

The Observer

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MESSAGE FROM THE CEO



Happy New Year to everyone. We have some updates on the capital and financial market as well as some company issues.

The first update is SC's recent announcement of the coming into force of the Capital Markets and Services (Amendment) Act 2012 ("CMSA 2012"), and its guidelines which should further encourage market and product innovation and allow more informed investment decisions.

The second is BNM's recent policy on standardising the loan documents of houses of RM500,000 and below. We have yet to see the fine prints, but we hope that this standardisation will address the terms of the loan in a more equitable manner to medium-cost properties of up to RM500,000 especially terms relating to interest, prepayment and penalties, and be drafted in plain language.

There is also another positive development on the disclosure front, where Malaysia-listed REITS are now required by law to have an AGM within four months of their financial year-end. This brings Malaysia closer to Singapore (which mandated AGMs for REITs in 2010) in allowing REIT unitholders to engage with managers and seek clarifications on performance and governance.

On a separate issue, the Board of Tiger Synergy Berhad ("TSB") deferred holding the EGM despite being requisitioned by a certain group of shareholders led by Dato' Sri Mohd Nadzmi Bin Mohd Salleh and Dato Seri Abdul Azim Bin Mohd Zabidi as the Board sought the rationale to remove the entire incumbent Board including Independent Non-Executive Directors ("INED"). While it is not required by the law for requisitionists to state their rationale, it is a "best practice" as it would provide the Board with relevant information as well as other shareholders who may be confused about the issues surrounding the shareholder tussle. We also took effort to initiate coverage on this stock after the media highlighted this issue and MSWG was sought to look into this matter. (Please see below).

On another matter, at Lingui's recent AGM, there was some commotion when the Chairman called for a poll vote after the resolutions proposed for re-election of two independent directors were not carried by show of hands. Shareholders took issue when a poll vote was called for the resolutions including the above to be

carried out retrospectively. Finally, the Board decided that the first two resolutions which were not carried by show of hands remained and effected and only the subsequent resolutions voted by poll (all carried).

The KLCI continues to touch fresh highs during the week and ended today at 1682. There seems to be some positive newsflow in the local front as well as global data seems to be improving with the impending General Elections on the horizon.

Regards...

Rita

REGULATORY UPDATE

STANDARDISED DOCUMENTATION FOR HOUSING LOAN AGREEMENTS

Bank Negara announced on 28 December 2012 that it is mandatory for all commercial banks to adopt standardised documents for housing loans and home financing agreements involving a principal sum of RM500,000 and below from 1 January 2013.

The Association of Banks in Malaysia (ABM) had on 3 January 2013 introduced the standardised template for description of key terms and conditions in respect of housing loan or home financing agreements for individuals involving a principal sum of RM500,000 and below. With effect from 1 January 2013, 13 local commercial banks are required to adopt the standardised template, while 5 other foreign banks are expected to roll out the standardised template by the first quarter.

The standardisation will take the form of a three-part agreement - Parts A, B and C - with only Part A containing the standardised terms. Part A will cover key aspects such as payment and calculation of interest, repayment and pre-payment, conditions precedent, and events and consequences of default.

MSWG'S COMMENTS:

MSWG welcomes the new policy of standardising the housing loan documentations for the benefit of the medium cost property purchasers, as this will not only make such agreements easier for customers to understand contracts terms and their rights and obligations because the documentations will be drafted in plain language, but also remove certain clauses that are unfair to customers. Whilst the standardisation is good and enables every player to be competing on a level playing field, we hope that the terms and conditions especially on methodologies used in the calculation of interest, repayment and pre-payment are more equitable to the borrowers.

MANDATORY AGM FOR REITS

The revised Guidelines on Real Estate Investment Trusts ("REIT Guidelines") requires an AGM to be held within 4 months from the financial year end of a REIT. The revised REIT Guidelines has come into effect from 28 December 2012.

MSWG'S COMMENTS:

MSWG welcomes the revised REIT Guidelines to require REITs to hold AGM. Even though this may incur additional expenses to hold AGM, this will boost corporate governance and the benefit of holding AGM will serve the interest of unit holders and outweigh such expenses. As AGM is the only platform that allows unit holders to engage with REIT managers and seek further enhancements on performance and governance once a year.

AMENDMENTS TO BURSA LISTING REQUIREMENTS IN RELATION TO CORPORATE GOVERNANCE

Recently, Bursa has also amended the Listing Requirements to enhance the corporate governance requirements pursuant to the issuance of the Corporate Governance Blueprint 2011 and the Malaysian Code on Corporate Governance 2012 (MCCG 2012). Briefly, the significant amendments include:

- (i) disclosure of corporate governance statements based on the MCCG 2012 in annual reports;

- (ii) mandating poll voting for related party transactions;
- (iii) limiting the number of directorships in listed issuers from 10 to 5 and removing the restriction on number of directorships in non-listed companies; and
- (iv) mandating the establishment of a nominating committee.

MSWG'S COMMENTS:

We welcome these amendments and we note that the separation of CEO and Chairman is still a best practice as per the Code and not mandatory. We hope that companies will still adhere to this best practice.

OUR TAKE ON ONGOING CORPORATE TRANSACTIONS

TIGER SYNERGY BERHAD (“TSB”)

The Board of TSB had received a letter dated 7 December 2012 and a notice pursuant to Sections 128 and 153 of the Companies Act 1965 (“Act”) dated 7 December 2012, both from Hayat Maya Sdn. Bhd. (“HMSB”) and Syawaras Sdn. Bhd. (“SSB”) to requisition for an EGM to be held, at which resolutions will be proposed to remove the entire existing Board and appoint Dato’ Sri Mohd Nadzmi Bin Mohd Salleh, Dato Seri Abdul Azim Bin Mohd

Zabidi and Abdul Rahim Bin Abdul Rahman as directors of the Company with immediate effect.

The Board had on 26 December 2012 announced that they had deferred calling an EGM to the following month to a date to be fixed, pending a response from HBSB and SSB in relation to the rationale seeking the removal of the entire Board of TSB. The Board also proposed that MSWG look into the issue of its proposed EGM.

MSWG'S COMMENTS:

According to Section 144 (2) of the Act, the requisitionist is only required to state the objective of the EGM, i.e. to remove the entire incumbent Board of TSB and replace them with 3 proposed Directors. The requisitionists can proceed to convene an EGM at the cost of TSB if the Board does not take into consideration to hold an EGM within 21 days after the date of requisitioning.

Section 145 of the Act states that 2 or more shareholders whose combined holdings is not less than 10% of issued shares of a company may call for a meeting.

For corporate governance purposes and for the interest of best practices, it is encouraged that the requisitionists share their intentions on the removal of the entire Board, including Independent Non-Executive Directors as it would clarify to shareholders on the prospects of TSB for their voting decisions.

For the information of the readers, a snapshot financials from the Annual Report of the company is depicted below:

RM	2011	2010	2009	2008	2007	2006
Turnover	38,140,700	10,655,830	11,129,107	23,964,391	55,491,487	62,205,183
(Loss)/Profit before taxation	6,046,443	(7,191,862)	(9,932,424)	(2,134,548)	(646,417)	331,841
(Loss)/Profit after taxation	1,531,764	(7,560,347)	(8,426,846)	(3,897,670)	(793,738)	261,016
Net assets	69,585,945	42,035,182	23,195,529	31,622,375	35,568,451	35,348,784
Earning/(loss) per ordinary share (sen)	0.68	(4.11)	(19.20)	(8.85)	(1.82)	0.59

As for the EGM, MSWG will be attending the meeting.

GOLDEN PLUS HOLDINGS BERHAD (“GPLUS”)

The special audit report on GPlus prepared by PricewaterhouseCoopers Advisory Services (“PwC”) revealed

that lack of clarity in contracts, poorly drafted documents, wrongful disclosure of assets and non-disclosure of related party transactions as among the factors that led to accounting irregularities at the company on FY 2008/2009.

The special audit report also highlights that the assets of GPlus in China, which are central to the company's profitability and sustainability and worth RMB267 million (approximately RM134 million), may not be part of the company's assets. However, the Board argued that there was precedent, which similar to the issue highlighted by PwC, happened before and that the company was initially not granted extension for the right to develop the assets but eventually such extension was secured at a much later date.

MSWG'S COMMENTS:

MSWG has been closely monitoring this case and we note that Bursa had been persistent since 2008 in insisting that a Special Audit be carried out. In 2010, PwC was appointed to conduct the special audit. MSWG too supported the call for the special audit by Bursa.

The relevant authorities should tooth-comb the Special audit report findings released recently on the construction firm which revealed among others that its China assets may not actually be part of the firm's stable of assets.

Action by front-line regulators and law enforcers must be taken expeditiously against those who were responsible for any wrong-doings and those that have breached the law as well as failed to discharge their fiduciary duties

KFC HOLDINGS (MALAYSIA) BERHAD ("KFCH")/ QSR BRANDS BERHAD ("QSR")

The shares of KFCH and QSR were suspended on 2 January 2013 to facilitate capital repayments which indicated that the privatisations are in the final stage. Upon the completion of the privatisation exercise, both shares of KFCH and QSR will be delisted from Bursa Malaysia.

MSWG'S COMMENTS:

Shareholders of both KFCH and QSR are disappointed that one-year value accrued to shareholders in year 2012 was not distributed as dividend in addition to the offer price as the privatisation had taken almost a year. The opportunity cost to the minority shareholders is the dividend stream lost to them in the past one year. We have written officially to the companies to ask for dividends to be paid to shareholders after some complaints received from minority shareholders.

MSWG's Watchlist

TRADEWINDS (M) BERHAD ("TWB")

Perspective Lane (M) Sdn. Bhd. ("PLSB") has offered to conditionally take over the entire shares not already owned by PLSB at an offer price of RM9.30 per TWB share and of RM2.52 per TWB ICULS on 24 December 2012.

The main adviser for the transaction is Maybank Investment Bank Berhad and M&A Securities Sdn. Bhd. is the independent adviser.

The official offer document is expected to be issued by mid-January 2013 and the independent advice circular will be issued by TWB within 10 days after the issuance of the official offer document.

Local News and Developments

Capital market laws amended to drive innovation and promote market efficiency

<http://www.sc.com.my/main.asp?pageid=1237&menuid=&newsid=&linkid=&type=>

<http://www.sc.com.my/main.asp?pageid=379&linkid=3214&yearno=2013&mod=paper>

Boustead: Astacanggih acquisition an opportunity to increase landbank

<http://www.theedgemalaysia.com/business-news/228530-boustead-astacanggih-acquisition-an-opportunity-to-increase-landbank-.html>

Lion Corp gets Bursa nod to list 950m new shares

<http://www.theedgemalaysia.com/business-news/198894-lion-corp-gets-bursa-nod-to-list-950m-new-shares.html>

Kian Joo MD See Teow Chian retires

<http://www.theedgemalaysia.com/business-news/198893-kian-joo-md-see-teow-chian-retires.html>

Frost & Sullivan sees vehicles falling 2.9% to 600,000 units

<http://biz.thestar.com.my/news/story.asp?file=/2013/1/9/business/20130109133708&sec=business>

Global News and Developments

Obama signs bill warding off fiscal cliff

<http://edition.cnn.com/2013/01/02/politics/fiscal-cliff/index.html>

EU jobless total hits fresh record high

<http://edition.cnn.com/2013/01/02/politics/fiscal-cliff/index.html>

Japan economy to recover slowly in 2013, underpinned by 'Abenomics'

<http://www.reuters.com/article/2013/01/09/japan-economy-outlook-idUSL4N0AC6W120130109>

MSWG's Seminar ***One Day Programme on*** ***"Forensic Accounting"*** ***For Non-Executive Directors***

MSWG will be holding a one-day seminar on Forensic Accounting For Non-Executive Directors, on 23rd January 2013 at Centre Of Excellence 1, Mezzanine Floor Hotel Istana Kuala Lumpur.

The risk oversight function of the board of directors has never been more critical and challenging than it is today. In the context of the current global financial crisis and the sliding global economy, companies now face risks that are more complex, interconnected and potentially devastating than ever before.

This one day programme is designed to create awareness among non-executive directors to detect red flags and recognise the area where they need to be more alert before providing their consent in major decision making process. Board of Directors faced an uphill task to inspire some corporate governance standard and to achieve expected goals to meet market expectations.

The course has been designed by a leading expert in this field, Mr. Prabhat Kumar who brings his unparalleled expertise in the domain of occupational fraud investigation. The details of the programme are as follows:

Seminar Details:

Date : 23 January 2013

REGISTRATION FEE : RM 1,000 PER PARTICIPANT

DISCOUNTS :

MSWG Subscribers (30% discount) Group registration of 3 or more (10% discount)

Early bird discount (10% for registration before 15 January 2013)

*No complimentary seats for subscribers

Detailed programme and Registration Form are available at : <http://www.mswg.org.my/web/iep.php>

Register NOW for this exciting and informative event!

MSWG Analysts

Lya Rahman, General Manager, Corporate Services, lyarahman@mswg.org.my

Chong Chee Fern, General Manager, Corporate Monitoring chongcf@mswg.org.my

Rebecca Yap, Head, Corporate Monitoring rebecca.yap@mswg.org.my

Quah Ban Aik, Head, Corporate Monitoring banaik.quah@mswg.org.my

Ng Hoon Ho, Senior Manager, Corporate Monitoring nghh@mswg.org.my

Norhisam Sidek, Manager, Corporate Monitoring norhisam@mswg.org.my

Shahnul Niza Mohd Yusof, Manager, Research shahnul.niza@mswg.org.my

Wong Kin Wing, Analyst, kinwing@mswg.org.my

Nor Khalidah Khalil, Assistant Analyst, Corporate Monitoring khalidah@mswg.org.my

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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

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