

Email not displaying correctly? [View it in your browser.](#)

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

Issue #18-12**1 June 2012**

MESSAGE FROM THE CEO



Invest Malaysia drew more than 2,000 investors, both local and foreign, during this past week. There were five (5) new initiatives announced by the PM:

- (i) to build competency to be capable to compete in today's fast changing capital market landscape
- (ii) to ensure that we have a highly-skilled workforce to enhance the employability of graduates
- (iii) to promote gender diversity in employment and to support women seeking to return to work after career breaks
- (iv) to eliminate sticking points to ensure that issuers, intermediaries and investors have access to an efficient, effective and facilitated marketplace
- (v) the establishment of a consolidated capital market compensation fund to serve as a one-stop centre for investor compensation across the capital

market.

All these initiatives were intended to make Malaysia's capital market one of the fairest, competitive, and most efficient globally.

On the SC's enforcement calendar, there are a couple of significant cases looming in June. On 4 June 2012, Transmile's case will be up for mention in the Sessions Court. Many people will also be examining developments in Pancakaran Ikrab's case, which is slated for continued hearing between 4 and 8 June 2012.

The report in conjunction with the launch of the Malaysia-China Entrepreneur Conference last week that Bursa is looking to add at least 50 foreign companies from China, Japan, South Korea and India over the next three years, is good news. However, we would also mention that quality should not be sacrificed for quantity.

Thankfully, our stock exchange so far has been spared the financial misdeeds that have hit Chinese-listed companies in New York and Singapore. That is why the appropriate due diligence, both by the regulators, as well as the underwriters, continues to be of the highest importance.

Regards...

Rita

MSWG'S Quick Take On Ongoing Corporate Transactions

YEO HIAP SENG MALAYSIA BHD: Yeo Hiap Seng (Singapore) Pte Ltd plans to take Yeo Hiap Seng (Malaysia) Bhd (YHSM) private with a cash offer of RM3.60 per share (excluding the approved final dividend of 9 sen gross which will go ex on 22 June 2012). The parent company, which owns 61.5 per cent of YHSM, proposed to undertake a selective capital reduction and repayment exercise of RM213.57 million. YHSM closed at RM3.16, 44 sen below its offer price of RM3.60 and at a PE of 19.85 times current-year earnings. The proposed cash amount represented a price-to-earnings ratio of 22.50 times based on the basic earnings per share of YHSM group of 16 sen for FYE 31 December 2011. The price is a 31 per cent premium to the three-month VWAP of RM2.75 and a 63 per cent premium to the one-year VWAP of RM2.21. There are no plans to maintain its listing status.

MSWG Comments:

- *Permanis was sold to Asahi for RM820 million, which is equivalent to a Permanis' PER of 25.73 times and PBR of 8.54 times. The valuation of YHSM was RM549.72 million (total paid up minus treasury shares (153,547,269 - 845,900=152,701,369) x RM3.60 per share), which is RM270 million lower than Asahi's offer. YHSM's valuation is equivalent to a PER of 22.5 times and PBR of 2.08 times. The industry averages for PER and PBR were 11.22 times and 1.68 times, respectively, around the time of Permanis' sale in October 2011.*
- *The premium paid for Permanis was attributable to its extensive distribution network.*
- *YHSM, too, commands a similar, relatively strong distribution network given its long presence in the market since 1975 (when YHSM was first listed). YHSM also produces the following products under the in-house brands Yeo's, Justea, Soyrich, Cintan Noodles, Yeo's Canned Food, Yeo's sauces, soy sauces, chili, tomato, vinegar.*
- *YEO'S is a household name and established brand in Malaysia, hence there is a good captive market.*
- *The consolidation of factories from 5 to 3, which would be completed by 2012, will save costs in terms of distribution and plant utilization.*
- *The Company has zero borrowings. The dividend payment record has also been very good.*
- *Another bright spot is the Company's venture into Indonesia. With a population of 240 million, and a relatively untapped market, it will be promising ground for F&B players although it still recorded losses. YHSM ventured into Indonesia in 2006.*
- *Based on the above factors and information available, we believe that the price offered for the valuation of YHSM appeared to be on the lower side and should be accorded a valuation equivalent or comparable to that of Permanis done in October 2011. In addition, there is vast potential for YHSM - particularly with its strong network and branded household name.*

We wish to highlight to shareholders that in order for the deal or exercise to go through, an EGM has to be called and it requires approval of at least 75% of the non-interested shareholders. As at 15 March 2012, the interested shareholder controls about 61% of YHS and this means that for the deal to go through, 75% of 39% (i.e. 100% - 61%) of shareholders i.e. 29.25% of total shareholders must vote in favour of the deal. However, this is also subject to the condition that the deal must not be voted against by more than 10% of shareholders.

For a long period, the share has traded below RM2 as there is not much liquidity in the trading of its shares (which are tightly controlled by the major shareholder with about 61% shareholding). Nevertheless, minority shareholders should evaluate and make their own decisions on whether to

accept or reject the offer based on their respective risk-return profiles and entry levels.

Analysts: [Chong Chee Fern](#) / [Ng Hoon Ho](#)

RHB CAPITAL BHD/ OSK HOLDINGS BHD: RHB Capital will buy OSK's investment bank for RM1.95 billion, to be satisfied with RM147.5 million in cash and 245 million new shares. OSK Holdings will emerge as RHBCap's third largest shareholder with a stake of about 10 per cent. Employees Provident Fund (EPF) will hold a 40.6 per cent stake (from about 45 per cent), while Abu Dhabi-based Aabar Investments will have 22.3 per cent (from 24.75 per cent). The deal values OSK Investment Bank Bhd at 1.77 times its book value of RM1.1 billion as of 30 September 2011. The deal is done 92 per cent in shares and the rest in cash. It is fairly close to expectations of a price-to-book multiple of between 1.8 and 2.0 times.

MSWG Comments: The merger provides an opportunity for RHB group to tap into OSK's presence regionally to strategically expand its influence and reach to increase its income base overseas. With the enlarged entity, the issue of higher overhead costs and maintaining operational efficiency would be amongst the key factors for the merged entity.

Analyst: [Quah Ban Aik](#)

On MSWG's Watchlist...

PROTON HOLDINGS BHD: Dato Sri Syed Zainal Syed Abidin's resignation letter has been accepted by the board of Proton. CFO Azhar Othman was also speculated to have tendered his resignation. Proton Holdings Bhd confirmed that Group Lotus plc Chief Executive Officer, Dany Bahar has been temporarily suspended from his role to facilitate an investigation into a complaint about his conduct made by Lotus' penultimate parent company, DRB-HICOM Bhd. In Bahar's absence, Datuk Lukman Ibrahim, Mohd Khalid Yusof and Aslam Farikullah, representatives of Lotus' parent companies, have been authorised by Group Lotus plc's board to handle and conduct the day-to-day management and affairs of the Lotus Group.

Analyst: [Rebecca Yap](#)

SILVER BIRD: Announced results of a much-awaited forensic accounting review report by PKF Advisory Sdn Bhd, detailed 12 key areas of financial irregularities. Silver Bird said its board of directors would seek legal advice from the company's legal advisors on the next course of action to be taken.

Among the irregularities are:

- The trade receivables of the Silver Bird group were noted to have included incorrect accounting entries that could create a false audit trail, and included the masquerading of inter-bank transfers as payments from the debtors.
- Certain sales of bread and supplementary products were not supported by any physical goods or complete documentation and hence, may be deemed to exist to increase the sales figures and to possibly serve as a channel for funds as required for working capital to be brought back into the Silver Bird group.
- Purchases for sweetened creamer included sales that were not supported by any delivery of physical goods to the premises of the Silver Bird group, but appear to have been contracted with back-to-back sales to companies suspected to be associated with the financial irregularities of the Silver Bird group. These companies include those that may have served

- as a front for the transactions without the knowledge of the companies concerned.
- On multicom sales: irregularities were in respect of credit sales when the business was essentially cash-based. Various credit sales created in the management accounts appear to have been replaced by two other relatively larger debtors for audit purposes.
 - Property, plant and equipment irregularities relate mainly to the lack of supporting evidence for the purchase and delivery or installation of certain items, although payments may have been made for the purported purchases.
 - Numerous sales had been made to Stanson Marketing Sdn Bhd, a subsidiary of Silver Bird; such transactions could not be verified as there was no record of these transactions in the accounting records of Stanson or evidence of delivery at Stanson.
 - Certain trucks used by Stanson were registered in the name of Stanson and were subjected to service agreements with BK Fleet Management Sdn Bhd which allow for BK Fleet to acquire the trucks for a nominal sum at the end of the service tenure.
 - Evidence that some of the trucks were paid for by Stanson via hire purchase and upon the expiry of the initial service agreement, the service tenure of the agreement for these trucks was renewed for a higher net service fee, with the same option for BK Fleet to purchase the trucks for a nominal sum at the end of the agreement tenure.
 - On its inventories, there was a lack of documentary evidence for certain motor spare parts, plus about RM986,500 of spare parts that cannot be verified by documentary and physical evidence.

Analyst: [Ng Hoon Ho](#)

Local News and Developments

[Bursa Malaysia on track to link up with S'pore, Thai bourses](#)

<http://www.theborneopost.com/2012/05/31/bursa-malaysia-on-track-to-link-up-with-spore-thai-bourses/>

[Dr M: Najib's govt needs to be "more effective", people see us as weak](#)

http://www.malaysia-chronicle.com/index.php?option=com_k2&view=item&id=34072:dr-m-najibs-govt-needs-to-be-more-effective-people-see-us-as-weak&Itemid=2

[Malaysia's plantation firm Felda to attract strong investor interest](#)

<http://www.channelnewsasia.com/stories/corporatenews/view/1204550/1.html>

[Maybank in 'wait and see' on Indonesia's cap](#)

http://themalaysianreserve.com/main/index.php?option=com_content&view=article&id=1481:maybank-in-wait-and-see-on-indonesias-cap&catid=36:corporate-malaysia&Itemid=120

[Progressive but refreshing board members?](#)

<http://biz.thestar.com.my/news/story.asp?file=/2012/5/26/business/11354904&sec=business>

['Stuck in the middle' syndrome](#)

<http://biz.thestar.com.my/news/story.asp?file=/2012/5/26/business/11363956&sec=business>

Global News and Developments

[India may be de-rated on weak corporate governance: Anil Singhvi, Ican Investment Advisors](#)

http://articles.economictimes.indiatimes.com/2012-05-30/news/31900063_1_anil-singhvi-denial-mode-cement-sector

[Mid-cap market calls for mandatory governance code](http://www.financialdirector.co.uk/financial-director/news/2180374/mid-cap-market-calls-mandatory-governance-code)

<http://www.financialdirector.co.uk/financial-director/news/2180374/mid-cap-market-calls-mandatory-governance-code>

[Minority Shareholders' Rights Group Formed](http://www.mb.com.ph/articles/360674/minority-shareholders-rights-group-formed)

<http://www.mb.com.ph/articles/360674/minority-shareholders-rights-group-formed>

[Group backs shareholder 'activism'](http://business.inquirer.net/62103/group-backs-shareholder-%E2%80%99activism%E2%80%99)

<http://business.inquirer.net/62103/group-backs-shareholder-%E2%80%99activism%E2%80%99>

[Financial News: Investors Demand Analysts Examine Governance](http://online.wsj.com/article/BT-CO-20120527-700985.html)

<http://online.wsj.com/article/BT-CO-20120527-700985.html>

[Good corporate governance is a must for enterprise performance](http://www.business-standard.com/india/news/good-corporate-governance-ismust-for-enterprise-performance/475500/)

<http://www.business-standard.com/india/news/good-corporate-governance-ismust-for-enterprise-performance/475500/>

[Shareholder Activism More Focused, Targeted](http://www.foxbusiness.com/industries/2012/05/25/shareholder-activism-more-focused-targeted/)

<http://www.foxbusiness.com/industries/2012/05/25/shareholder-activism-more-focused-targeted/>

Upcoming Seminar: Finance for Non-Financial Managers

(13 June 2012 | MSWG Training Centre, KL)

Mark your calendars for MSWG's 13 June 2012 seminar, "Finance for Non-Financial Managers".

Delivered by Richard Jacob, founder and Principal Consultant of RCJ Consulting Sdn Bhd, this seminar is designed for investors who want to enhance their "business acumen" and their roles as effective minority shareholders. Additionally, it enables participants to improve their knowledge of finance and financial analysis to be able to see the financial impact and outcome of strategies and operations. They will thus be able to better monitor and control the performance of companies they have invested in. The seminar is highly interactive, with a balance of lectures, exercises, and case studies. All concepts will be linked to company annual reports.

Expected Learning Outcomes:

- Become a wiser, better, and more effective investor through an increased understanding of key financial statements, and business and finance terminology.
- Protect your investment by understanding how numbers are generated and how they can be manipulated.
- Improve compliance with IFRS and MASB directives.

Who Should Attend?

- Investors
- Directors, CEOs, CFOs, COOs and Senior Management
- Accountants, Company Secretaries and Auditors
- Licensed Dealers, Remisiers and Capital Market Representative License Holders

- Investment and Financial Advisers and Financial Planners
- MSWG subscribers and members of MSWG's Independent Directors Pool

Seminar Details:

Date: 13 June 2012
Fee: RM590
Venue: MSWG Training Centre

To register for the seminar, please [download the seminar Registration Form \(PDF\)](#), and complete and return to us. The Registration Form can also be found on MSWG's website at <http://www.mswg.org.my/web/iep.php>.

*****NOTE: Seating is limited to 50 participants, so REGISTER NOW!*****

Notice to Readers...

Earlier this year, we announced to readers that we would be making **The Observer** available only to MSWG's service subscribers. Please take note that we will be implementing this change effective **1 July 2012**. If you wish to receive our newsletter beyond that date, then you must become one of our service subscribers. You can become a Retail Subscriber for only RM50 per year. A student attending an educational institution can become a Student Subscriber for only RM20 per year. This is an **INCREDIBLE** value, while includes not only our weekly newsletter, but discounts on attendance at our Investor Education Programme seminars and on our publications.

Please see our [Retail Subscriber Application Form](#) and our [Student Subscriber Application Form](#) for our Value Propositions and complete details on becoming a subscriber to ensure uninterrupted delivery of The Observer.

Feedback

We welcome your feedback on our newsletter and our work. Email us at watchdog@mswg.org.my with your comments and suggestions.

You are receiving this email because you opted-in at our website, subscribe to MSWG's services, or have indicated an interest in staying informed of MSWG and its work.

[Unsubscribe](#) << Test Email Address >> from this list | [Forward to a friend](#)

Our mailing address is:

Minority Shareholder Watchdog Group
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan, Off Jalan Raja Chulan
Kuala Lumpur, Wilayah Persekutuan 50200
Malaysia

[Add us to your address book](#)

Copyright (C) 2012 Minority Shareholder Watchdog Group All rights reserved.

