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The Observer

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MESSAGE FROM THE CEO



Malaysia's IPO market is staying buoyant, with news of Tony Fernandes and Kamarudin Meranun's plans to list three of their Tune Group companies worth a total of more than RM500 million.

On the face of it, domestic demand should help consolidate our country's status of being Asia's top destination for IPOs this year.

We welcome the Securities Commission's ("SC") move to facilitate the introduction of the two new classes of registered persons, namely Trading Representative and Introducing Representative. This would be expected to boost the participation of retail investors. Saying that, we would expect the Introducing Representatives, who in essence are marketing agents to undergo minimum training requirement and continuous training annually so that they can understand their roles and responsibilities in addition, upgrading their knowledge.

Regards...

Rita Benoy Bushon

Capital Market and Regulatory Updates

The SC has introduced two new classes of registered persons, namely Trading Representative and Introducing Representative under the SC's Guidelines for Registered Persons. The introduction of these two new categories of registered persons will widen the opportunities for fresh talent to join the stockbroking industry and ensure sustainable growth of the industry. It would also strengthen the role of dealers and dealers' representatives by facilitating provision of specialised services, allowing focus on client servicing and enabling access to a wider clientele base.

The said guidelines summarise the criteria for entry, permissible scope of activities, registration process as well as the ongoing obligations of the stockbroking company for the registered person's supervision, conduct,

ongoing training and development. A person may apply to be registered either as a Trading Representative or an Introducing Representative, but not for both. Upon registration with the SC, the Trading Representative will be able to take orders and execute trades while the Introducing Representative can market and refer prospective clients to the stockbroking companies.

The market players have welcomed the new guidelines for Registered Person as this not only eases the entry of new talent and grows the industry talent pool in the long run but also help brokers to tailor their services according to the individual needs of the clients' acquisition and increase overall investor participation in the local capital market.

MSWG's Comments:

Under the SC's new guidelines, the Introducing Representative plays the role of marketing agent for stockbroking companies, whereby Trading Representative will specialise more on dealing with a wider array of financial instruments such as futures, bonds and equities. The segregation of marketing and execution activities will allow specialisation between different types of licensed representatives as the equity broking business can engage the services of Introducing Representatives to expand their client base while the Trading Representatives can provide tailor-made trade execution services to the enlarged client base.

Under the new guidelines, the interested candidate should be a graduate with a recognised degree in any discipline or a diploma in relevant studies. For those without tertiary qualification, relevant work experience in the capital market applies. Therefore, MSWG is of the view that in order to maintain the quality and professional standard of the registered representatives and credibility of local equity market, the registered representatives should undergo minimum training requirement and continuous training annually so that they can understand their roles and responsibilities in addition, upgrading their knowledge. This is because these representatives are dealing with retail investors who may not be market savvy, otherwise misinformation in investment or trading could occur.

MSWG's Quick Take on Ongoing Corporate Transactions

BONIA CORPORATION BHD ("BONIA")

The unconditional take-over offer by substantial shareholders of Bonia was rejected by minority shareholders. The reason being in line with the Independent Adviser, TA Securities' opinion that the offer at RM2.04 was not fair nor reasonable as the prevailing market price was hovering around RM2.41.

BIMB HOLDINGS BHD ("BIMB")

BIMB has obtained Bank Negara's approval to commence negotiations with Dubai Financial Group ("DFG") and Lembaga Tabung Haji ("LTH") to acquire DFG's stake in Bank Islam. BIMB currently derives the bulk, or 88 per cent of its earnings, from Bank Islam. The negotiations are to be completed before Mar-2013. Bank Islam is currently 51% held by BIMB, 30.5% by DFG and 18.5% by LTH. LTH is the largest shareholder of BIMB with a 51.8% stake, while the [Employees Provident Fund](#) holds a 9.53% stake.

Based on Bank Islam's first-half net profit of RM198.5 million, the stake will add 8 sen to BIMB's earnings per share ("EPS"). This would lift the EPS forecast and its return-on-equity for BIMB in the next financial year.

MSWG's Comments:

We understand DFG has undergone restructuring and is currently redirecting its competitive advantage closer to home and this could be one the reasons it wishes to dispose its stake in BIMB. As for BIMB, it would need to negotiate the best deal on the acquisition of the stake in Bank Islam from DFG. For information, Bank Islam has turned around and is currently profitable (profit after tax of RM358 million for FYE2011) compared to its position before the acquisition made by DFG.

LION FOREST INDUSTRIES ("LFIB")

The Board of LFIB wishes to announce that LFIB Plantations Sdn Bhd, a wholly-owned subsidiary of LFIB, had on 5 October 2012 entered into a conditional sale and purchase agreement with the following vendors, to acquire the entire 100% equity interest in PT Varita Majutama ("PT Varita"), a company incorporated in Indonesia, for a cash consideration of USD63.75 million (equivalent to approximately RM197.63 million):

- a) 70% equity interest comprising 12,600 ordinary shares with a nominal value of Rp1 million per share in PT Varita from PT Karya Teknik Utama, a company incorporated in Indonesia, for a cash consideration of USD44.62 million (equivalent to approximately RM138.34 million); and
- b) 30% equity interest comprising 5,400 ordinary shares with a nominal value of Rp1 million per share in PT Varita from Kyosen Transport Pte Ltd, a company incorporated in Singapore, for a cash consideration of USD19.13 million (equivalent to approximately RM59.29 million).

MSWG's Comments:

LFIB is currently categorised as a consumer product counter by Bursa Malaysia. Upon the completion of the acquisition, palm oil plantation segment is expected to become the core business of the LFIB group and the company should consider making application to Bursa Malaysia to switch its industry category from "Consumer Products" to "Plantation".

MSWG's Watchlist

Maybank Banking Bhd ("Maybank")

At the completion of its book building exercise, Maybank has placed out 412 million new shares, representing 4.98% of its enlarged issued and paid-up share capital as at 30 Sep 12 at a price of RM8.88 per placement share, which represented a discount of 2.1% from the weighted average market price of Maybank for five market days up to 5 October 2012. Maybank has in total raised RM3.66 billion from the private placement. According to the Basel III capital rules, the consolidated common equity Tier 1 (CET1) capital ratio of a bank should be at least 7%, which comprises the 4.5% regulatory minimum and 2.5% in the form of capital conservation buffer. The proceeds raised from the private placement will be utilised to strengthen the company's capital ratio to support the new regulatory requirements as well as its expansion plans.

Oversea-Chinese Banking Corp ("OCBC")/ CIMB Group Holdings ("CIMB")

OCBC and CIMB are considering bidding for General Electric Co's ("GE") US\$1.6bn stake, representing 25% of shareholding in Thailand's Bank of Ayudhya plc ("Bank Ayudhya"), which is the fifth largest lender in Thailand. The bidding parties have signed non-disclosure agreements with GE that allow them to examine in closer detail the accounts of Bank Ayudhya.

WCT Bhd ("WCTB")

WCT proposed an internal restructuring exercise involving the creation of WCT Holdings (WCTH), which will assume the listing status of WCTB. The group's existing key business segments, i.e. construction, property development, property investment and concessions, will remain under WCT and WCT Land. The shareholding structure post restructuring will be unchanged. All ownership of shares and warrants will be exchanged between WCTB and WCTH on a 1-for-1 basis. WCTB's ESOS will be terminated accordingly. The consent of all lenders/bond holders of WCTB may be required as the exercise may involve transferring WCTB's borrowings to WCTH, wherever applicable. The internal reorganisation is targeted to be completed in 2Q13.

Local News and Developments

SC Allows Trading, Introducing Representatives for Stockbroking Industry

<http://www.sc.com.my/main.asp?pageid=379&linkid=3177&yearno=2012&mod=paper>

Govt to discuss palm oil export tax on Friday

<http://www.thesundaily.my/news/510314>

UAC shareholders agree to privatisation plan

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

One year jail, RM1.2 million fine for ex-director for giving false statement

<http://www.sc.com.my/main.asp?pageid=379&linkid=3184&yearno=2012&mod=paper>

Asia Media's mart cap falls by more than RM100m

http://www.btimes.com.my/Current_News/BTIMES/articles/20121011011209/Article/index_html#ixzz28yRw51e1

Global News and Developments

IMF warns eurozone on capital flight

<http://www.ft.com/intl/cms/s/0/917df0da-121b-11e2-bbfd-00144feabdc0.html#axzz28r26BHBT>

Global Recession Risk Rises

http://online.wsj.com/article/SB10000872396390443294904578044311369553152.html?mod=WSJ_hp_us_mostpop_read

Principled Capitalism: A Pragmatic Approach to Corporate Governance

<http://www.forbes.com/sites/donaldldelves/2012/10/10/principled-capitalism-a-pragmatic-approach-to-corporate-governance/>

More investors allowed at AGMs, EGMs

<http://news.asiaone.com/A1Business/General%2BNews/Story/A1Story20121004-375477.html>

Too many exec directors on StanChart board: Temasek

<http://www.asiaone.com/A1Business/General%2BNews/Story/A1Story20121006-375985.html>

On Corporate Boards, Do Women and Men Think Differently?

http://www.law.com/corporatecounsel/PubArticleCC.jsp?id=1202573949246&On_Corporate_Boards_Do_Women_and_Men_Think_Differently&slreturn=20120911030337

Avon's Corporate Governance Strengthens

<http://seekingalpha.com/article/915881-avon-s-corporate-governance-strengthens>

BLOCK YOUR DATE 21 NOVEMBER 2012
OPPORTUNITY NOT TO BE MISSED BY PLCs AND OTHER MARKET PARTICIPANTS.

MSWG Presents a seminar on: ASEAN CG SCORECARD - THE WAY FORWARD

MSWG will be organising a seminar themed, "**ASEAN CG SCORECARD – THE WAY FORWARD**", on **21st November 2012**.

The objective of this seminar is to create awareness on the ASEAN CG Scorecard that will now be used to assess companies listed on Bursa Malaysia. The ASEAN CG Scorecard is aimed to enhance the visibility and investability of well-governed ASEAN listed companies globally. Participants would be able to gain insights on all aspects of corporate governance for improvement in their CG practices.

Speakers/Panelists include CG experts from various ASEAN Countries.

For details of the seminar programme and registration form please visit our website at

<http://www.mswg.org.my/web/iep.php>

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