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MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

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MESSAGE FROM THE CEO



The recent cases of MF Global and Olympus, both of which are sterling examples of overleveraged bets and spotty governance, hardly did enough to placate investors already spooked by the financial crisis. Here in Malaysia, the return of the retail investor - while a welcome development for Bursa Malaysia - also highlighted the potential for huge financial losses for unsuspecting investors.

Bursa Malaysia has already issued a dozen unusual market activity queries since the start of this month, asking such penny-stock counters as textile producer Maxbiz Corp, technology provider GPRO Technologies, timber company Harvest Court Industries, plastic injection mould fabricator Sanichi Technologies, oil and gas firm Hibiscus Petroleum, consumer products trader Emico Holdings, rubberwood furniture manufacturers SYF Resources and DPS Resources, and precision electronics firm Hi-Tech Bhd, the reasons for the steep increase in their prices and sudden surge in stock volumes. The list goes on: other penny stocks that have also seen huge volumes were property developer Karambunai Corp, air and water filter maker Envair Holdings, technology company Patimas Computers and engineering and construction company Sumatec Resources.

The unusual activity has prompted Securities Commission chairman Tan Sri Zarinah Anwar to warn investors to be cautious, since the rise of many of these stocks has come without material corporate developments. In noting that the SC and Bursa have surveillance systems to monitor all price movements, she added that action will be taken based on the outcome of such surveillance. In order to curb excessive speculation, Bursa Malaysia had designated Harvest and its warrants as Designated Stocks after the prices of the mother share and its warrants were traded at about 2500% and 5200% of their respective prices before the surge in prices and trading volumes.

While some may view these moves as interference in the market, we see it as a positive move that sends a very strong caution to the market about excessive speculation before the bubble is inflated to a more disastrous level.

We also note that some of these counters have political connections. For example, Mohd Nazifuddin Najib (the son of Prime Minister Datuk Seri Najib Razak), has been appointed a non-executive director of Harvest, while Envair has named Mohd Anuar Mohd Hanadzlah (the brother of Second Finance Minister Datuk Seri Ahmad Husni Mohd Hanadzlah), as its executive director. Sanichi has also seen the emergence of Datuk Mohd Wira Dani Abdul Daim, son of former finance minister Tun Daim Zainuddin, as a new substantial shareholder. In and of themselves, these appointments are reasonably commonplace. But when combined with large price and volume spikes, wholesale changes in business direction,

insufficient disclosure and loss-making accounts, one conclusion is that political patronage is making an unwelcome comeback.

Cheers!

Rita Benoy Bushon

MSWG CEO Wins BrandLaureate Brand ICON Leadership Award

The evening of 09 November 2011 was an exciting and happy occasion for MSWG as CEO Rita Benoy Bushon received a **BrandLaureate Brand ICON Leadership Award** from the Asia Pacific Brands Foundation (APBF). Puan Rita was one of 10 recipients of a "Transformational Corporate Leader" award, and was among 43 award winners recognized by the APBF as Malaysian top leadership icons during a gala awards dinner and ceremony held at the Mandarin Oriental Hotel, Kuala Lumpur.



The Brand ICON Leadership Award recognises the achievements of iconic transformational leaders that drive their organisations and work forward through their possession of the following five qualities:

INSPIRATION - they are a role model and inspiration to many and emulated by all.

INTELLIGENCE - they lead through their sound knowledge of industry, and local and international affairs.

IDEAS - they possess ingenuity and powerful ideas that catalyse change and set trends; they are resourceful and focus to go beyond the conventional into new territory.

INNOVATION - they have a mindset that is working to constantly improve things to generate and sustain growth.

IMAGINATION - they have a vision to break new

ground and explore new territory.

For more information on all of the BrandLaureate brand recognition awards programs, please visit the [Asia Pacific Brands Foundation's website](http://www.thebrandlaureate.com/2011/apbf01.html) at <http://www.thebrandlaureate.com/2011/apbf01.html>

Rita In The News

[Transmile verdict a step in the right direction](http://biz.thestar.com.my/news/story.asp?file=/2011/11/2/business/9816820&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/11/2/business/9816820&sec=business>

MSWG's Quick Take on Ongoing Corporate

Transactions

IOI CORP-DUTALAND: As IOI and DutaLand have mutually terminated the SPA by entering into a Deed of Rescission, there are some takeaways from this deal for the shareholders of both companies. If IOI was really keen on the said purchase, it should not be bothered much by the certain non-compliance of DutaLand and might seek to rectify any specified conditions by entering into an extension of the SPA. The rescission of the SPA would only mean that IOI now has a bigger coffer to pursue other more attractive deals. The decision by the Board of DutaLand to rescind the SPA and to not pursue the matter of the 10% deposit, with the reason that it does not want to hinder any future potential disposal of the plantation land, could signal that there are some interesting bidders for the said land. There is an affirmation to shareholders that the Company's plantation land could fetch up to RM766 million as long as there are willing buyers and it is substantially higher than the market capitalisation of DutaLand. It is not too bad after all for both Companies' shareholders.

MSWG'S COMMENT: *Given the amount involved, and the trading interest the deal aroused in the stocks of both companies, more reasons should have been given for the cancellation. IOI, for its decision to pull out, and DutaLand for its reasons for not pursuing the 10 percent penalty of RM83 million it is entitled to under the terms of the SPA.*

PARKSON HOLDINGS: On 03 November 2011, Parkson Holdings Bhd's regional retail arm, Parkson Retail Asia Pte Ltd, listed on the Singapore Stock Exchange at an IPO price of S\$0.94 per share. The IPO valued the whole of PRA at S\$636.7 million, which is 18.2 times its net profit of S\$35 million for FY11 ended 30 June 2011, but just 13 times projected 2012 earnings.

MSWG'S COMMENT: *At an IPO price of S\$0.94 per share, PRA was at the lower end of its indicative range. Nevertheless, it made an impressive debut on the first day of listing, opening at S\$1.05 and closing at S\$1.13 to gain 20% over the IPO price. The IPO raised S\$138 million, significantly less than the S\$300-S\$500 million originally anticipated, with deteriorating market conditions being blamed. Notwithstanding a looming Europe-led de-leveraging by European banks and weakening risk appetites, minorities might perhaps have been better served by delaying the IPO exercise. Minorities have been diluted, without being offered the chance to subscribe to PRA at 13 times prospective 2012 earnings. However, Parkson may have had other reasons for not delaying the IPO, with there being considerable uncertainty as to how much longer the volatile market conditions would drag on for.*

JERNEH ASIA: Jerneh Asia Bhd's major shareholder, Kuok Brothers Sdn Bhd, has launched a conditional takeover bid of the company, offering RM1.45 in cash per share for all remaining Jerneh Asia shares it does not own and for all new Jerneh Asia shares which may be issued arising from the exercise of the outstanding warrants. Kuok Brothers, which holds a direct 37.71 percent stake in Jerneh Asia, is also looking to acquire the remaining 2.96 million warrants for 45 sen apiece. According to the announcement, Kuok Brothers and persons acting in concert hold a combined 41.81 percent equity interest, comprising 102.02 million shares, in Jerneh Asia.

MSWG'S COMMENT: *The call-off of the proposed acquisition of Jerneh by (East Malaysian property developer) Sagajuta Sdn Bhd, which was an essential part of the regularisation plan pursuant to Practice Notes 16 and 17 of Bursa's Listing Rules, is relevant. Jerneh had stated on 24 May 2011 in its circular to shareholders that in the event that the above acquisition was unsuccessful, it would not proceed to regularise its position under PN 16 and PN 17, but dispose of its assets, undertake a capital distribution to shareholders and wind up the Company. The proposal by Kuok and parties acting in concert with him would facilitate the return of cash to its*

shareholders, compared with its earlier proposal to dispose of assets and wind up the Company, which is a slower and more difficult process. The current offer of RM1.45 for the shares is slightly higher than the offer made by the Company in its circular to its shareholders dated 13 June 2011. The offer represents a premium of 9.85 percent and 15.38 percent respectively based on the three-month volume-weighted average price of the shares and warrants up to and including 28 October 2011 and is a quicker exit for the remaining share and warrant holders.

On MSWG's Watchlist...

MAS-AIRASIA: The Securities Commission is reviewing all the trading data on the share swap between Khazanah Nasional Bhd and Tune Air Sdn Bhd of shares in Malaysian Airline System Bhd (MAS) and AirAsia Bhd. The SC said a decision will be made upon a review and determination of its findings. Deputy Finance Minister Datuk Dr Awang Adek Hussin earlier told the Dewan Rakyat that SC and Bursa Malaysia have launched an investigation into the swap deal between MAS and AirAsia, with the possibility that there was insider trading.

Local News and Developments

Corporate Malaysia's fear factor

<http://biz.thestar.com.my/news/story.asp?file=/2011/11/12/business/9886646&sec=business>

M'sia 'below average' in graft perception index

<http://my.news.yahoo.com/msia-below-average-graft-perception-index-074058782.html>

Bribe Payers Index Report

http://bpi.transparency.org/in_detail/

2011 Enforcement Related Press Releases

<http://www.sc.com.my/paper.asp?pageid=442&menuid=231&newsid=&year=2011>

SC: Actively-traded stocks under watch

http://www.btimes.com.my/Current_News/BTIMES/articles/gpro08/Article/

Court of Appeal upheld jail sentence on former directors of MEMS Technology

<http://www.sc.com.my/main.asp?pageid=379&linkid=2972&yearno=2011&mod=paper>

SC charges Rantau Simfoni director for illegal trading in futures contracts

<http://www.sc.com.my/main.asp?pageid=379&linkid=2964&yearno=2011&mod=paper>

Global News and Developments

Olympus' governance shoddy / Company ruled by handful of execs with financial backgrounds

<http://www.yomiuri.co.jp/dy/business/T111110006824.htm>

Rothschild calls for "radical" clean-up at PT Bumi Resources

<http://www.reuters.com/article/2011/11/10/bumi-idUSL4E7MA11420111110>

Hedge funds and investors clash on corporate governance, survey reveals

<http://www.hfmweek.com/news/1700352/breaking-news-hedge-funds-and-investors-clash-on-corporate-governance-survey-reveals.shtml>

[CEOs are Paid for Performance](http://www.marketwatch.com/story/ceos-are-paid-for-performance-2011-11-08)

<http://www.marketwatch.com/story/ceos-are-paid-for-performance-2011-11-08>

[Japan ruling party to review corp governance after Olympus](http://in.reuters.com/article/2011/11/08/idINIndia-60385520111108)

<http://in.reuters.com/article/2011/11/08/idINIndia-60385520111108>

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