

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

## MESSAGE FROM THE CEO

18 October 2013



This year so far we are seeing two of the largest IPOs in Malaysia ie Westport Holdings and UMW Oil & Gas which have drawn much positive interest from investors judging from the oversubscription rate that we saw. The total initial public issue comes up to about RM2b for Westport and about RM 2.36 billion for UMW Oil and Gas.

These IPOs could boost confidence for other IPOs to tap the market after a lull since last year. Malaysia had one of the world's largest IPOs last year with RM29.2 billion raised. In the pipeline are the listings of Iskandar Waterfront Holdings and 7-Eleven Malaysia

Some genuine concerns have come out from minorities especially retailers again on the same matter ie being "left-out" as they are only offered 2.0% of the enlarged share capital for UMW Oil & Gas as dictated by regulation. This is despite an oversubscription many times over for the retail portion.

As for Westport Holdings, the retail portion is more generous, but this IPO is a 100% offer for sale of the existing shares, which means that all the IPO proceeds will go to the existing shareholders and no moneys in the capital raising exercise will go into the company. Yet the listing fee amounting to millions will be borne by the company.

Nearer home, the decision by the China e-commerce company Alibaba Group Holding Ltd to pursue its IPO in the US (and not Hong Kong) is a sign that the HK regulators are standing firm in their plan to promote corporate governance.

The loss to the arrangers could amount to more than \$15 billion, while the HK Exchange would have counted the world's third-most valuable Internet company after Google and Amazon (and nearly on par with Facebook) on its list, had the negotiations not apparently foundered over governance concerns.

For information of readers, there are reports stating that HK regulators had decided that they would not allow Alibaba's partners to retain control over board nominations. And instead maintained that all shareholders should be treated equally.

The same attention to market oversight can also be seen in Singapore, which plans to introduce circuit breakers by early next year after Blumont Group Ltd., Asiasons Capital Ltd. and LionGold Corp. (controlled by Malaysian shareholders) all plunged in just three days last week, erasing \$6.9 billion in market value.

Under the SGX's plan, stock trading will be halted for 5 minutes if it breaches 10 percent in either direction. Additionally, the regulator plans to hold all directors (including non-executives ones) responsible -- or at least have the process in place to bring them in for questioning -- if the circuit breakers are breached more than once. If the proposals are approved, it will be interesting to see if the plan does work as intended: which is to curb speculation. For information of readers, in Malaysia, we have in place the UMAs ie " Unusual Market Activity" query on limit-ups in price to curb excessive speculation for investor protection, in addition to 'circuit breakers'.

Separately, We also saw Norway's sovereign wealth fund (GPF), the world's largest, excluding 5 companies from their list based on risk assessment and severe environmental damage of which 2 were Malaysia timber companies, i.e. TA Ann Holdings and WTK Holdings from its investment list along-side China's Zijin Mining Group, Peru's Volcan Cia Minera SAA and India's Zuari Agro Chemical. It also has excluded Wal-Mart Stores Inc and British American Tobacco Plc following recommendations from the Ministry's Ethics Council.

The news could affect the public image of TA Ann and WTK and they should from now take a more proactive role to ensure their active compliance to social responsibility and also be transparent by disclosing more of their CSR policies.

Regards,

Rita

---

### **MSWG ANNUAL CORPORATE GOVERNANCE AWARD CEREMONY 2013 - SAVE YOUR DATE!**

Please be advised that the MSWG Annual Corporate Governance Award Ceremony 2013 will now be held on **16 December 2013** at the Sime Darby Convention Centre, Kuala Lumpur.

---

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

#### ***FELDA GLOBAL VENTURES HOLDINGS BHD ("FGVH")***

FGVH proposed to acquire the remaining stakes (51%) of Felda Holdings Bhd ("FHB") that it doesn't already own, making FHB a wholly owned subsidiary at a cash consideration of RM2.2 billion ("Proposed Acquisition"). The Proposed Acquisition will be financed via IPO proceeds and bank borrowings.

The rationale of the Proposed Acquisition is to enable FGVH own "a complete control of the entire plantation value chain and to attain operational efficiency, as well as to achieve synergies within the plantation value chain of the FGVH group of companies."

**MSWG'S COMMENTS:**

The purchase of 51% equity interest in FHB by FGV will make FHB a wholly-owned subsidiary of FGV. The purchase consideration of RM2.20 billion for the 51% stake against the shareholders' fund of FHB as at 31 Dec 2012 at RM4.57 billion, represents a price to book ratio of 1.06 times. The purchase consideration also represents a 5.66 times of Price Earnings based on profit attributable to owners of FHB of RM388.1 million as at 31 December 2013. The acquisition could boost the bottom-line of FHB in downtrend in the CPO price given the relatively lower feedstock price. The acquisition is via cash utilising the recent IPO proceeds.

An EGM is required for the approval of shareholders of FGV.

***TOP GLOVE CORPORATION ("TOP GLOVE")***

Top Glove has announced plans to delist its Singapore Exchange-listed subsidiary, Medi-Flex via a general offer for the remaining 20.23% not already owned by it. The offer is made at an offer price of S\$0.15 per share, amounts to a 15% premium to closing price at 11 October 2013 and cost Top Glove at least S\$28.2 million (RM71.9 million) in cash.

**MSWG'S COMMENTS:**

The deal is priced at a PE which is lower than the PE of Top Glove and the Proposed Privatisation will fetch slight earnings accretive due to the small contribution level to the Top Glove Group.

***SURIA CAPITAL HOLDINGS BERHAD ("SURIA")***

Suria had on 21 May 2013 entered into a joint venture agreement with SBC Corporation Berhad ("SBC") to commercially develop a piece of land within Kota Kinabalu Port area measuring approximately 16.25 acres. The JV Project shall carry a minimum net sale value ("NSV") of the developed units of RM1.8 billion. The NSV of the JV Project shall apportion between Suria (18%) and SBC (82%). Suria is going to seek shareholders' approval for the Proposed Joint-Venture in an EGM to be held on 24 October 2013.

**MSWG'S COMMENTS:**

We noted that the market capitalisation of SBC was approximately RM136 million as at 20 May 2013, which was 1 day before the announcement of the Proposed Joint-Venture. In order to take up this Proposed Joint-Venture, SBC may need to gear-up few times to finance the whole project. In view of this, we would like to find out the reasons for Suria to choose SBC, which is a small sized property firm in our view, instead of a bigger player to develop such a big scale property project and also the basis for the JV Project's proportion at be set at 18-82, as we find all these issues are not clearly addressed in the Circular.

We will attend the upcoming EGM of Suria on 24 October 2013 to seek more clarification on the abovementioned issues.

---

## MSWG's WATCHLIST

### **HB GLOBAL LIMITED ("HB GLOBAL")**

The Board of HB Global announced on 14 October 2013 that the expected date of completion of the special audit has been deferred until 16 October 2013 as there is additional information required by BDO Governance Advisory Sdn Bhd ("BDO") to support the finalisation of the report. BDO had on 16 October 2013 completed the special audit and submitted the report for the special audit to Bursa Malaysia on the even date.

---

## LOCAL NEWS AND DEVELOPMENTS

New managing director, CEO for IHH Healthcare

<http://www.thestar.com.my/Business/Business-News/2013/10/14/New-managing-director-CEO-for-IHH-Healthcare.aspx>

New SC rules may hit property, benefit O&G

<http://www.thestar.com.my/Business/Business-News/2013/10/15/Property-stocks-likely-to-be-hit-Analysts-say-plantation-oil-and-gas-may-benefit-from-new-SC-rules.aspx>

Icon Offshore eyes RM450m IPO Published

[http://www.btimes.com.my/Current\\_News/BTIMES/articles/20131014155823/Article/index\\_html](http://www.btimes.com.my/Current_News/BTIMES/articles/20131014155823/Article/index_html)

Top Glove's S'pore unit privatisation move viewed positively

<http://www.thestar.com.my/Business/Business-News/2013/10/15/Top-Glove-move-a-positive-Privatisation-of-MediFlex-expected-to-improve-earnings-contribution.aspx>

Executive directors' pay spikes up

<http://www.theantdaily.com/news/2013/10/14/executive-directors-pay-spikes>

Maths genius among recipients of Jeffrey Cheah Foundation's record-high study awards

<http://www.thestar.com.my/News/Community/2013/10/14/RM720000-scholarship-for-whiz-kid-Maths-genius-among-recipients-of-Jeffrey-Cheah-Foundations-recordh.aspx>

---

## GLOBAL NEWS AND DEVELOPMENTS

Senate leaders close in on debt ceiling deal after talks on Capitol Hill

<http://www.theguardian.com/world/2013/oct/14/senate-leaders-debt-ceiling-deal-shutdown>

US debt ceiling: How risky for China and Japan?

<http://www.csmonitor.com/World/Asia-Pacific/2013/1008/US-debt-ceiling-How-risky-for-China-and-Japan>

Nobel Prize U.S. winner warns of 'bubbly' global home prices

<http://www.reuters.com/article/2013/10/14/us-nobel-economics-idUSBRE99D07F20131014>

Singapore Circuit Breakers Sought After Stock Losses

<http://www.bloomberg.com/news/2013-10-08/singapore-circuit-breakers-sought-after-losses-southeast-asia.html>

U.S. to get coveted Alibaba IPO after Hong Kong talks founder

<http://www.reuters.com/article/2013/09/26/us-alibaba-ipo-idUSBRE98019R20130926>

---

## MSWG Analysts

Lya Rahman, General Manager, Corporate Services, [lyarahman@mswg.org.my](mailto:lyarahman@mswg.org.my)  
Chong Chee Fern, General Manager, Corporate Monitoring [chongcf@mswg.org.my](mailto:chongcf@mswg.org.my)  
Rebecca Yap, Head, Corporate Monitoring [rebecca.yap@mswg.org.my](mailto:rebecca.yap@mswg.org.my)  
Quah Ban Aik, Head, Corporate Monitoring [banaik.quah@mswg.org.my](mailto:banaik.quah@mswg.org.my)  
Ng Hoon Ho, Senior Manager, Corporate Monitoring [nghh@mswg.org.my](mailto:nghh@mswg.org.my)  
Norhisam Sidek, Manager, Corporate Monitoring [norhisam@mswg.org.my](mailto:norhisam@mswg.org.my)  
Shahnul Niza Mohd Yusof, Manager, Research [shahnul.niza@mswg.org.my](mailto:shahnul.niza@mswg.org.my)  
Lee Chee Meng, Manager, Corporate Monitoring [cheemeng@mswg.org.my](mailto:cheemeng@mswg.org.my)  
Wong Kin Wing, Senior Analyst, Corporate Monitoring, [kinwing@mswg.org.my](mailto:kinwing@mswg.org.my)  
Nor Khalidah Khalil, Analyst, Corporate Monitoring [khalidah@mswg.org.my](mailto:khalidah@mswg.org.my)  
Vinodth Ramasamy, Analyst, Corporate Monitoring [vinodth.ram@mswg.org.my](mailto:vinodth.ram@mswg.org.my)

---

### **DISCLOSURE OF INTERESTS**

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in the companies covered in this newsletter save for HB Global Limited.*
- 

### 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.

---

### **DISCLAIMER**

*This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholder Watchdog Group (MSWG).*

*The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.*

**ENDS./**