

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

## MESSAGE FROM THE CEO



The new year has begun in earnest and already there are a number of hugely interesting developments. One of the biggest is the fact that Malaysia might soon be moving to a zero par-value regime, under proposed changes to the new Companies Bill.

Not only will this align Malaysia with many other developed markets, it will also give a number of listed companies additional and much-needed options to raise capital, if their shares are currently trading below par value. However, moving to a zero par value regime will be a massive task, requiring stakeholder approvals and legislative changes in order to make the transition a smooth one. Thus all capital market players must ensure that they are aware of such changes to effect it.

The new Companies Bill, if passed, will also give shareholders the right to approve the total remuneration package of directors in the annual meetings compared with what is currently being practised where only the fees (which comprise a small percent of the total emoluments in most cases) are tabled for approval by shareholders.

In relation to this, there was a recent KPMG Study jointly with Audit Committee Institute Malaysia on remuneration of Non-Executive Directors (NEDs). According to the study, the remuneration of NEDs has increased by 37% for top 300 listed companies by market cap. Our findings under the Malaysia-ASEAN Corporate Governance Report 2013 echoed the above findings which saw the average annual remuneration of NEDs increased by 28% over 5 years since 2009 for 800-odd listed companies. For information of readers, from our study, the highest was also in the finance sector averaging RM 200k per annum or RM16.5k per month similar to the KPMG Study.

It was also stated in KPMG's Study that given the increasing burden on the NEDs, they ought to be reasonably and adequately compensated. We too share the same view considering that their obligations and responsibilities are onerous where NEDs had been taken to task by regulators before. However, saying that, we should not throw caution to the winds on any excessive remuneration which may compromise or impede the independence of independent directors.

On the overseas front, the U.S. investment bank, JPMorgan Chase has agreed to pay \$1.7 billion in federal claims for its role as principal banker in Bernie Madoff's \$65-billion Ponzi scheme, where as a result of ignoring numerous warning signs, the scheme's investors suffered large financial losses. However, the settlement is quite unique since a key feature is the 'deferred prosecution agreement', which requires JP Morgan to acknowledge failures in its protections against money laundering in return

for the U.S. Department of Justice agreeing to not charge the bank criminally for two years while it reforms its policies and practices.

This is in addition to the \$13 billion payment to settle claims related to its activities in the US mortgage market before the crash of 2008, separate from \$23 billion the bank has set aside to settle other disputes related to mortgage bonds that have yet to be filed. The total fines thus exceeded the entire 2012 net profits of \$21.3 billion earned by the NYSE-listed JPMorgan Chase and Co.

Regards,

Rita

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## **MARKET AND REGULATORY UPDATE**

### ***ABOLISHMENT OF PAR VALUE OF SHARES***

The new Companies Bill, expected to be passed into law this year, is proposing a move to a no-par-value (NPV) share regime.

Removing the so-called ‘nominal value’ (also known as "par value") system will align Malaysia with other global markets, which have adopted a mandatory system of no-par for all local companies having a share capital. ‘Par value’ has traditionally accorded a company’s stock the minimum price at which they can be issued.

#### **MSWG’S COMMENTS:**

It is said that the current system not only deviates from the original purpose of protecting creditors and shareholders, it might even be misleading because par value no longer necessarily offers a realistic indication of the real value of a company’s shares.

Hence, it is said that a zero par system gives companies greater flexibility in structuring their share capital and creates an environment with greater clarity and simplicity. Jurisdictions that have adopted mandatory no-par value shares include Australia, New Zealand and Singapore.

### ***AMENDS TIMEFRAME FOR ISSUANCE OF ANNUAL REPORTS BY PUBLIC LISTED COMPANIES (“PLCS”)***

Following the review undertaken by a taskforce established under the Corporate Governance Blueprint 2011, and the public consultation paper issued on 31 May 2013, Bursa Malaysia had on 27 December 2013 announced a new listing requirement to shorten the timeframe for the issuance of Annual Reports.

According to the new listing rule, PLCs are required to issue their annual reports for financial year ending on or after 31 December 2014, within 5 months from the close of the financial year. Following that, annual reports for financial year ending on or after 31 December 2015 must be issued within 4 months from the close of the financial year.

**MSWG'S COMMENTS:**

We welcome this new listing rule which improves timely disclosure of operational and financial information on PLCs for the information of shareholders and potential investors.

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

***HELP INTERNATIONAL CORPORATION BERHAD ("HICB")***

The Independent Adviser ("IA"), Public Investment Bank had expressed the views that the privatisation offer was fair and reasonable. In the Independent Advice Circular ("IAC") dated 6 January 2014, the IA advised minority shareholders to accept the offer at RM2.53 which is within the range of the sum-of-part-analysis fair valuation of RM2.30 to RM2.58.

In addition, the offer price is above the highest traded share price of HICB shares for the past 12 months, and also represents premiums ranging from 10.77% to 25.25% to the 5-day, 1-month, 3-month, 6-month and 1-year volume weighted average price of HICB shares.

**MSWG's COMMENTS:**

Given that both IA and independent directors of HICB had stated their views that the offer was fair and reasonable, it would be likely that the offer would be well accepted by shareholders of HICB. Disinterested shareholders of HICB should note that it is not the intention of the offeror to maintain the listing status of HICB should the offeror hold more than 75% of the listed shares of HICB. They should study the IAC properly and make informed decisions based on their respective risk-return profiles.

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**MSWG's WATCHLIST**

***BREM HOLDING BERHAD ("BREM HOLDING")***

Bursa Malaysia had on 30 December 2013 issued an "Unusual Market Activity" ("UMA") query to Brem Holding due to the limit-up in the company's share price recently.

The Board of Directors of Brem Holding confirmed they were not aware of any corporate development, rumour or report concerning the business and affair of the Group and any other possible explanation that may have contributed to the unusual market activity.

In relation to an article in the media on the company, the Board also informed that the contents of the article including the valuation of the Group's land bank and possible bonus shares issue were purely the writer's personal opinion, and the analysis and prediction were not in any way represented the opinion of the Company and was never a representation of the Company.

As at 31 December 2013, the share price of Brem Holding had appreciated by 63% to RM2 from RM1.23 since 3 December 2013.

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## LOCAL NEWS AND DEVELOPMENTS

AIG M'sia sees good potential in relatively untapped segment

<http://www.thestar.com.my/Business/Business-News/2014/01/06/Insurer-sees-good-potential-in-relatively-untapped-segment/>

Bursa to cut time frame for annual reports

<http://www.btimes.com.my/articles/burzas/Article/>

BNM warns on bitcoin risks

<http://www.theedgemaalaysia.com/business-news/270010-bnm-warns-on-bitcoin-risks.html>

Public Bank to merge local, foreign shares

<http://www.thesundaily.my/news/920697>

IOI Prop in the limelight before listing

<http://my.news.yahoo.com/ioi-prop-limelight-listing-052107276--sector.html>

NAP incentives for global carmakers

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/20140108003650/Article/index\\_html](http://www.btimes.com.my/Current_News/BTIMES/articles/20140108003650/Article/index_html)

FGV's Pontian files RM29m suit against 12 ex directors

<http://www.thestar.com.my/Business/Business-News/2014/01/07/FGV-Pontian-files-RM29m-suit-against-12-ex-directors/>

KLIA2 now 98% completed

<http://www.thestar.com.my/News/Nation/2014/01/08/KLIA2-now-98-completed-New-terminal-due-to-open-on-May-2-says-Hishammuddin/>

Dividend yield lowest in five years; loses appeal amid current market rally

<http://www.thestar.com.my/Business/Business-News/2014/01/08/Yield-play-loses-appeal-amid-current-market-rally/>

No-par-value regime to create bonus issues galore

<http://www.focusmalaysia.my/Mainstream/No-par-value-regime-to-create-bonus-issues-galore>

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## GLOBAL NEWS AND DEVELOPMENTS

Treasury Yields Climb to Highest Since 2011 as Tapering to Begin

<http://www.bloomberg.com/news/2014-01-04/treasury-yields-climb-to-highest-since-2011-as-tapering-to-begin.html>

HSBC China services PMI falls to lowest since August 2011

<http://www.scmp.com/business/economy/article/1398898/hsbc-china-services-pmi-falls-lowest-august-2011>

JPMorgan nears \$2 billion settlement in a case tied to Madoff: NYT

<http://www.reuters.com/article/2014/01/06/us-jpmorgan-madoff-settlement-idUSBREA0502T20140106>

Europe set to ease reform on bank splits

<http://www.focus-fen.net/index.php?id=n323010>

Microsoft close to naming CEO, Ford's Mulally stays put  
<http://www.reuters.com/article/2014/01/08/us-autos-ford-ceo-idUSBREA061AJ20140108>

2014's Top Political Risks  
<http://gulftoday.ae/portal/d7790820-530a-4bdf-9ca2-80e7fbad2a01.aspx>

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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.*
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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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**ENDS./**