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

Incorporated in Malaysia * Company No. 524898-M

The Observer

Issue #17-11**02 November 2011**

MESSAGE FROM THE CEO



The adjournment of Asia Pacific Land's recent EGM to 08 November 2011 provided an opportunity to ensure that minority shareholders were given a chance to make an informed decision on the proposed deal. Non-related (independent) directors chose to speak out against the major owners - the same ones that pay their fees - and stand up for the folks they rightly represent: the minority shareholders.

In a short statement to the stock exchange, AP Land's board (minus the interested directors) told shareholders that it felt the proposed disposal was NOT FAIR. Though the board also added that it thought the proposed disposal was reasonable and in the best interest of AP Land and its non-interested shareholders, the message was clear: that the independent directors wanted to convey the inherent unfairness of an offer that basically undervalued the company by 57 percent when compared to the company's adjusted audited net asset value.

We sent four analysts to the EGM, firing off questions to the board on the proposed sale. We also published newspaper articles on the matter and put our views on our website for public consumption. MSWG's resources are limited, but it is our every intention to level the playing field and to give minority shareholders the courage and confidence to seek what they are morally and economically entitled to. Prejudice to the interests of minority shareholders takes many forms, but it is our role to ensure it does not happen on our watch. But as a public interest organisation funded by the Capital Market Development Fund (CMDf), we are still open to lawsuits that have the potential to derail our work. Thus, we seek some kind of protection to ensure that we can continue to effectively and expeditiously discharge our work.

We also welcome the Sessions Court's decision to impose jail sentences and financial penalties on two former independent directors of Transmile Group Bhd as punishment for knowingly authorising the release of misleading financial statements. As many observers of Corporate Malaysia will be quick to point out, a common refrain has been the lack of proper deterrent sentences; certainly, the decision here is a step in the right direction.

As we have pointed out many times, independent directors are just one cog in a machinery that requires everyone's participation to succeed. To name a few: independent advisors that give unbiased opinions, informed journalists who write bravely, and minority shareholders who are not intimidated by titles, fancy suits and formal language. To the minority shareholders, the message is this: turn up and vote. That's the first step. Think beyond the door gifts and fight for your rights. Question the directors. Send letters of complaint to the SC, Bursa and ourselves. Only then can investigations occur.

Cheers!

Rita Benoy Bushon

Rita In The News

[Ex-Transmile directors jailed](http://thestar.com.my/news/story.asp?file=/2011/10/29/courts/9800152&sec=courts)

<http://thestar.com.my/news/story.asp?file=/2011/10/29/courts/9800152&sec=courts>

[AP Land shareholders deserve more palatable valuation, says MSWG CEO](http://biz.thestar.com.my/news/story.asp?file=/2011/10/28/business/9788075&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/10/28/business/9788075&sec=business>

[Be fair to AP Land minority shareholders](http://biz.thestar.com.my/news/story.asp?file=/2011/10/25/business/9762404&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/10/25/business/9762404&sec=business>

MSWG's Quick Take on Ongoing Corporate Transactions

PACIFICMAS BHD: OCBC Capital (Malaysia) Sdn Bhd has offered to acquire all of PacificMas' stakes in five companies for RM450 million, valuing PacificMas at RM2.63 per share which is a 2.33 percent premium to its NAV of RM2.57 as at 30 June. The offer price, however, is a 14.33 percent discount to its share price of RM3.07 prior to the suspension of trading. The payment will be satisfied by RM164 million in cash, with the remaining RM285 million to comprise debts owing to PacificMas. Following that, OCBC Capital proposes that PacificMas distribute its remaining cash in a special dividend or a capital repayment exercise.

MSWG'S COMMENT: PacificMas' sale of its subsidiaries to OCBC Capital - if approved by its shareholders - would place it under PN17 of the main listing requirements of Bursa Malaysia. The offer of RM450 million by OCBC Capital does not include the remaining assets of RM138.7 million as at 30 September 2011, which are comprised of available-for-sale securities, amounts due from subsidiaries, investments, fixed deposits, cash and bank balances. Together with the remaining assets of PacificMas and the offer price, its total value of RM588.7 million or RM3.44 per share is much higher than the quoted price of RM3.07 prior to the suspension of trading. Media reports say the RM164.23 million cash portion could be returned to minority shareholders (who collectively hold 36.5% of PacificMas), with this possibly amounting to a cash dividend of RM2.63 per share, based on a simple calculation. OCBC Capital's offer will remain open until Nov 4, unless it agrees in writing to an extension. The deal is subject to approval from PacificMas' shareholders and creditors as well as the regulatory authorities of Malaysia and Singapore.

This is OCBC's second attempt to buy out PacificMas, following its compliance with Central Bank conditions. In 2008, OCBC Capital made a conditional takeover offer for the remaining shares in PacificMas for RM4.30 a share, valuing it at RM735.27 million. However, Bank Negara Malaysia required OCBC to comply with two conditions before proceeding, and which involved paring down its local insurance interests. The conditions were for OCBC to resolve its holdings in The Pacific Insurance Bhd and Overseas Assurance Corp (M) Bhd. In addition, in the event of a merger between Pacific Insurance and OAC, OCBC was to limit its shareholding in the merged entity to no more than 51 percent. OCBC Capital announced in April this year that it had complied with BNM's approval conditions after PacificMas disposed of its entire equity interest in Pacific Insurance to Fairfax Asia Ltd for RM201 million on 24 March, paving the way for this latest offer.

LEADER UNIVERSAL: Has received an offer from HNG Capital Sdn Bhd, (controlled

by substantial shareholder, the H'ng family), to acquire the entire business and undertakings, including all assets and liabilities, for RM480.1 million, or RM1.10 per share. HNG will satisfy 85.6 percent of the total purchase consideration via RM410.94 million in cash with the remaining 14.4 percent in the form of a RM 69.16 million debt due to Leader.

MSWG'S COMMENT: *The offer was considered as a major disposal and a related party transaction pursuant to Chapter 10 of the Main Market Listing Requirements. Therefore, an independent adviser will be appointed to advise the non-interested Directors and shareholders as to whether the offer is fair and reasonable. Compared with market pricing, HNG's offer is about a 31 percent premium to its pre-announcement closing price of 84 sen and also 10 percent higher than its three-year peak of RM1.01 on 25 March 2010. The offer is also below Leader's NAV of RM1.36 per share as at 30 June and values the group's businesses at 8.6 times annualised earnings of RM55.83 million for FY11 ending 31 December. The offer will remain open for acceptance up to 5:30 pm on 3 November 2011 after which it will lapse and be of no further legal effect unless HNG Capital agrees in writing to extend the offer period. In addition, such a major disposal requires the Board to convene a general meeting and obtain shareholder approval of at least 75 percent in value of the shareholders present and voting either in person or by proxy at the meeting.*

GENTING MALAYSIA: Genting Malaysia is buying the entire stakes in E-Genting Holdings Sdn Bhd and Ascend International Holdings Ltd for RM48 million and RM2 million respectively. E-Genting will be sold by Genting Singapore subsidiaries Sedby Ltd and Geremi Ltd, while Ascend will be sold solely by Sedby. Genting Singapore acquired E-Genting in 2005 for RM87.4 million and Ascend for HK\$2 in 2007. Genting Malaysia said that as the largest customer and user of the acquiree group's services, it will enjoy cost savings as a result of the proposed acquisitions, plus also be provided related services. The services provided by E-Genting and Ascend comprise IT, implementation, support and maintenance services as well as Malaysian WorldCard loyalty programme management services.

MSWG'S COMMENT: *The related-party transaction (RPT) ratio is 1.3 percent based on Genting Malaysia's audited consolidated financial statements for FYE 31 December 2010. Total RPTs and RRPTs transacted between GENM and Genting Singapore PLC (GENS) group of companies during the 12 months preceding the announcement of the acquisition was approximately RM70.4 million, of which RM65.2 million has received shareholder approval. The above transaction falls below the required threshold under Bursa Malaysia's Listing Requirements and therefore does not require the approval of the company's shareholders, or the appointment of an independent advisor to advise the non-interested directors. It is also noted that the Audit Committee (AC) had, under Paragraph 13 of the announcement dated 24 October 2011, considered the transaction to be fair and reasonable, on normal commercial terms, and in the best interest of GENM and not detrimental to the interest of GENM's non-interested shareholders. Nonetheless, under Chapter 15 of Bursa's Listing Requirement, the AC has the right (if it chooses) to obtain independent professional or other advice to assist in its evaluation of any RPT in the Group.*

Following the purchases of Walker Digital, Wisma Genting and Genting UK, this is the fourth Related Party Transaction announced by Genting Malaysia in four years. Notwithstanding the necessary justification for the price paid, the board also needs to be aware of the frequency of the RPTs being announced, which has the potential to send the wrong signal to investors.

On MSWG's Watchlist...

HARVEST COURT INDUSTRIES BHD: Managing Director Ng Swee Kiat has offered to buy Affin Banks's 18.27 percent stake (or 31.41 million shares) and 7.85 million warrants in Harvest at an average indicative price of 15 sen. This would increase Ng's direct and

indirect stake from 16.78 percent to 35.05 percent. It would also trigger the take-over offer for the remaining shares in the company pursuant to the Malaysian Code on Take-Overs and Mergers 2010. However, there was no indicative time frame to conclude or finalise the proposed acquisition of shares / warrants as the proposal was still at the initial stage of discussion. Affin Bank held the 31.41 million Harvest Court shares as at 26 November 2009 which it had received pursuant to the proposed debt revamp of the company.

Boustead Holdings: Has lowered the divestment price and restricted the offer for sale price of Pharmaniaga shares to RM5.46 per share from RM5.75 a share to make the price more attractive to potential buyers.

Local News and Developments

[Bursa fines, strikes off unethical dealer rep](http://www.btimes.com.my/Current_News/BTIMES/articles/20111018185956/Article/index_html)

http://www.btimes.com.my/Current_News/BTIMES/articles/20111018185956/Article/index_html

[MBM Resources launches takeover of Hirotako](http://www.theedgemaalaysia.com/business-news/195270-mbm-resources-launches-takeover-of-hirotako.html)

<http://www.theedgemaalaysia.com/business-news/195270-mbm-resources-launches-takeover-of-hirotako.html>

[Bursa Securities rejects Samudra's bid for more time](http://www.theedgemaalaysia.com/business-news/195267-bursa-securities-rejects-samudras-bid-for-more-time.html)

<http://www.theedgemaalaysia.com/business-news/195267-bursa-securities-rejects-samudras-bid-for-more-time.html>

[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)

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

[Former Transmile directors sentenced to jail and fined for misleading disclosures](http://www.sc.com.my/main.asp?pageid=379&linkid=2963&yearno=2011&mod=paper)

<http://www.sc.com.my/main.asp?pageid=379&linkid=2963&yearno=2011&mod=paper>

[SC Q3 Scorecard: 23 corporate proposals considered](http://www.sc.com.my/main.asp?pageid=379&linkid=2960&yearno=2011&mod=paper)

<http://www.sc.com.my/main.asp?pageid=379&linkid=2960&yearno=2011&mod=paper>

Global News and Developments

[Another Scandal Unsettles Corporate Japan as Paper Maker Accuses Ex-Chairman](http://www.nytimes.com/2011/10/29/business/global/new-scandal-presses-corporate-japan.html?_r=1)

http://www.nytimes.com/2011/10/29/business/global/new-scandal-presses-corporate-japan.html?_r=1

[Olympus Matter Juices Corporate-Governance Movement](http://online.wsj.com/article/SB10001424052970203687504577000681784219216.html)

<http://online.wsj.com/article/SB10001424052970203687504577000681784219216.html>

[Analysis: Japan, slowly, waking up to the mess at Olympus](http://www.reuters.com/article/2011/10/26/us-olympus-governance-newspro-idUSTRE79P57I20111026)

<http://www.reuters.com/article/2011/10/26/us-olympus-governance-newspro-idUSTRE79P57I20111026>

[Corporate governance and disclosure trends among venture-backed IPOs](http://www.businessinsider.com/corporate-governance-and-disclosure-trends-among-venture-backed-ipos-2011-10)

<http://www.businessinsider.com/corporate-governance-and-disclosure-trends-among-venture-backed-ipos-2011-10>

[What is 'Occupy Wall Street' saying?](http://www.naplesnews.com/news/2011/oct/24/what-is-occupy-wall-street-saying/)

<http://www.naplesnews.com/news/2011/oct/24/what-is-occupy-wall-street-saying/>

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