswgs/Article/>

Tangani isu defisit fiskal Negara
http://www.mswg.org.my/web/download.php?f1=news&f2=1000610&f3=docs_pub&f4=987659547

MARKET AND REGULATORY UPDATE

FISCAL REFORMS

The Government this week announced some fiscal reforms in terms of:

- 1) A subsidy rationalisation plan, starting with a 20 sen/litre hike in the retail price of RON95 petrol and diesel effective 3 Sep; and
- 2) A phase-out or deferment of public sector projects that have yet to be finalised, especially those with high import content, to ensure a more sustainable current account surplus.

MSWG's COMMENTS:

While vastly unpopular, this week's Government-led fuel price hikes and decision to delay some public sector projects are necessary. The savings from these measures will amount to RM1.1 billion for this year and RM3.3 billion for 2014 and these constitute 0.5% and 1.4% of last year's total federal government budget of RM233 billion respectively. The 2013 fiscal deficit target of -4% of GDP (from -4.5% last year), -3% in 2015 and a balanced budget by 2020 if aspired to be achieved would require more painful measures.

Hence we expect more measures to come as we take the first steps towards fiscal consolidation, such as further reduction in subsidies, hike in RPGT, implementation of GST and gradual increase in interest rate. While these measures could in some way cause inflation to our economy and impact adversely the living standards of the people in the short term, we believe that we have little choice but to bite the bullet for the economy to adapt and respond in a positive way in the longer term minimising distortions and thus becoming more efficient.

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

KULIM (M) BERHAD ("KULIM")

Kulim announced on 5 September 2013 that the partial offer to acquire NBPOL has failed since the condition of the offer was not met.

MSWG's COMMENTS:

The announcement has confirmed that NBPOL will remain as an associate to Kulim. NBPOL had been a subsidiary of Kulim since 1996 till April 2012. On 25 April 2012, NBPOL issued new shares to Independent Public Business Corporation of Papua New Guinea (IPBC), a state-owned corporation and hence indirectly caused the Kulim's stake in NBPOL diluted. IPBC is also a 20% shareholder in CTP PNG, a subsidiary of NBPOL.

The failure of the partial offer by Kulim was not only attributable to the strong stance by the Independent

Directors of NBPOL to reject the partial offer based on the neither fair nor reasonable opinion of the independent advisers, but also complicated by the restriction imposed by the Securities Commission of PNG in relation to the partial offer.

MSWG's WATCHLIST

ASTRO MALAYSIA HOLDINGS BERHAD ("ASTRO")

In 2010, an arbitral tribunal of the Singapore International Arbitration Centre awarded in favour of Astro's wholly-owned subsidiary Measat Broadcast Network Systems Sdn Bhd ("MBNS") and the other 7 claimants damages of USD303mil plus interest over a failed joint-venture with 3 Indonesian companies namely PT First Media Tbk, PT Direct Vision and PT Ayunda Prima Mitra. The claimants sought to enforce the awards in Indonesia in December 2011. The Central Jakarta District Court rejected the claimants' application on 11 September 2012 and subsequently the claimants filed an appeal on 25 October 2012.

However, Astro had on 9 September 2013 announced that the Indonesian Supreme Court dismissed Astro's appeal on the application to enforce the award on the grounds that the awards are contrary to public order, amount to interference with Indonesian judicial process and violate the principles of the state and legal sovereignty of Indonesia. Accordingly, the awards remain unenforceable in Indonesia.

MMC CORPORATION BERHAD ("MMC")

MMC subsidiary Malakoff is letting the Securities Commission's approval for the company's proposed listing to lapse, thus confirming market speculation of a deferment of the listing exercise. The MMC Corp subsidiary received the SC approval for a listing in March which was valid until 9 September 2013.

COUNTRY HEIGHTS GROWER SCHEME ("CHGS")

We noted that the growers of CHGS have received the respective payments i.e. 90% of the Capital refund and RM25.0 million of goodwill payment by Tan Sri Lee Kim Yew. The announcement was made by Plentiful Gold-Class Berhad, the manager of CHGS.

Local News and Developments

MyCC fine on MAS, AirAsia seen as having more bark than bite

<http://www.thestar.com.my/Business/Business-News/2013/09/10/MyCC-fine-on-MAS-AirAsia-seen-as-having-more-bark-than-bite.aspx>

CSL, Pelikan call off deal

<http://www.thesundaily.my/news/819844>

Housing Ministry: Rehda shouldn't have announced hike in house prices

<http://www.thestar.com.my/News/Nation/2013/09/08/rehda-house-price-hike.aspx>

Global News and Developments

Benign inflation adds to sense Chinese economy is recovering

<http://www.ft.com/intl/cms/s/0/cecb7f00-18f7-11e3-bdb6-00144feab7de.html?siteedition=intl#axzz2eSTWzZSI>

Australia election: Tony Abbott defeats Kevin Rudd

<http://www.bbc.co.uk/news/world-asia-24000133>

Does Buffett Have a Corporate Governance Problem?

<http://www.thefiscaltimes.com/Blogs/Business-Buzz/2011/04/01/Does-Buffett-Have-a-Corporate-Governance-Problem>

Time to walk the talk: Thai companies are embracing CSR but few are embedding its core principles very deeply in their business strategy and planning

<http://www.bangkokpost.com/business/news/368769/time-to-walk-the-talk>

Banks Seen at Risk Five Years After Lehman Collapse

<http://www.bloomberg.com/news/2013-09-10/banks-seen-at-risk-five-years-after-lehman-collapse.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.

DISCLOSURE OF INTERESTS

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in all these companies, save for China Stationary Limited, New Britain Palm Oil Ltd and Country Heights Grower Scheme.*
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