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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



It is a busy time again for us as our analysts are perusing hundreds of pages of company annual reports, attending AGMs, and seeking clarification from PLC Boards on questions related to business operations, outlook, and corporate governance matters for the benefit of minority shareholders.

Since the start of the reporting season for the financial year ended December 2011, we have already attended over 40 AGMs just in March and April alone. Some of our positive observations regarding the meetings we have attended include:

- i) CEOs have provided better quality corporate presentations on the performance and outlook of their companies.
- ii) Boards have been more prepared in answering questions from the floor.
- iii) As a result of our own questions to Boards, we have noted that more and more minority shareholders did their "homework" before the AGMs and raised pertinent questions of their own at the meetings.
- iv) More prompt AGM dates: we have seen more companies holding their AGMs within the four (4) month period after the financial year end, especially so in the finance sector.
- v) Companies have been setting up helpdesks to address operational issues raised by minority shareholders. This helps AGMs to run smoother and more efficiently.

On the other hand, we have come across a situation where a Company Secretary was not aware that a majority vote of not less than three-fourths was required for the re-appointment of a Director aged seventy years and over, and the Chairman did not catch the oversight until prompted by MSWG's representative attending the meeting.

Overall however, more active participation from minority shareholders, and more involved interaction between Boards and their shareholders are positive developments and a good sign that shareholders are taking ownership of the companies they invested in more seriously.

As in previous years, we have noted the clashing of dates of some AGMs of big cap companies in April and May. One minority shareholder has suggested to us that Bursa could look into this matter and implement measures such as requiring the companies to reserve the dates of their AGMs months ahead, with Bursa coordinating to minimise the clash of AGM dates. We see the suggestion as positive, though some research

would need to be conducted with respect to implementation.

On the issue of the privatisation of TSM Global, the offeror, West River Capital Sdn Bhd, had retracted its offer to buy all the assets and liabilities of this leading domestic wire harness maker, instead serving a notice of voluntary conditional takeover offer at an unchanged price of RM1.25 per share payable in cash.

We would state here that the offer price has not been revised and we believe that the price of RM1.25 per TSM share is not satisfactory. We would like the rest of the minority shareholders to assess this voluntary general offer carefully. Please see our additional comments below.

We also note the decision by Sessions Court judge Ahmad Zamzani Mohd Zain to sentence Md Zaki Othman, a former senior general manager of Sime Darby Engineering Sdn Bhd, to 27 years' jail, with a fine of RM894,400 on five counts of corruption involving over RM180,000. As the judge noted, Md Zaki had a monthly salary of RM39,000 and "it is unreasonable of him to commit corruption...in the form of accepting furniture and (Hublot and Rolex) wristwatches."

Regards...

Rita

MSWG's Quick Take on Ongoing Corporate Transactions

TSM Global Berhad (TSM): The offeror, West River Capital Sdn Bhd , which proposed the privatisation of TSM via the assets and liabilities route, withdrew its offer on 16 April 2012. It concurrently served a voluntary general offer (VGO) at the unchanged offer price of RM1.25 per TSM share. It is not the intention of the offeror to maintain the listing status of TSM. The Board has deliberated on the VGO and has no intention of seeking an alternative offer.

MSWG's Comment: We have met and spoken to the company's non-interested Directors. The Directors stated that they were not aware of the reasons why the offeror made a switch in the method of privatisation.

In the case of TSM, where the offeror has a shareholding of slightly more than 28%, we think it would be more difficult for the offeror to delist the company by the take-over method as compared to the disposal of business, assets and liabilities route despite not requiring shareholders' approval in a EGM. This is because:

- i) *It would need to secure 50% of the total shareholdings to make the privatisation offer unconditional.*
- ii) *It would need to secure 90% of the total shareholdings to delist the company.*
- iii) *It would need to secure 90% of the remaining shares not owned by the offeror to invoke Section 222 of the Capital Markets and Services Act to compulsorily acquire the outstanding shares.*

An Independent Advisor has been appointed by the Board to advise the shareholders.

For the information of shareholders, with TSM's board announcing that it does not intend to seek an alternative offer, we note that the majority shareholder might get this company on the cheap at only RM1.25 per share. TSM has a net cash value of 88 sen per share, which means that West River is effectively paying only 37 sen per share for a company it values at a mere 2.9 times historical

earnings. TSM has also been growing at a compounded annual growth rate of 16.6 per cent a year for the last five years. As well, net assets per share amount to RM1.54 and gearing remains at a mere 0.21 times.

Mahajaya Berhad (MAHJAYA): The company announced that the joint offerors have received more than nine-tenths (9/10) of the remaining MAHJAYA shares not owned by the joint offerors and, as such, Section 222 of the Capital Markets and Services Act will be invoked to compulsorily acquire the outstanding shares for which acceptances have not been received. The privatisation offer by the major shareholders, at RM0.85 per MAHJAYA share, is open until 30 April 2012.

MSWG's Comment: As the acceptance level of the take-over offer has crossed the threshold that allows the offeror to compulsorily acquire all the outstanding shares they do not already own, the minority shareholders who have yet to accept the offer may want to consider accepting it before the final closing date of 30 April 2012 so that settlement funds would be received sooner than if they waited until completion of the compulsory acquisition.

On MSWG's Watchlist...

Proton Holdings Berhad (PROTON): Affin Investment Bank Berhad, the Independent Adviser for the privatisation of Proton, has said that DRB-Hicom's offer of RM5.50 per share is fair. Affin based its conclusion on the quantitative aspects of Proton's market price, its performance against the FBMKLCI, trading liquidity, PER analysis, dividend track record, as well as its equity value under a Dividend Discount Analysis valuation model. Affin also concluded that the offer is reasonable, considering Proton's financial performance, the offer rationale, the outlook of the Malaysian and global economy, Proton's future prospects in the light of the dynamics of the global automotive sector, as well as the absence of an alternative offer. Affin has thus advised Proton's shareholders to accept the offer.

MSWG In The News

MSWG lauds new code on corporate governance

<http://biz.thestar.com.my/news/story.asp?file=/2012/3/31/business/11023343&sec=business>

Local News and Developments

SC Starts Probe Into Xian Leng

<http://www.theedgemalaysia.com/highlights/212027-sc-starts-probe-into-xian-leng.html>

Global News and Developments

Investigating the CEO is about protecting the company

<http://minnesota.publicradio.org/display/web/2012/04/18/besty-buy-ceo-investigation/>

Citigroup Investors Reject Pay Plan

<http://www.usatoday.com/money/companies/management/story/2012-04-18/citigroup-executive-pay-shareholders/54377436/1>

Google Stock Plan Irks Governance Watchdogs

<http://www.businessweek.com/news/2012-04-13/google-stock-plan-irks-governance-watchdogs>

[Google falls on new share plan](#)

<http://www.businessday.co.za/articles/Content.aspx?id=169700>

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