

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

27 March 2015

## MESSAGE FROM MSWG

This week we have seen two interesting EGMs where shareholders participated to decide on their companies. One was Perak Corporation on the acceptance of Tenaga's offer at RM3.25. Second was the rights issue by Airasia X.

We saw Perak Corporation's issue voted via poll at an EGM today with 99% voted in favour of the offer.

As we know, Amin bin Halim Rasip, being a substantial shareholder of Integrax made a conditional counter-offer to Perak Corporation to purchase Integrax shares at RM3.50 per share for 5% out 15.74%. The conditions attached to Amin's offer was that the remaining 10.74% cannot be sold by Perak Corporation for the next 3 years and Amin be given the first right of refusal to purchase the remaining shares. Amin had subsequently requested for the resolution of the EGM to be modified to include whatever disposal of shares by Perak Corporation be not less than RM3.66 per share, among others.

We like to see offers and counter-offers in the capital market as long as they are reasonable and real, within the prevailing laws and not detrimental to minority shareholders. A healthy shareholders' tussle is always welcome.

In this case, disinterested shareholders had decided on the offer based on their assessment on the investment.

As for Airasia X's EGM, shareholders raised many queries on the performance of the company and the reasons for the rights issue. Most of the shareholders wanted to know whether the company could be back in the black and what were the strategies to sustain the company. Despite being concerned, most shareholders accepted explanation from Airasia X's Board and voted for the resolution as they took into account the Board's explanation on the efforts to revive the company within 2 years.

These two EGMs reflected the shareholders active participation and engagement, airing their views which bode well for positive shareholder activism.

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## **MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS**

### ***INTEGRAX BERHAD ("INTEGRAX") / PERAK CORPORATION BERHAD ("PERAK CORP") / TNB NASIONAL BERHAD ("TNB")***

The Board of Perak Corp. announced on 23 March 2015 that they had examined and considered Amin's Offer in its entirety as well as the on-going conditional take-over offer by TNB to acquire the remaining shares in Integrax that TNB has not already owned at RM3.25 each. The Board is of the view that the current TNB Offer is a superior offer after taking into consideration, amongst others, the following (summarised):

- (i) Amin's Offer is for only a 5% equity interest in Integrax and does not provide for the disposal of the entire Perak Corp.'s interest in Integrax.
- (ii) There is a clear strategic risk if Perak Corp. plans to dispose the entire 15.74% equity interest on a piece-meal basis, including the 10.74% equity interest in Integrax, after the completion of the TNB Offer. Trading of Integrax shares is relatively illiquid.
- (iii) The condition for Perak Corp. to retain 10.74% block for a period of 3 years and in the event that Perak Corp. seeks to sell all or part of the 10.74% block, Amin shall be given first right of refusal to purchase such shares, makes the arrangement administratively cumbersome to Perak Corp. and does not serve its interest.
- (iv) The Proposed Disposal of entire equity stake does not tantamount to Perak Corp. exiting from the Lumut Port Operations as its presence in Lumut Port will be maintained via its 50% plus 1 share subsidiary, Lumut Maritime Terminal Sdn Bhd.
- (v) Perak Corp. believes that the Proposed Disposal will not compromise the efforts to renegotiate the terms of the Operation and Maintenance Agreement as well as the renewal of the same upon the expiry date.
- (vi) Amin's Offer is not an offer which is backed by any bank guarantee or cash deposit for the total purchase price of the Offer and the Board is of the view that if the Offer is accepted, it is not ready for immediate completion.

Premised on the above, the Board has resolved to reject Amin's Offer.

*[Source: Perak Corp.'s announcement on Bursa Malaysia's website on 23 March 2015]*

#### **MSWG'S COMMENTS:**

It is not unexpected that Perak Corp.'s Board had resolved to reject Amin's offer based on the reasons given. The condition of retaining the 10.74% block for 3 years would pose elements of uncertainties as regards the market price by then and the liquidity of the shares.

At the time of writing, the poll vote on whether the resolution to accept the offer of TNB at RM3.25 will be voted upon. Minority shareholders will make the decision after hearing the merit of the case at the EGM. Even if the resolution to accept TNB's Offer of RM3.25 per Integrax share were to be carried, there is no assurance that TNB's conditional take-over offer would be successful as TNB has to hold in total more than 50% of Integrax's issued and paid-up share capital by the Offer's closing date which is only a few days away on 31 March 2015. As at the latest, Perak Corp.'s stake of 15.74% together with TNB's stake of approximately 25% (not including any acceptances received) constitutes approximately 40.74%, about 10% short from the required threshold of 50%.

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In the final analysis, minority shareholders would have to make an informed decision on whether to accept or reject the Offer based on their respective risk-reward profiles, taking into account their investment horizons.

#### **AIRASIA X BERHAD (“AIRASIA X”)**

Airasia X announced that at the EGM of AirAsia X held on 27 March 2015, all the Ordinary and Special resolutions as set out in the Notice of EGM contained in the Circular to Shareholders dated 5 March 2015 were duly passed by the shareholders of the company.

*[Source: Airasia X’s announcement on Bursa Malaysia’s website on 27 March 2015]*

#### **MSWG’S COMMENTS:**

At the EGM, shareholders sought explanation on the reasons why Airasia X suffered huge losses and what actions have been taken by the Board to mitigate these losses. The Chairman, Tan Sri Dr. Tony Fernandes and Datuk Kamarudin, the Group Chief Executive Officer explained the reasons attributed to the heavy losses. They also stated that the weakening of RM against US Dollar had further impacted Airasia X’s bottom-line.

The Board had changed the CEO and had instituted cost cutting measures, routes rationalisation, increasing staff productivity, etc. that would help to turnaround Airasia X.

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#### **MSWG’S WATCHLIST**

##### **HUNZA PROPERTIES BERHAD (“HUNZA”)**

The Board of Directors of Hunza announced on 20 March 2015 that the Board had received a letter from Khor Teng Tong Holdings Sdn Bhd, a major shareholder of Hunza, requesting for Hunza to undertake a selective capital reduction and repayment exercise under Section 64 of the Act (“SCR Offer Letter”). The entitled shareholders will receive a total capital repayment of RM230,723,303, which represents a cash amount of RM2.50 for each existing Hunza share held by the entitled shareholders.

The Board, save for the interested Directors will deliberate on the Proposed SCR and decide on the next course of action. Accordingly, a further announcement will be made in due course.

*[Source: Hunza’s announcement on Bursa Malaysia’s website on 20 March 2015]*

##### **MUDAJAYA GROUP BERHAD (“MUDAJAYA”)**

The Board of Mudajaya had instructed an internal management working group (“Work Group”) to conduct a comprehensive review of additional costs incurred on a specific project undertaken by the Group which was included in the Group’s 4th Quarter, 2014 results announced on 27th February 2015.

The Work Group in its report to the Board on 19th March 2015 revealed an isolated case of irregular transactions in one project involving one former employee of the Group. Based on the findings, the

Board emphasises firmly that all financial impact to the Group has been adequately accounted for in the 4th Quarter, 2014 results, i.e. no further provisions for costs are required beyond what was reported. There is also no impact on the operational performance of the project or to other projects undertaken by the Group, nor to any of our customers, suppliers or partners.

The Board has engaged an international audit firm and legal consultants to validate the findings of the Work Group. There is no change in the Group's operations and it is business as usual with our customers and stakeholders.

*[Source: Mudajaya's announcement on Bursa Malaysia's website on 20 March 2015]*

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## LOCAL NEWS AND DEVELOPMENTS

Hunza to be taken private

<http://www.thestar.com.my/Business/Business-News/2015/03/21/Hunza-to-be-taken-private/?style=biz>

February inflation grows 0.1pc year-on-year

<http://www.nst.com.my/node/77345>

Investigative audits common among listed companies

<http://www.thestar.com.my/Business/Business-News/2015/03/21/Investigative-audits-common-among-listed-companies/?style=biz>

Malakoff set to make a comeback

<http://www.thestar.com.my/Business/Business-News/2015/03/21/Malakoff-set-to-make-a-comeback/?style=biz>

Minister: Possible downgrade of Malaysia by Fitch not reflective of fundamentals

<http://www.thestar.com.my/Business/Business-News/2015/03/20/Minister-Possible-downgrade-not-reflective-of-fundamentals/?style=biz>

Suria says it won't bear capital outlay in JV

<http://www.thestar.com.my/Business/Business-News/2015/03/20/Suria-says-it-wont-bear-capital-outlay-in-JV/?style=biz>

Tanjung Offshore files injunction to stop EGM

<http://www.theedgemarkets.com/my/article/tanjung-offshore-files-injunction-stop-egm?type=Markets>

Interest rates accommodative for now: Zeti

<http://www.nst.com.my/node/77422>

Parkson says fundamentals intact, as share price plunges

<http://www.thesundaily.my/news/1362172>

Consumer Price Index Malaysia February 2015

[http://www.statistics.gov.my/portal/index.php?option=com\\_content&view=article&id=2658&lang=en](http://www.statistics.gov.my/portal/index.php?option=com_content&view=article&id=2658&lang=en)

New MAS CEO to take charge earlier on May 1

<http://www.themalaymailonline.com/money/article/new-mas-ceo-to-take-charge-earlier-on-may-1>

Masterskill's Siva sells all his shares to SMRT

<http://www.theedgemarkets.com/my/article/masterskills-siva-sells-all-his-shares-smrt?type=Markets>

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## GLOBAL NEWS AND DEVELOPMENTS

Singapore's first Prime Minister Lee Kuan Yew dies aged 91

<http://www.channelnewsasia.com/news/singapore/singapore-s-first-prime/1720740.html>

Abe-Kuroda honeymoon soured by fiscal friction

<http://www.reuters.com/article/2015/03/22/us-japan-economy-insight-idUSKBNOMI00F20150322>

China Studies Relaxing Limits on Individuals Investing Overseas

<http://www.bloomberg.com/news/articles/2015-03-21/pboc-s-yi-says-china-may-ease-fx-exchange-limits-for-individuals>

U.S. Looks to Work With China-Led Asian Infrastructure Investment Bank

<http://www.wsj.com/articles/u-s-to-look-collaboration-with-china-led-asian-infrastructure-investment-bank-1427057486>

At least 35 countries to join China-led Asian infrastructure bank: interim chief

<http://www.reuters.com/article/2015/03/22/us-china-aiib-idUSKBNOMI0AI20150322>

China to curb risks from short-term local debt: vice finance minister

<http://www.reuters.com/article/2015/03/21/us-china-economy-debt-idUSKBNOMH05520150321>

Indian regulator eases rules for banks to convert bad loans to equity

<http://www.reuters.com/article/2015/03/22/us-india-regulator-idUSKBNOMI0FD20150322>

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### DISCLOSURE OF INTERESTS

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter save for Airasia X Berhad.*
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## Feedback

We welcome your feedback on our newsletter and our work. Email us at [mswg.ceo@mswg.org.my](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

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