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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



The recent spate of privatisation and buyout efforts (Golden Frontier, Lingui, Glenealy, Proton and SP Setia) once again gives us a platform to remind the respective offerors and their advisers to always bear the minority shareholder in mind when setting the terms of their offer.

With greater public consciousness of shareholder rights and the proactive work of regulatory and market regulatory bodies (including ourselves), there has never been a better time to mutually improve our framework.

It is patently obvious that we are operating in a period of ever-growing financial regulation and evolving (and stricter) rules of governance. And why not -- we want to prevent the failures of the past from re-occurring.

We seem to be on the right path, as the recent examples of disclosures at DBE Gurney Bhd and The Media Shoppe Bhd demonstrate, though only upon UMAs being issued.

Other examples exist. We also applaud Telekom Malaysia for forging an integrity pact with the Malaysian Anti-Corruption Commission (MACC), in the process becoming the first GLC to do so in an effort to enhance corporate integrity. MACC chief commissioner Datuk Seri Abu Kassim Mohamed said the pact was an agreement between the government or a government department and all bidders for a public contract to prevent corruption and collusion in public contracting.

Fact: equity markets remain among the most attractive forms of investment. Thus far, they are tax free, liquid - in the sense that you can enter or leave the investment at any time - and perhaps best of all, you can invest in good management, thus alleviating yourself of the headache of managing the company.

Fact: companies with stronger corporate governance policies are viewed as safer investments to shareholders over the long term.

From February onwards, we will be publishing **The Observer** e-newsletter on a weekly basis, to update minority shareholders on market happenings, as well as providing quick updates on sectoral events. We wish to hear from you if there are any other topics that you would like us to cover.

I personally hope that the year of the water dragon will bring us added cheer. With so many uncertainties on the global landscape, we hope that the water dragon will be merciful and shower luck upon us.

Kong Hee Fatt Choy!

Rita Benoy Bushon

MSWG's Quick Take on Ongoing Corporate Transactions

SP SETIA BERHAD (SPSETIA): Subsequent to the original offer made by Permodalan Nasional Berhad (PNB) on 28 September 2011, SP Setia Berhad president and chief executive officer, Tan Sri Liew Kee Sin (LKS) together with PNB will be the joint offeror in a revised proposed takeover of SP Setia Berhad. The offer prices for each mother share and its warrant have been revised to RM3.95 and RM 0.96, from RM3.90 and RM0.91. This is an increment of 1.3% and 5.5% respectively.

MSWG's COMMENT: *The original offer by PNB was unanimously rejected by the Board (except for interested directors) led by LKS, as the offer was deemed "fundamentally undervalued". The property developer said it would seek rival bidders. Does the Board consider the revised, lightly adjusted offer prices fair given that: 1) it deemed the previous offer "fundamentally undervalued", and 2) the Bursa Malaysia Properties Index closed at 839.06 points on the date the original offer was received and has since appreciated 21% to close at 1012.48 points on the day the revised offer was received?*

KULIM (MALAYSIA) BERHAD (KULIM) / QSR BRANDS BHD (QSR) / KFC HOLDINGS (MALAYSIA) BHD (KFC): The Board of Kulim rejected the offer from Dewan Perniagaan Melayu Malaysia (DPMM) to acquire all the QSR shares held by KULIM at RM6.90 per share, as the Board had no intention to dispose of the QSR shares. It was reported that after the rejection, DPMM was looking to buy a 23% stake in KFC held by Lembaga Tabung Haji (LTH) by offering RM4.10 per share, 10 sen higher than the offer made by Massive Equity Sdn Bhd (MESB).

MSWG's COMMENT: *As the offers by MESB to acquire all the shares in QSR and KFC not owned by the interested parties require at least 75% approval of non-interested shareholders voting at the general meetings, the 23% stake in KFC held by LTH is very crucial in fulfilling the conditions necessary to make the offers unconditional. The privatisations of QSR and KFC would not go through without the supporting votes of the holder of the 23% stake in KFC.*

Golden Frontier Bhd (GFB): On 27 January 2012, Golden Frontier Bhd received a conditional offer from Frontier Equity Sdn Bhd to acquire all the remaining shares of the company at an offer price of RM1.50 per share. The offer is conditional upon it having been validly accepted by the holders of not less than nine-tenths of the offer shares, excluding those already held by Frontier Equity and persons acting in concert with them. Further, Frontier Equity does not intend to maintain the listing status in the event that the 90% acceptance threshold is achieved. Nevertheless, Frontier Equity reserves the right to revise the 90% acceptance condition to a lower acceptance level but to not less than 50% of the voting shares in Golden Frontier Bhd.

MSWG's COMMENT: *The major shareholder, is offering to acquire GFB via the takeover route in the Mergers and Takeovers Code, which requires a 90% approval level. The offer price is RM1.50 per share while the NA are RM2.25 per share. GFB is cash rich, thus the offeror will - theoretically - not have to fork out any money for the company. This is a very sweet deal for the majority shareholder yet minority shareholders are only being returned the cash that exists in the company.*

Lingui Developments Berhad (Lingui) / Glenealy Plantations (Malaya) Berhad (Gnealy): Samling Strategic Corporation (SSC) has made an offer to privatise Hong Kong-listed Samling Global Limited (SGL). In turn, SGL would privatise Lingui and Glenealy at indicative offer prices of RM1.63 and RM7.50 per share. However, it should be noted that the offer prices are only indicative, non-binding and may be subject to variation. Both Lingui and Glenealy advised the companies' shareholders and potential investors to exercise caution when dealing in the companies' shares as there is no certainty that the proposals may proceed or may result in a binding agreement.

MSWG's COMMENT: *The major shareholders own a 60.26% stake in SGL. SGL owns a 67.23% stake in Lingui, while SSC holds a significant stake in Glenealy via its own 15.36% direct stake in Glenealy and Lingui's 38.33% stake. As at Q1 ended 30 September 2011, Lingui's net assets (NA) per share were RM2.47, while Glenealy's NA per share were RM5.28. Thus, the indicative offer prices of RM1.63 and RM7.50 represent a discount of 34% and a premium of 42%. It is worth noting that Lingui registered a loss before tax of RM30.0 million in Q1, and that Glenealy does not have a policy of revaluing its landed properties which were mainly comprised of oil palm estate.*

Tebrau Teguh Berhad (TEBRAU): Iskandar Waterfront Holdings Sdn Bhd, which is owned by Credence Resources Sdn Bhd and Kumpulan Prasarana Rakyat Johor Sdn Bhd (KPRJ), is buying a 33.15% stake in Tebrau Teguh Bhd from its major shareholder KPRJ for 76 sen per share, triggering a mandatory general offer for the rest of the stock. Under the terms of the offer, the parties are to enter into definitive agreements on or before 29 April 2012 concerning the proposed acquisition.

MSWG's COMMENT: *The offer price is just one sen higher than the pre-suspension price of 75 sen a share. The offer comes with Tebrau having just been appointed by the Johor state government as the developer for 167.13ha in Pengerang, Kota Tinggi, Johor. The land, within the Johor oil and gas industry hub, offers vast potential upside as it is to be developed into a mixed development, complementing Petronas' proposed RM60 billion integrated refinery and petrochemical complex. In its 2010 Annual Report, Tebrau reported that the company owned 413.5ha of land for residential and commercial development. Limited information was disclosed regarding the location of the land, however it was last valued at RM591.9 million in year 2003. As part of the take-over, an Independent Adviser would need to provide an opinion based on the revaluation of the land. As the land has not been valued since 2003, its current value may be substantial..*

Mulpha International Bhd (MULPHA): The Securities Commission (SC) has reprimanded Mulpha International Bhd's board of directors for failure to ensure that information in a 2010 prospectus was disclosed in "a full and true manner". The SC described the misconduct as a failure to ensure the final basis of allocation of excess rights shares was consistent with the basis disclosed in Mulpha's abridged prospectus on Feb 24, 2010. It was reported that the Board would write to the regulator for further clarification, before considering its next course of action, which may include an appeal.

MSWG's COMMENT: *Shareholders would certainly welcome SC's monitoring and enforcement action to ensure that requirements are met. The timeliness of such action would further enhance its effectiveness.*

RHB Capital Bhd (RHB) / OSK Holdings Bhd (OSK): The merger between RHB/OSK is pending approval from the relevant authorities.

MSWG's COMMENT: *Notwithstanding some positive impacts to be derived from the merged entities, one important aspect is the ability of the parties to integrate the mindset of a retail-based*

stockbroking company with an institutional player like RHB. The question is whether the retail outfit can fit well and provide synergistic value to complement and take the RHB Group further.

Sector Briefs - Banking

Bank Negara (BNM) had on 30 January 2012 announced its first liberalisation measures under the Financial Sector Blueprint (FSB) launched in December 2011. The liberalization of foreign currency trading and ringgit-denominated interest rate derivatives is part of the measures introduced by Bank Negara under the FSB which charts a 10-year vision to develop the financial sector as part of the government's initiatives to become a fully developed nation in 2020.

On 31 January 2012, BNM's Monetary Policy Committee (MPC) decided to maintain the Overnight Policy Rate (OPR) at the 3.00 percent level for the time being pending further global developments. BNM's retention of the OPR preserves the existing landscape for banks to continue with their programmes without further pressures on the sector's earnings performance. Overall, the Banking sector's risk-weighted capital ratio (14.9%), core capital ratio (12.9%), net impaired loans ratio (1.8%) and loan loss coverage (99.6%) are at healthy levels.

Local News and Developments

[SC seeks to recuse judge in Sime's E&O offer waiver suit](http://www.themalaysianinsider.com/malaysia/article/sc-seeks-to-recuse-judge-in-simes-ao-offer-waiver-suit/)

<http://www.themalaysianinsider.com/malaysia/article/sc-seeks-to-recuse-judge-in-simes-ao-offer-waiver-suit/>

[Learning from the GO of S P Setia](http://www.theedgemaalaysia.com/in-the-financial-daily/199965-learning-from-the-go-of-s-p-setia.html)

<http://www.theedgemaalaysia.com/in-the-financial-daily/199965-learning-from-the-go-of-s-p-setia.html>

[Disclose info on time for the sake of all stakeholders](http://biz.thestar.com.my/news/story.asp?file=/2012/1/27/business/10548929&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2012/1/27/business/10548929&sec=business>

[Ugly AGMs only goes to show the ineptness of board members](http://biz.thestar.com.my/news/story.asp?file=/2012/1/28/business/10549027&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2012/1/28/business/10549027&sec=business>

[MYCC to investigate if Airasia-Mas share swap has made airfare go up](http://biz.thestar.com.my/news/story.asp?file=/2012/1/4/business/10199177&sec=business)

<http://biz.thestar.com.my/news/story.asp?file=/2012/1/4/business/10199177&sec=business>

Global News and Developments

[Olympus panel clears auditing firms of blame in scandal](http://www.themalaysianinsider.com/business/article/olympus-panel-clears-auditing-firms-of-blame-in-scandal/)

<http://www.themalaysianinsider.com/business/article/olympus-panel-clears-auditing-firms-of-blame-in-scandal/>

[CEO pay soars to new heights](http://www.mydesert.com/article/20120129/BUSINESS/201280343/CEO-pay-soars-new-heights?odyssey=mod|newswell|text|Frontpage|s)

<http://www.mydesert.com/article/20120129/BUSINESS/201280343/CEO-pay-soars-new-heights?odyssey=mod|newswell|text|Frontpage|s>

[Engel: Say on Pay: One Year Later - Are We Better Off?](http://www.cnbc.com/id/46163451)

<http://www.cnbc.com/id/46163451>

[UK proposes stricter rules on reverse takeovers](#)

<http://www.reuters.com/article/2012/01/26/britain-takeover-fsa-idUSWLA197320120126>

[Should RIM have picked an outsider as CEO?](http://www.thestar.com/business/article/1120010--should-rim-have-picked-an-outsider-as-ceo)

<http://www.thestar.com/business/article/1120010--should-rim-have-picked-an-outsider-as-ceo>

[\(In Australia\) Number is up for shoddy fund governance](http://www.smh.com.au/business/number-is-up-for-shoddy-fund-governance-20120124-1qfm1.html)

<http://www.smh.com.au/business/number-is-up-for-shoddy-fund-governance-20120124-1qfm1.html>

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