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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

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## MESSAGE FROM THE CEO



I have just returned from the International Corporate Governance Network (ICGN) Annual Conference in Paris, where the new global corporate governance landscape was discussed and debated by several hundred international institutional investors and corporate governance advocates. During the conference, I had an opportunity to speak on corporate governance from the Asian perspective (with a focus on Malaysia), as well as moderate an international panel of institutional investors and corporate representatives on opportunities and threats to minority shareholder rights. In doing so, I noted that the

challenges to improving corporate governance and minority shareholder rights in Malaysia are similar to those faced in countries around the globe. In an interesting note, a vast majority of audience members polled electronically after the panel session agreed that minority shareholders would derive benefit from voting on a “minority slate” of candidates at board elections. Audience members also overwhelmingly agreed that all Independent Directors on the boards of public listed companies should be professionally licensed to serve in the best interest of the company.

Other key themes explored during the ICGN Conference included the role of boards in managing risk to optimize company and shareholder value over time, and the collective role that minority investors of all stripes must play through active share ownership and shareholder activism to prevent corporate and regulatory gaps and lapses from creating future economic crises.

Back home on Malaysian turf, weak market conditions have seen the recent announcement of several de-listing exercises. It is disheartening to note that major shareholders at some companies are taking the opportunity to buy back assets on the cheap without providing minorities with opportunities to benefit financially to the same degree in their own right. It is our expectation that major shareholders see fit to offer an attractive premium so that minorities are incentivised to agree to the offer. This would include opening up offers to competing bids that might provide more attractive prices.

*Cheers!*

*Rita Benoy Bushon*

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## Rita In The News

[Sime-E&O deal — what about minority shareholders?](#)

<http://biz.thestar.com.my/news/story.asp?file=/2011/9/8/business/9443453&sec=business> Local news and

developments

**[Are minority shareholders being given the full picture of MAS-AirAsia collaboration?](http://biz.thestar.com.my/news/story.asp?sec=business&file=/2011/9/7/business/9431799)**

<http://biz.thestar.com.my/news/story.asp?sec=business&file=/2011/9/7/business/9431799>

**[Your 10 questions with Rita Benoy Bushon](http://biz.thestar.com.my/news/story.asp?file=/2011/9/3/business/9394544&sec=business)**

<http://biz.thestar.com.my/news/story.asp?file=/2011/9/3/business/9394544&sec=business>

## MSWG's Quick Take on Ongoing Corporate Transactions

**BANDAR RAYA DEVELOPMENTS BHD (BRDB):** Datuk Mohamed Moiz Jabir Mohamed Ali Moiz, chairman of BRDB, has proposed to buy Bangsar Shopping Centre, Menara BRDB, CapSquare Retail Centre and Permas Jusco Mall, for a consideration of RM914 million (RM430 million in cash, and RM484 million in net liabilities assumed by the buyer) from BRDB. The BRDB Board of Directors earlier this week accepted the offer, which was made through Ambang Sehati Sdn Bhd which holds 18.88 per cent of BRDB. The offer must now be put to the shareholders for their consideration. The properties are valued at RM942.37 million based on BRDB's latest annual report.

**MSWG's COMMENT:** *Minority shareholders will need to look at the following pros and cons, and consider the following questions in deciding whether to vote for or against the proposed disposal, including -*

- *The payment of a cash dividend of 80 sen per share resulting from the sale*
- *Savings in interest costs for the company versus the loss of future stable rental earnings*
- *The opportunity to generate cash from the sale of undervalued assets and put it to more efficient use in other areas of the Company*
- *The gain through the immediate sale of the properties versus returns from the properties over the longer term*
- *Will the Company consider open bids on the disposal to see if a better price can be had?*
- *Is the occupancy rate assumption used by the Independent Valuer in the calculation of the indicative value of two of the properties reasonable?*
- *Will warrant holders suffer a loss due to the adjustment to be made to the share price of the mother shares for the dividend payout?*
- *Given the apparent value of the properties, will the Company consider getting a second opinion on their value from other Independent Valuers?*

*In addition, BRDB's largest shareholder as at 25 April 2011 was a Nominee Account for Credit Suisse, which held 23.6% of BRDB's total issued shares. The authorities need to determine the ultimate shareholder of this Nominee Account and whether this block of shares is held by a related party.*

*Our full commentaries on the proposed disposal of the properties are available for download from [our website](http://www.mswg.org.my/web/page.php?pid=54&menu=sub) at <http://www.mswg.org.my/web/page.php?pid=54&menu=sub>.*

*We would like all minority shareholders to consider the pros and cons of the disposal before voting on a resolution at the EGM, and we urge all minority shareholders to ensure that they exercise their rights as owners by voting.*

**PAN MALAYSIAN INDUSTRIES BHD (PMI):** The Board of Directors of PMI announced on 26 August that Soo Lay Holdings Sdn Bhd, Norcross Ltd and Cherubim

Investment (HK) Ltd have made an unconditional take-over offer for the remaining 558 million shares (a 44.17 percent stake) in PMI not already owned by them at a cash offer price of 4.5 sen per share. The Board also said the offerors are not seeking any others for the shares. In compliance with the Takeover Code, HwangDBS Investment Bank Bhd has been appointed as the Independent Adviser to advise the Board and the company's shareholders.

**MSWG's COMMENT:** *We are concerned that the offer inadequately values PMI, and that any buyout offer should also be thrown open, since a more attractive offer may result from other interested parties aside from the major shareholders. The move to offer the remaining 558 million shares at 4.5 sen per share is attractive for the controlling shareholder to indirectly consolidate his interests in Malayan United Industries Bhd. PMI's stock price has been hovering between 4.5 and 5 sen for the past one month since its announcement. It is important to note that earlier this year the counter had risen as high as 7 sen and, at the point of the 26 August offer, it was trading at 4.5 sen. Trends in past takeover exercises have seen a premium of 20 to 30 percent offered.*

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## On MSWG's Watchlist...

**DXN:** On 5 September, DXN's Board of Directors announced that it received notice of a conditional take-over offer from Hong Leong Investment Bank Bhd, on behalf of Deras Capital Sdn Bhd, DXN Group Sdn Bhd, Temasek Sejati Sdn Bhd, Lim Boon Yee and Lim Yew Lin. The offer is to acquire all the remaining ordinary shares not already owned by them for a cash offer price of RM1.75 per share. The Board also added that it is not seeking an alternative offer, and the appointment of the Independent Adviser is subject to the approval of the Securities Commission.

**FUTUTECH:** On 7 September, the Board of Directors of Fututech said it received notice of an unconditional take-over offer from Egovision Sdn Bhd to buy all the remaining 44,467,226 Fututech Shares (representing about 49.01 percent of Fututech's issued and paid-up share capital) not already owned by Egovision at a cash consideration of 50 sen per share. The offer also includes the purchase of all the remaining 18,589,448 warrants not already held that have not been converted into Fututech Shares at a cash consideration of 9 sen per offer warrant. Fututech's Board also said it does not intend to seek an alternative offer.

**SIME-E&O:** MSWG is also watching developments in Sime Darby's RM2.30 per share offer for E&O Bhd with great interest. To recap, Sime announced at the end of August its plan to buy a 30 percent stake in E&O from three major shareholders Datuk Terry Tham Ka Hon, Tan Sri Wan Azmi Wan Hamzah and GK Goh Holdings Ltd, at a 60 percent premium on the market price but with no general offer for the rest of the shares. The Malaysian Code on Takeovers and Mergers provides discretionary instances where a Mandatory General Offer may be triggered despite the 33 percent shareholding threshold not having been breached, if sufficient control and voting power passes to the acquiror. The case is under review by the Securities Commission.

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## Local News and Developments

### [Maybank pledges corporate integrity](http://www.thesundaily.my/news/145568)

<http://www.thesundaily.my/news/145568>

### [Work, not politick – Musa](http://www.theborneopost.com/2011/09/16/work-not-politick-musa/)

<http://www.theborneopost.com/2011/09/16/work-not-politick-musa/>

### [Penang seeks to be less dependent on manufacturing](http://www.theedgemaalaysia.com/highlights/192944-penang-seeks-to-be-less-dependent-)

<http://www.theedgemaalaysia.com/highlights/192944-penang-seeks-to-be-less-dependent->

on-manufacturing.html

**Major advantages need major caution**

<http://biz.thestar.com.my/news/story.asp?file=/2011/9/10/business/9456422&sec=business>

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## Global News and Developments

**How Good Corporate Governance Benefits Shareholders**

<http://news.morningstar.com/articlenet/article.aspx?id=394708>

**CEO careers: A case of rinse and repeat?**

<http://management.fortune.cnn.com/2011/09/16/ceo-careers-a-case-of-rinse-and-repeat/>

**The doofus factor: How can you tell a good board of directors from a bad one?**

<http://www.economist.com/node/21529101>

**Company directors getting older - fewer age limits**

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/09/15/BU3M1L4T4N.DTL>

**(In Singapore) More independent directors needed under proposed code revision**

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1153164/1/.html>

**Singapore Exchange: SGX Enhanced Listing Rules to Strengthen Corporate Governance Practice**

<http://www.4-traders.com/SINGAPORE-EXCHANGE-6491511/news/SINGAPORE-EXCHANGE-SGX-Enhanced-Listing-Rules-to-Strengthen-Corporate-Governance-Practice-13796451/>

**Does Corporate Governance Matter? A Review Of A New Book By David Larcker and Brian Tayan**

<http://www.forbes.com/sites/francinemckenna/2011/09/13/does-corporate-governance-matter-a-review-of-a-new-book-by-david-larcker-and-brian-tayan/>

**(Dutch pension fund manager) APG updates governance codes**

<http://www.globalpensions.com/global-pensions/news/2108403/apg-updates-governance-codes>

**Analysis: Family ownership drags on Mexico's equity market**

<http://www.reuters.com/article/2011/09/09/businesspro-us-mexico-companies-idUSTRE7886G720110909>

**Corporate Governance Gets Greener**

<http://www.fool.com/investing/general/2011/09/07/corporate-governance-gets-greener.aspx>

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## Feedback

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