



# The Observer

**Issue #2-11**  
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## MESSAGE FROM THE CEO



*February may have been shortened by Chinese New Year, but a lot has happened on the local corporate governance front. During the month, the Securities Commission and Bursa Malaysia jointly announced a higher threshold for takeovers under the assets and liabilities route. MSWG's comments are contained in a 21 February 2011 commentary I wrote in the Star newspaper and should be read in light of the ongoing MTD Capital privatisation, since it has the distinction of being the first high-profile deal to be captured by this landmark ruling.*

*Malaysia also has the distinction of hosting the International Corporate Governance Network's (ICGN) Mid-Year Conference from February 28 to March 2, 2011 in Kuala Lumpur where fund managers, corporate governance practitioners and CEOs will meet to advance corporate governance in our capital markets. As the Conference's Premier Partner, MSWG has the pleasure of welcoming participants and speakers from Asia, Europe, and North America. I hope to share results from the Conference with you in an upcoming issue of our newsletter.*

***Cheers!***

***Rita Benoy Bushon***  
***CEO***

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## Rita Speaks Out...

**["Landmark SC ruling may result in better-quality deals, with minorities benefiting"](#)**  
**(The Star, 21 February 2011)**

<http://biz.thestar.com.my/news/story.asp?file=/2011/2/21/business/8104649&sec=business>

**["Higher Takeover Threshold Lauded"](#)** (The Star, 8 February 2011)

<http://biz.thestar.com.my/news/story.asp?file=/2011/2/8/business/8018097&sec=business%20>

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## MSWG's Quick Take on Ongoing Corporate Transactions

**RHB Group:** Bank Negara Malaysia has granted its approval to RHB Bank for the group's proposed acquisition of an 80 percent stake in PT Bank Mestika Dharma.

**MSWG Comment:** MSWG views the proposed acquisition positively as it would give the RHB banking group a stronger presence in the region, which is also in line with the Group's vision of becoming one of the leading financial services provider in ASEAN by year 2020.

**EON Capital:** Primus Pacific Partners LP, a major shareholder of EON Capital, has missed Bank Negara's end-January deadline to pare down its stake in the bank to 15 percent from 20.2 percent.

**MSWG Comment:** MSWG is currently monitoring the developments in EON Capital, including BNM's next course of action following Primus' inability to pare down its stake by the stipulated deadline. In addition, Primus' ability to find a buyer may be hampered by the current ongoing court battle at EON Capital.

**Seloga Holdings Bhd:** Tan Sri Halim Saad and and Datuk Samsudin Abu Hassan are feuding, with the differences stemming from the way the company is managed and differing views regarding its financial performance. Seloga's shares have been suspended from trading since Nov 19, 2007. It was last traded at 17 sen per share before suspension.

**MSWG Comment:** Following the resignation of several independent directors and an executive director, their representatives have also made clear their reason of resigning. The latest announcement by the Director, however, also highlighted that a forensic accountant would be engaged to investigate various allegation found in the Directors' representations. Given its PN17 status, MSWG will continue to monitor the situation closely.

**MTD Capital Bhd:** Malaysia's second largest toll road operator has received an improved takeover offer of 11 ringgit a share.

**MSWG Comment:** The higher offer price from its major shareholder has resulted in the realisation of the intrinsic value of the Company. With the offer price revised upwards and close to the valuation done by the independent advisor, MSWG feels that the offer price is fair and reasonable.

**Multi-Purpose Holdings Bhd (MPHB):** Will acquire the balance 49 percent stake it does not already own in Magnum Holdings Sdn Bhd, for about 1.64 billion ringgit, which would be satisfied with the issuance of new MPHB shares and cash.

**MSWG Comment:** MSWG views the proposed acquisition positively as it will further strengthen MPHB's future profitability and cash flow position due to the nature of the gaming business which has been very profitable and with strong cash flows. MPHB's net assets per share will also increase with the proposed acquisition. Further, the proposed acquisition was done at a relatively inexpensive valuation and there is potential for a higher valuation should MPHB relist Magnum later. Magnum was valued at a lower valuation than was previously used when Magnum was privatised. Positive.

### **Under Watch:**

**Latexx Partners Bhd:** On Feb.1, Latexx received a 852 million ringgit acquisition offer from Navis Asia VI Management Co Ltd in association with Mettiz Capital Ltd to acquire all its assets and liabilities. This makes Navis' offer subject to the SC's new ruling on takeovers under the assets and liabilities route.

**Under MSWG's Watch:** Minorities should watch for private equity firm Navis Capital's due-diligence findings, the deadline of which is 1 April. Navis has a non-binding bid of 3.10 ringgit for Latexx, which is said to offer too little upside from the current share price. The belief is that if a binding bid of 3.10 ringgit is tabled by Latexx's Board to its shareholders, minority investors could be well advised to not accept the offer.

**IGB Corp Bhd and KrisAssets Holdings Bhd:** IGB Corp Bhd is selling its entire holdings in Mid Valley City Gardens Sdn Bhd to KrisAssets for 820 million ringgit.

**Under MSWG's Watch:** Minority Investors of IGB should watch for details of the financial impact of the transaction. JP Morgan estimates that IGB could net a gain of 220 million ringgit or 15 sen per share from the disposal, implying greater financial strength, flexibility for new investment opportunities at the IGB level, or even the possibility of higher dividends.

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## Local News and Developments

24 Feb 2011: [MSWG and Monash University launch 2010 Malaysia CEO Survey](#)

[http://www.buseco.monash.edu.my/images/stories/research/2011\\_flyers/ceo\\_survey\\_2010\\_report\\_final.pdf](http://www.buseco.monash.edu.my/images/stories/research/2011_flyers/ceo_survey_2010_report_final.pdf)

28 Jan 2011: [New measures to enhance investor protection](#)

[http://www.bursamalaysia.com/website/bm/media\\_centre/listing.jsp?mode=date&sel=2011&a=%2Fbm%2Fmedia\\_centre%2Fmedia\\_releases%2Fyears%2F2011%2F20110128\\_150452594.html#top](http://www.bursamalaysia.com/website/bm/media_centre/listing.jsp?mode=date&sel=2011&a=%2Fbm%2Fmedia_centre%2Fmedia_releases%2Fyears%2F2011%2F20110128_150452594.html#top)

3 Jan 2011: [Bursa proposed revamp of business rules to strengthen standards of business conduct and efficiency for brokers](#)

[http://www.bursamalaysia.com/website/bm/media\\_centre/listing.jsp?mode=date&sel=2011&a=%2Fbm%2Fmedia\\_centre%2Fmedia\\_releases%2Fyears%2F2011%2F20110103\\_185331797.html#top](http://www.bursamalaysia.com/website/bm/media_centre/listing.jsp?mode=date&sel=2011&a=%2Fbm%2Fmedia_centre%2Fmedia_releases%2Fyears%2F2011%2F20110103_185331797.html#top)

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## Global News and Developments

South Africa: [Companies warned about 'political' directors](#)

<http://www.businessday.co.za/articles/Content.aspx?id=134891>

India: [Role of CEO in Corporate Governance](#)

<http://www.coolavenues.com/mba-journal/human-resources/role-ceo-corporate-governance>

USA: [Corporate Governance: Who's Afraid Of Facebook And Twitter?](#)

<http://www.businessinsider.com/corporate-governance-whos-afraid-of-facebook-and-twitter-2011-2#ixzz1EaFO02V1>

Guyana: [The quality of corporate governance is the main constraint on the development of a stock market](#)

<http://www.stabroeknews.com/2011/opinion/letters/02/18/the-quality-of-corporate-governance-is-the-main-constraint-on-the-development-of-a-stock-market/>

UK: [Eight key changes in UK Corporate Governance Code](#)

[http://www.grant-thornton.co.uk/thinking/the\\_boardroom/index.php/governanceregulations\\_templates/article/eight\\_key\\_changes\\_in\\_the\\_uk\\_corporate\\_governance\\_code/](http://www.grant-thornton.co.uk/thinking/the_boardroom/index.php/governanceregulations_templates/article/eight_key_changes_in_the_uk_corporate_governance_code/)

UK: [In the UK, business groups call for better investor support](#)

<http://www.financialdirector.co.uk/financial-director/analysis/2027289/business-investor-support>

UK: [Murdoch family is flouting governance rules](#)

<http://dofonline.co.uk/blogs/the-edge/business/murdoch-family-45654645/>

Singapore: [SGX plans to speed up listing process](#)

<http://business.asiaone.com/Business/News/My%2BMoney/Story/A1Story20110221-264624.html>

Global: [The Energy Report - A fully sustainable and renewable global energy system is possible by 2050](#)

<http://www.ecofys.com/com/publications/The-Energy-Report-Ecofys.htm>

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## Feedback

We welcome your feedback on our newsletter and our work. [Email us](#) (at: [watchdog@mswg.org.my](mailto:watchdog@mswg.org.my)) with your comments and suggestions.