

The Observer

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MESSAGE FROM THE CEO



It's been a blink of an eye and here we are already in May, nearly halfway through the year. Expectations are still high for a strong end to the year; no doubt this will be helped considerably by continued good news on the IPO front, which will add depth and breadth to our stock market.

A couple of these IPO exercises are worthy of mention: UOA Development Bhd, which intends to raise around RM1.2 billion by offering 407 million shares, and Bumi Armada, with plans to raise nearly RM1 billion. Both are huge deals, with Bumi being the largest IPO since Petronas Chemicals last year. Hopefully this will give Malaysia more exposure in global portfolios. Prime Minister Dato Sri Najib Tun Razak has also guided for more major listings this year and next, and this can only bode well for the stock market.

One more thing: the Central Bank's revision of the Overnight Policy Rate by 25 basis points to 3 percent reflects the resilience of our local economy. One hopes, though, that the corresponding increase in bank rates will not affect economic growth too significantly.

Cheers!

Rita Benoy Bushon

Rita Speaks Out

["Integrax at major crossroads" \(The Star, 05 May 2011\)](#)

<http://biz.thestar.com.my/news/story.asp?file=/2011/5/5/business/8608908>

MSWG's Quick Take on Ongoing Corporate Transactions

Latexx Partners: The plan by Navis Asia to buy glove company Latexx Partners for RM852 million has been aborted as the parties “have not been able to agree on the definitive terms of the proposal”. Recall that on Feb.1, Latexx received an RM852 million acquisition offer from Navis Asia VI Management Co Ltd in association with Mettiz Capital Ltd to acquire all its assets and liabilities. This had made Navis' offer subject to the SC's new ruling on takeovers under the assets and liabilities route.

MSWG's Comment: *Our recommendation had been for minorities to watch out for Navis' due-diligence findings, the deadline of which passed on 1 April. The belief was that Navis' non-binding bid of RM3.10 for Latexx offered too little upside (a mere 11 percent premium) from its intraday high of RM2.90 the day before the takeover announcement was made.*

MMC CORP: Ongoing contributions amounting to RM100 million to Albukhary International University in 2010, higher than the RM75 million donated the year earlier.

MSWG'S COMMENT: *Despite MMC's explanation that the contribution is in line with its CSR Policy on education and community development, the amount donated (12.5 percent of group net profit) exceeded the 10 percent threshold. Shareholders were unhappy as this was the 2nd contribution to one party and the amount of of RM100 million exceeded that provided last year. At the AGM, MMC management assured that the contribution made for the year was final.*

LEONG HUP: The Lau Brothers have bid to privatise Leong Hup via the assets and liabilities route. The announcement was made prior to the amendment to Bursa Malaysia's Listing Requirements, which now requires a minimum 75 percent of shareholders' approval. Since the rule is not retrospective the bid technically still follows the old rules: a mere 50 percent approval is required from non-interested shareholders.

MSWG's COMMENT: *The offer price of RM1.80 per share (a total of RM318 million) is a significant 20 percent discount to the net asset value of RM2.26 as at 31 Dec 2010. Furthermore, the computation of net assets fails to take into account the upside in the re-valuation of land located in Iskandar, Johor. The company's 502 acres of land in Pulai, Johor Baru, was last valued in 1996 at just RM106 million. The offer price also does not take into account Leong Hup's long-established goodwill, including:*

- *The goodwill from its Ayam A1 Brand*
- *The goodwill from its Bakers' Cottage bakery chain-shops*
- *The goodwill from being the largest day-old chick breeder and egg producer in Malaysia*
- *The goodwill from its business with KFC in the form of long term contracts and;*
- *The goodwill from its established export market to Singapore*

Local News and Developments

On Integrax...

[Infighting carries on in Integrax](http://biz.thestar.com.my/news/story.asp?file=/2011/5/5/business/8607242&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2011/5/5/business/8607242&sec=business>

[Integrax shareholders pick 5 new Independent Directors](http://biz.thestar.com.my/news/story.asp?file=/2011/5/7/business/8634465)

<http://biz.thestar.com.my/news/story.asp?file=/2011/5/7/business/8634465>

Other Stories...

[Discretion and good governance](http://thestar.com.my/news/story.asp?file=/2011/5/3/focus/8487161&sec=focus)

<http://thestar.com.my/news/story.asp?file=/2011/5/3/focus/8487161&sec=focus>

[Bursa Malaysia To Launch Sustainability Index Next Year](http://www.bernama.com/bernama/v5/newsindex.php?id=583810)

<http://www.bernama.com/bernama/v5/newsindex.php?id=583810>

[Malaysia Needs Laws To Ensure Political Funding Is Transparent](http://www.bernama.com/bernama/v5/newsgeneral.php?id=583105)

<http://www.bernama.com/bernama/v5/newsgeneral.php?id=583105>

Global News and Developments

[USA: Women Board Members from Around the World Meet to Address "The Director's Role in an Age of Complexity, Uncertainty, and Accelerating Change"](http://www.prnewswire.com/news-releases/women-board-members-from-around-the-world-meet-to-address-the-directors-role-in-an-age-of-complexity-uncertainty-and-accelerating-change-121574173.html)

<http://www.prnewswire.com/news-releases/women-board-members-from-around-the-world-meet-to-address-the-directors-role-in-an-age-of-complexity-uncertainty-and-accelerating-change-121574173.html>

[Ireland: Scrutinizing Companies' Corporate Governance Report in Financial Statements](http://inaudit.com/regulatory/scrutinizing-companies-corporate-governance-report-in-financial-statements-6104/)

<http://inaudit.com/regulatory/scrutinizing-companies-corporate-governance-report-in-financial-statements-6104/>

[Australia: Corporate governance concern on the wane](http://au.news.yahoo.com/thewest/business/a/-/national/9310657/corporate-governance-concern-on-the-wane/)

<http://au.news.yahoo.com/thewest/business/a/-/national/9310657/corporate-governance-concern-on-the-wane/>

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