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The Observer

01 March 2013

MESSAGE FROM THE CEO



Bursa's KLSE Composite index remained flattish the whole week settling at 1628.10 points (Thursday 28 February). Investors were still on the sidelines as usual. Notwithstanding a number of events are worthy of mentioning amidst the sombre mood.

Most noticeable has been our banking sector. As noted during the week, the banking sector had recorded sterling performance. All of the banks raked in strong profits. Maybank booked in a net profit of RM5.7 billion for FY 12 and attained 16% ROE whilst CIMB posted RM4.35 billion and a ROE of 16% for FY12. Elsewhere Public Bank Berhad showed impressive results in FY12 netting a net profit of RM3.87 billion on a ROE of 24.5%. These results reinforced the resilience of our banking sector and served a proxy to the wellbeing of our economy.

On the telecommunication sector, we noted Axiata's pleasantly surprise dividend announcement. The company announced that it would be paying a 23 sen per share or 70% payout of its net earnings for FY 2012 and a special dividend of 12 sen per share giving a total combined dividend of 35 sen per share, the highest payout ever in its corporate history.

Another deal which caught the eyes of general public that did not go through was the proposed takeover of HLG Capital by TS Quek which managed to secure only a 2.24% of the remaining shares held by non-interested parties in the offer. (Kindly read our Quicktake on HLCap.)

On MBf Holdings privatisation by TS Ninian, MSWG held a forum on Thursday with minority shareholders of the company whereby they provided their views on the privatisation and were not happy that the dividend payment was not included in the exit price of RM1.50 proposed earlier by the Company just a few months prior to the privatisation exercise. They have sought MSWG's assistance to appeal on their behalf to bring up the matter to the company.

Separately MAS indicated their commitment to turn around the national airline in a restructuring exercise which included a capital reduction and rights issue. What's key is that MAS's ambition to recapture its old glory and become a major player in the region would depend on the effective execution of its restructuring plan to address its balance sheet position. The restructuring plan would be tabled for shareholders' approval on 5 March 2013.

Regards...

Rita

Capital Market Updates

Malaysia's International Reserves Holdings

As announced in its latest statement, Bank Negara's international reserves holdings were USD140.3 billion or RM429.1 billion. The central bank indicated the amount was sufficient to cover 9.5 months of retained exports and 4.6 times short-term external debt. Of the total USD140.3 billion, USD126.8 billion makes up for foreign currency reserves, USD900 million for International Monetary Fund reserves, USD2.0 billion for Special Drawing Rights (SDR), gold USD1.9 billion and other reserves assets USD8.7 billion.

(Source: Bank Negara as at 15 February 2013)

OUR TAKE ON ONGOING CORPORATE

TRANSACTIONS

HLG Cap

Tan Sri Quek has proposed to take its 79.09% owned subsidiary out of Bursa for a proposed offer price of RM1.71.

MSWG Comments:

Minorities did not accept at RM1.71 and Quek only managed to secure a 2.24% stake in the proposed offer, literally throwing a spanner in the deal. With only 81.33% in the bag, it remains to be seen how the deal would end, as technically Quek has not much option at his disposal, as the position precludes him from either delisting or compulsorily acquiring the remaining shares. If he is still keen to consummate the deal, it leaves him with no choice but to up the offer.

Mbf Holdings

CEO Tan Sri Morgan Lourdenadin has offered to privatise the company by offering RM1.50 a share. Lourdenadin, who owned 87 per cent of the company as at Feb 9 2013, also offered 50 sen per warrant and RM4.64 per Class A United States dollar-denominated redeemable convertible secured loan stock. TS Morgan has now owned MBF Holding shares amounting to 91.24% of the issued and paid up capital of Mbf Holdings as at 27 February 2013.

MSWG Comment

A forum was held with minorities of MBf Holdings wherein minorities aired their displeasure over the privatisation especially the dissatisfaction that the dividend payment which was proposed earlier might not be given to shareholders. Minorities have sought MSWG's help to appeal to Bursa to delay MBf's suspension in order to pursue the dividend payment matter.

Also that to request the company to make the dividend payment on the following grounds:

- I. The dividend payment has been committed by the Board
- II. It was discussed earlier prior to the privatisation taking place and is a separate matter from the offer
- III. Effectively the dividend payment committed to minorities works out to be about RM10 million.

MAS

MAS have proposed a corporate restructuring exercise to deal with the Company's with its accumulated losses which as at December 2011, stood at RM7.863 billion. As integral part of the entire exercise, the

capital restructuring would consist of a number of stages which are as follows:

1. Proposed Par Value Reduction of the existing MAS paid up and issued capital which would see the cancellation of RM0.90 sen of RM1.00 share. Pursuant to the cancellation the issued and paid up capital of MAS would reduce to RM334.2 million consisting of 3.342 billion shares at RM0.10 each. This would effectively give rise to RM3.007.94 which would be utilised to partially set off the accumulated losses off RM7.863 billion.
2. Proposed Share Premium Reduction of RM4.995 billion in the Company's share premium giving rise to a credit of RM4.995 billion also to be utilised towards off-setting the RM7.863 billion losses.
3. Proposed Renounceable Rights Issue of New ordinary shares of RM0.10 each in MAS pursuant to the completion of the Proposed Capital Restructuring to raise a gross proceed of RM3.100 billion.

MSWG Comment:

On MAS capital restructuring and rights issue, it is expected to put MAS back on track with a stronger balance sheet and firmer financial position to spearhead its plan as a major regional player in Asia Pacific. However, MAS needs to ensure that previous failed plans are not repeated. Amongst the issues which the Management needs to be aware of we believe are the following:

1. Tangible outcome expected from the the capital restructuring plan and the proposed rights issue
2. Areas of focus post capital restructuring

MSWG's Watchlist

Axiata

Axiata surprised the market this week by announcing its biggest dividend payout to date amounting to 35 sen per share which comprise 70% payout ratio or 23 sen per Axiata share and a one off special dividend of 12 sen per share each for the financial year ended 31 December 2012. In absolute term, this worked out to RM3.0 billion, a two-fold increase that the previous dividend payout of RM1.6 billion in FY 2011. The improved dividend payment was principally made possible due to the robust performance of Axiata's group performance in all key markets that included Malaysia, India, Bangladesh, Indonesia and Sri Lanka.

Bina Goodyear

Bina Goodyear's special audit has come to a completion. In announcement to Bursa, it has informed that findings from the special audit had explicitly found that the Group's financial position had retracted some RM90 million from its earlier statement of financial position in June 2012. The Company's management further announced that it would be seeking legal advice on the next course of action to deal on the matter.

Local News and Developments

MAS expects better first quarter

http://www.btimes.com.my/Current_News/BTIMES/articles/20130226233628/Article/index.html

Global News and Developments

Italian stocks, bonds, dive as vote reignites euro fears

<http://www.morningstar.com/topics/t/71492684/update-4-italy-shares-bonds-slide-on-political-paralysis-fears.htm>

BoE: Monetary easing is no economic panacea

<http://topic.worlds-luxury-guide.com/article/01pobeA9bS9IT?q=Bank+of+England>

Disclosure of Interests

1. With regards to the companies mentioned, MSWG holds a minimum number in all the shares mentioned. The CEO has minimal holdings in MAS.
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Feedback

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