



The Observer

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MESSAGE FROM THE CEO



The summary of CG findings based on the Asean CG Scorecard methodology for 2012 shows that Malaysia has increased in the CG Index level to 68.20 compared to 66.9 in 2011 for the top 100 companies. Basically this result shows that the transparency and disclosure of the Malaysian companies have improved. This could be attributed to the increased level of awareness by company directors and management in addition to the new disclosure requirements under the Listing Requirements.

The gap we see can be improved includes the disclosure of the company minutes of meeting in their websites. I hope that our Malaysian companies would pay attention to this. Only one company made such disclosure for 2012. For information of readers, the majority of Thailand companies disclose this voluntarily.

We are now in the midst of assessing companies for the CG Index for year 2013. The findings and Award Ceremony for 2013 is on 12 December 2013.

Separately, in the US, we see that Jamie Dimon has relinquished the title of Chairman of JP Morgan's main bank subsidiary, finally conforming with new internal policies on multiple roles. JP Morgan's new policies dictate that a holding company's chairman cannot also be the chairman of a subsidiary, thus increasing the amount of oversight. JP Morgan may be a useful case study and example for our GLCs and even top corporates.

In the UK, there have been further moves to regulate its financial services industry. Among a raft of reforms being proposed by the Bank of England ("BoE") : the possible removal of bank management if capital planning or governance fall short of required standards, following annual stress tests.

The BoE's proposals come on the heels of news that senior UK bankers face up to seven years in jail if their mismanagement of the business lead to its collapse, under a new "reckless misconduct" offence.

These amendments under its Banking Reform Bill may have been described as "the biggest ever overhaul of the UK banking system", but whether or not they should be adopted here, and to what extent, remains moot.

Regards,

Rita

MALAYSIA'S CG FINDINGS FOR 2012

The Malaysian Corporate Governance Index switched to the ASEAN Corporate Governance (CG) Scorecard ("**Scorecard**") as the primary tool to assess public listed companies in 2012.

The comparable results and findings of Top 100 companies showed that the total average score was 68.20, an improvement from 66.90 achieved in 2011 despite the more onerous and higher expectations in the 2012 Scorecard.

Amongst the key findings, 85% or 424 companies did not provide an explanation on their dividend policy. About 75% had described their sustainability policies and activities. Generally on the disclosure areas, companies' scores ranged between the range of 11% to 14% on areas of risks, corporate objectives, whistle blowing policy and remuneration of CEO and Board. Finally on Board responsibilities, 81% of companies had clearly stated the roles and responsibilities of Board with around 17% having disclosed their Board Charter.

(Please refer to our website for full results at <http://www.mswg.org.my>)

MSWG ANNUAL CORPORATE GOVERNANCE AWARD CEREMONY 2013

MSWG will be having its Annual Corporate Governance Award Ceremony on 12 December 2013 at the Sime Darby Convention Centre, Kuala Lumpur to announce the 2013 findings and results and reward its best.

The assessment is currently in progress and shall be completed by end of November 2013.

CG Awards that will be given are for the following categories :-

- **Top Overall CG** (based on the ASEAN CG Scorecard assessment and Performance Indicators)
- **Top CG Transparency** (solely based on the ASEAN CG Scorecard assessment) for :
 - *Large Cap companies*
 - *Small Cap companies*
- **Industry Excellence**
- **Most Diverse Board**
- **Best AGM Conduct**
- **Best CR**

We will also be introducing the following new award categories :

- **Broker Choice of Companies**
- **Best Chairman**
- **Best CEO**
- **Best Investor Relations**

Readers of this newsletter are also encouraged to write to us to nominate your choice of companies for our consideration. Please address your nomination to vinodth.ram@mswg.org.my

MARKET AND REGULATORY UPDATE

MALAYSIA ECONOMY OUTLOOK

The World Bank in its East Asia Pacific Economic Update Report issued in October 2013 has downgraded its 2013 forecast for Malaysia's GDP growth to 4.3 % from 5.1 % growth forecast made in April 2012. The bulk of the downgrade in the latest forecast comes from the weak performance in the first half (1H) of this year.

The near-term outlook suggests a pickup in growth in the 2H of the year as external demand bottoms out along with increased confidence in the recovery of advanced economies.

The World Bank said the impact of further fiscal consolidation and possibly tighter credit conditions on domestic demand will weigh on growth outlook in 2014 and 2015.

Fiscal policy is expected to remain on track of consolidation through 2015, with the goal of reaching a deficit of 3 percent of GDP. This will require the government to adopt a medium-term perspective for its fiscal policy and a commitment to controlling emoluments and supplies and services, as well as continued efforts to raise non oil tax revenues. Under current baseline assumptions, the deficit is expected to narrow from 4.1 percent in 2013 to 3.6 percent in 2014 and 3.3 percent in 2015. On the external side, the current account surplus is expected to narrow to 3.4 percent of GDP in 2013.

MSWG's QUICK TAKE ON CORPORATE TRANSACTIONS

3 Singapore-listed companies with Malaysian owners witnessed share price plunge – Blumont Group Ltd, Asiasons Capital Ltd and Lion Gold Corp. Ltd

For about a week, the above three companies with mainly mining or mineral-based businesses experienced share price plunge for reasons still unclear. Overall, the three counters had suffered declines in share prices ranging from as high as around S\$1 last week to as low as S\$0.13. The situation was further aggravated when the Singapore Stock Exchange (SGX) declared the three stocks as designated securities on 4 October. According to the SGX Rules, the exchange can designate a security “if, in its opinion, there has been manipulation of the security, excessive speculation in the security, or it is otherwise desirable in the interests of markets established or operated by SGX”.

Designated Security

SGX may declare publicly a listed or quoted security to be a "Designated Security" if, in its opinion, there has been manipulation of the security, excessive speculation in the security, or it is otherwise desirable in the interests of markets established or operated by SGX-ST.

When a security (or counter) is designated, SGX may impose conditions it deems necessary to protect the interest of the market, such as:-

- Sellers of the designated securities can sell the security only if they can show satisfactory evidence that they own sufficient quantities of the designated security either with CDP or other custodians.
- Purchase of designated securities is permitted only when the buyer makes cash payment upfront.
- Short-selling in designated securities is prohibited.
- No new contra trades in designated securities will be permitted. Existing contra trades will be permitted to be sold to clear the position.
- Internet trading will not be permitted for designated securities.

MSWG's COMMENTS:

Many are still wondering and guessing what exactly happened and what caused the share price plunge. Were the 3 counters targets of acute short selling? Was there really manipulation in share prices to have caused the shares to be designated? Or were there acute margin calls and forced selling of shares to spark off further selling and trigger off a chain reaction among the banks that have granted the margin financing? Or was there a serious negative change in fundamentals in these companies to have initiated this “catastrophe”? These are the pertinent questions which will be answered with the passage of time.

Notion VTec Berhad (“Notion”)

Notion is venturing into the silver mining business in Australia, by subscribing for 975 million shares at A\$0.003 each in loss-making Alcyone Resources Ltd, which represents 19.9% of the Australian company's enlarged share capital for A\$4.875m (RM14.7m). Notion VTec is also entitled to a non-executive board seat on Alcyone.

Alcyone is a pure play low cost silver producer based in Queensland. Its Texas Silver project includes the Twin Hills Mine and Mount Gunyan which have commenced silver production in July 2011. It posted a net loss of A\$10.34m on revenue of A\$20.69m for the financial year ended 30 June 2013.

Notion said the subscription would allow it to extend its current expertise of working with metals to explore the possibility of further downstream and value added activities for silver and other metals.

MSWG's COMMENTS:

Although the investment may be a good diversification move by the Company, the Board must be mindful of the potential risks in silver mining which is not the core competency of the Group.

Benalec Holdings Berhad ("Benalec")

The Board of Directors of Benalec announced the termination of the Service Agreements of two of the Executive Directors, namely Datuk Leaw Tua Choon and Datuk Leaw Ah Chye on 7 October 2013.

The Board did not provide any reason for the termination and it mentioned that the above decision will not have any negative impact on the business and operations of the Group.

MSWG's COMMENTS:

The Board should provide the reason(s) for the termination of the two executive directors so that shareholders will know whether the decision taken was in the best interest of the company and the Board is to make known whether these two persons are still directors of the company.

Silver Bird Group Berhad ("SBGB")

The Board of SBGB announced on 7 October 2013 that it had received a notice from the external auditor, Messrs Baker Tilly Monterio Heng ("BTMH") of their intention to resign as the auditors of the Company. There was no reason given on the resignation.

On 9 October 2013, the Board informed that the reason for the auditor's resignation was due to the disagreement to the proposed increase in the audit fees as the Company is facing financial constraints as a result of the restructuring of the Group. The Board is proposing Messrs Wong Weng Foo & Co ("WWF") as the new auditor.

MSWG's COMMENTS:

The Board must take cognisance of the audit fees and not use the excuse of an increase in audit fees to terminate BTMH. The Board must provide the reasons and the amount of the fees increase for the shareholders to evaluate whether the increase is justifiable and reasonable. The Board must ensure the independence of the auditor at all times.

Local News and Developments

Khazanah Nasional invests RM486m in exposure to China environ sector

<http://www.thestar.com.my/Business/Business-News/2013/10/04/Khazanah-Nasional-invests-RM486m-in-exposure-to-China-enviro-sector.aspx>

Moody's says Unico-Desa buy is credit negative for IOI

<http://www.thestar.com.my/Business/Business-News/2013/10/08/UnicoDesa-buy-is-credit-negative-Moodys-says-the-RM1bil-acquisition-will-diminish-IOI-Corps-cash-pos.aspx>

Alcyone Resources lands \$4.87m from Malaysia's Notion VTec Berhad for silver mine in Queensland

<http://www.proactiveinvestors.com.au/companies/news/48850/alcyone-resources-lands-487m-from-malaysias-notion-vtec-berhad-for-silver-mine-in-queensland-48850.html>

Global News and Developments

Jamie Dimon Steps Down As Chairman Of JPMorgan Chase Banking Unit

http://www.huffingtonpost.com/2013/10/04/jamie-dimon-bank-chairman_n_4042917.html

Regulators to have power to eject bank bosses under stress test plans

<http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/10348411/Regulators-to-have-power-to-eject-bank-bosses-under-stress-test-plans.html>

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Feedback

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

DISCLOSURE OF INTERESTS

- *MSWG holds a minimum number of shares in all these companies covered in this newsletter save for Benalec Holdings Berhad*
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