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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



Shares in Facebook, plummeted to a record low of USD24 just a third of its debut price of USD38, translating to a 11.2% decline in value after its drastic slowdown to its revenue. Facebook was said to have posted a net loss of 8 cents or USD157 million after taking stock compensation charges relating to its IPO. This is a marked difference from a year ago's quarterly results of USD240 million.

Over in Kuala Lumpur, share prices of the two IPO's FGVH and IHH continue to hold. Both companies are brick and mortar businesses compared to Facebook and have higher appeal to investors at this current time where defensive stocks are preferred. This optimism is further shared by Mark Mobious, who commented that Malaysia has the right ingredients to become a strong investor haven.

We also await the issue of IPO allocation for the public portion thus allowing Malaysians to partake in the growth curve of some quality issues.

SC rules dictate that the minimum threshold of 2 per cent (that companies must offer to the general public for IPOs in Malaysia) applies to firms with an enlarged paid-up capital of more than 200 million ringgit. The threshold rises to 5 per cent for companies whose paid up is less than 200 million ringgit. I have come out with a suggestion in the Edge this week on this matter based on oversubscription.(See the link below).

On a lighter note, the world's greatest event, the London Olympics, started off with a great start over the weekend. This would be a boon to the UK, whose economy has been on a tailspin these last few years. To the Malaysian contingent, we wish them the very best in their endeavour to put Malaysia on the worldmap.

Unfortunately a small event has tarnished the games. Eight players involved in a match-fixing scandal at the Olympics badminton tournament have been disqualified. Four pairs in the women's doubles competition-one from China, one from Indonesia and two pairs from South Korea were alleged to have purportedly lost their matches such that they would face weaker opponents. It appears integrity issues are not only confined to the corporate world, but sports as well. Those in authority should not take such misdoings lightly, and we

welcome investigations on the matter.

Regards...

Rita Benoy Bushon

CEO in the News

Bigger pool for retail investors.

<http://www.theedgemaalaysia.com/in-the-financial-daily/217892-bigger-ipo-pool-for-retail-investors.html>

Capital Market..

(CG Segment)

Delay in Accounting Reports

Three companies announced to Bursa Malaysia that they were delaying the release of their annual audited reports. The companies included information and communication technology solutions provider Patimas Computer Berhad, garment manufacturer Hyrex Integrated Berhad and network solutions provider Key West Global Telecommunications Berhad.

Several reasons have been quoted as to the cause of these delays which included unresolved significant accounting and audit findings/queries, lack of internal resources, etc.

KPMG Malaysia suggested that upfront planning and more senior management involvement would be some of the possible approaches to overcome such problems.

MSWG'S Comments:

PLCs' delay in the release of accounts is a major concern to all stakeholders and it concerns both the reputation of the PLCs as well as the position of the external auditors in handling the accounts. Stakeholders and especially shareholders would be alarmed by such news.

What had caused the delay?

Was there a problem that the Company was facing which had contributed to the situation? Other reasons include lack of technically competent staff which caused accounting errors, inability by auditors to confirm accounting matters considered grey area, loss of records, mismanagement, lack of proper oversight, fraud etc.

In a nutshell, stakeholders would expect all the relevant parties be they the management, Board, auditors, etc., to play their respective roles effectively and make timely disclosures, whether the information was considered favourable or not. Whatever it is, failure to release accounts on time is a major concern, given that timely disclosure is paramount to transparency and good governance.

Whistle Blowing

In this inaugural section, this week, we also examine the issue of protection under Whistleblowing Protection Act 2010 (WBP).

MSWG'S Comments:

If one were to refer to the Corporate Governance Guide – "Towards Boardroom Excellence" issued by Bursa

Malaysia, paragraph 1.17 did mention "whistle-blowing". Several key provisions of the Companies Act 1965 (CA) and Capital Market Services Act (CMSA) also provide some protection to employees reporting serious non-compliance of the requirements of the Companies Act. Several provisions of CA and CMSA also imposed obligations on auditors to report to the relevant authorities where there is a breach of the respective laws. As a layperson, one would expect that the whistle blower should be given protection under the WBP for highlighting serious breach of internal policies and wrongdoings in any organization be it the private or public sector. Without such assurance, sources and information from prospective whistle blowers may just dry up.

LIBOR/ Klibor

MSWG'S Comments:

Over the past weeks, much have been said on the scandal affecting LIBOR. Concerns were also heard whether the same manipulation can happen with Malaysian own Kuala Lumpur Interbank Offered Rate. (Klibor). In Malaysia, Klibor is determined by taking the average of rates quoted by banks through a poll by the Finance Markets Association of Malaysia. Banks can borrow at the quoted rate if they choose to or negotiate rates amongst themselves benchmarking against the Overnight Policy Rate sets by Bank Negara. In Malaysia, unlike London, most of the loans are pegged to the Base Lending Rate due to a formula based on guidelines issued by Central Bank basically pegging to the cost of funds of individual bank. Fear of the similar abuse occurring in the financial market is to a certain extent minimised due to the negligible volume of derivatives trading and capital market activities to leverage on the use of Klibor and if any review of the framework is forthcoming by the regulators, the weaknesses which occurred in LIBOR serves as lesson.

MSWG's Quick Take On Ongoing Corporate Transactions..

Nilai Resources

Nilai Resources Group Berhad (NRGB) would be calling their EGM on 8 August 2012 to seek shareholders' approval on the Proposed Selective Capital Reduction and Repayment Exercise (Proposed SCR). The exercise will effectively see the privatization of the Company via SCR method. You would need a 75% approval as well as the vote against it should not be more than 10% from the disinterested shareholders.

MSWG'S Comments:

*We wanted to know whether it was 10% of the votes of disinterested shares that were present and voting or out of the total outstanding shareholders. The answers were the latter. We also have queried management on a few matters that were not clear especially on what constituted this 10% votes. Tan Sri Gan together with interested shareholders and PAC owns 61.42% equity interest in NRGB. This leaves the remaining i.e. 38.58% shareholders, to have a strong say in determining whether the Proposed SCR would be carried or otherwise. In order to frustrate the Proposed SCR, it only takes 3.86% plus 1 share votes to be received. This is equivalent to 4.52 million of total issued & paid-up capital. The independent adviser had advised in their letter to the disinterested shareholders that the Proposed SCR is **NOT FAIR but reasonable** given the Cash Repayment Sum represents a discount of 59% to the latest audited NA per share of NRGB Group of RM3.67, not to mention that the NA has yet to take into account of potential revaluation surplus of the Group's properties and land. MSWG states that as this proposal needs only 10% of disinterested shareholders to go against to reject the deal, all minorities shareholders should exercise their vote wisely.*

BRDB

We noted some development in BRDB as the major shareholders intend to privatise the Company.

MSWG'S Comments:

To recollect, Ambang Sehati Sdn Bhd made an intention buy up certain properties. MSWG raised concern on the following issues earlier:

1. Valuation of the three (3) assets which included Permas Jaya Shopping Mall, Menara BRDB, and Bangsar Shopping Centre
2. The identities of ownership of the 23.6% shares held through Nominee Account Shares.

We hope that if at all, the acquisition can be carried out all issues raised by us will be resolved such that it is fair to the minority shareholders.

On MSWG's Watchlist

Tasek Berhad

Tasek Berhad's earnings fell by 4.4% in the second quarter ended 30 June to RM23.13 million, from RM24.14 million on a weaker performance from the concrete segment. Overall, revenue appeared flat at RM139.73 million as compared to RM138.57 million previously. Much of this was attributed to closure of its two batching plants located in Kuala Lumpur, as well as from shortages of aggregate sand plaguing the industry. Aggregate sand is a vital component in production of cement.

Air Asia

Air Asia plans to create a foothold in Indonesia. In an announcement to Bursa Malaysia, the Company informed that it intends to acquire a 49% stake in Metro Batavia, together with its current Indonesian Fersindo who will be acquiring the remaining balance of 51% for a total purchase consideration of RM253 million or USD80 million. It further added, that the purchase which will be a two stage process and fully settled by cash, will be funded entirely internally by both acquirers. Fersindo also owns a majority 51% stake in Air Asia's Indonesian operations, PT Indonesia Air Asia ("IAA"). AFI will be acquired for RM3.2 million or USD1 million.

The deal has been halted recently as the Indonesian authorities required Air Asia and its partner Fersindo to give full disclosure of the deal on the concern that the exercise could result in Air Asia having a monopoly over the republic's domestic aviation market.

Silver Bird

Silver Bird filed a legal suit amounting to RM125.03 million against two of its former directors, an ex general manager, the Company's external and internal auditors at KL High Courts, for RM125.0 million after Ching a former employee sued the Company for wrongful termination. The submission involved a claim of special damages, punitive and aggravated damages, as well as interest and costs. The suit arose from allegations of "mismanagement by the Board", Ching's RM2 million losses which he suffered from forced selling of his stake and the Company's PN17 status,

MRCB

A major deal appears to be in the offing for MRCB through a share swap exercise between MRCB and Nusa Gapurna Development Sdn Bhd ("Gapurna"). The interest in Gapurna from MRCB is focussed on the former's jewel its 16ha land behind PJ Hilton, where it intends to develop a project known as PJ Sentral Garden City touted to be as sizeable as the KL Sentral development.

Local News and Developments

GO imminent for Bandar Raya shares at RM2.90 each

<http://biz.thestar.com.my/news/story.asp?file=/2012/7/31/business/11761768&sec=business>

Two firms reprimanded, directors fined by Bursa

<http://biz.thestar.com.my/news/story.asp?file=/2012/7/31/business/11761077&sec=business>

Global News and Developments

Ex-UBS Executives go to trial in bond bid rigging case

www.bloomberg.com/.../ex-ubs-executives-go-to-trial-in-bond..

Will the Olympics get the economy going again

www.guardian.co.uk > [Sport](#) > [Olympic Games 2012](#)

Back to Popular Demand

**Upcoming Seminar: Finance For
Non-Financial Managers**
(15 August 2012/MSWG Training Centre, KL)
HRDF CLAIMABLE (SBL)
SIDC CPE-Approved (10 CPE Points)

Mark your calendars for MSWG'S 15 August 2012 seminar, "Finance for Non-Financial Managers"

Delivered by Richard Jacob, founder and Principal Consultant of RCJ Consulting Sdn Bhd, this seminar is designed for investors who want to enhance their "business acumen" and their roles as effective minority shareholders. Additionally, it enables participants to improve their knowledge of finance and financial analysis to be able to see the financial impact and outcome of the strategies and operations. They will thus be able to better monitor and control the performance of companies they have invested in. The seminar is highly interactive, with a balance of lectures, exercises, and case studies. All concepts will be linked to the company annual reports.

Expected Learning Outcomes

- Become wiser, better, and more effective investor through an increased understanding of key financial statements, and business and finance terminology.
- Protect your investment by understanding how numbers are generated and how they can be manipulated.
- Improve compliance with IFRS and MASB directives.

Who Should Attend?

- Investors
- Directors, CEOs, CFOs, COOs, and Senior Management
- Accountants, Company Secretaries and Auditors
- Licensed Dealers, Remisiers and Capital Market Representative License Holders
- Investment and Financial Advisers and Financial Planners
- MSWG subscribers and members of MSWG's Independent Directors Pool

Seminar

Date: 15 August 2012

Fee: RM590

Venue: MSWG Training Centre

Further information on the seminar can be viewed on MSWG's website at <http://www.mswg.org.my>

[/web/iep.php](#)

NOTE: Seating is limited to 50 participants, so REGISTER NOW!

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Feedback

We welcome your feedback on our newsletter and our work. Email us at mswg.ceo@mswg.org.my with your comments and suggestions.

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