



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



We noted that Dato' Sreesanthan, has offered himself for re-election as Independent Non Executive Director ("INED") of Sime Darby in its upcoming AGM. We found this a surprise as Sime Darby in an announcement made on 25 July 2012 stated that after a board meeting on 24 July 2012 to discuss on the insider trading charges against him by the SC, Dato' Sreesanthan has taken leave of absence from the Board and has indicated his intention to retire by rotation at the coming AGM on 8 November 2012.

Thus, we have asked several questions in our letter to the company at its coming AGM next week which included whether the Board made an evaluation of all its directors including those who are seeking re-election as stated in the Malaysia Code of Corporate Governance 2012 (MCCG)? If yes, what was the outcome of such evaluation exercise conducted and the Board's recommendation?

On a separate issue, Hong Leong Group had its AGMs stating that the Group would not award the Share Grant/ESOS to its INEDs. They have informed shareholders that they will issue a separate circular to seek their mandate if the Group chooses to do so. It is worth noting that more companies now are evolving towards self governance in line with best practices as enshrined in the CG Blueprint.

We noted that DRB-Hicom has inked a Collaboration Agreement between Proton and Honda which will explore opportunities for technology enhancement, product line up and facility sharing, which is expected to boost Proton's dragging performance.

Lastly, I would like to convey my deepest sympathies and prayers to those affected by super-storm Sandy that hit the US East Coast during the week.

Regards...

Rita

MSWG in The News

MSWG: Improvement in corporate governance

<http://biz.thestar.com.my/news/story.asp?file=/2012/10/30/business/12243196&sec=business>

Capital Market Updates

Central Bank, Securities Commission sign MoU to enhance regulatory oversight

MSWG welcomes the new MoU signed between SC and BNM to enhance the cooperation between the two regulators. The MoU is timely to enhance the supervision of the capital and financial markets in the light of the changing regulatory landscape and the increasing overlapping regulatory oversight over entities being supervised by both regulators to smoothen the effectiveness of both the markets.

Introduction of Business Trust

Business Trust caught the local investors' attention recently with the proposed injection of Berjaya Sports Toto Bhd's ("BJ Toto") gaming business into a Business Trust which will be listed on the Singapore's stock exchange. In view of this, there are demands from local investors for such new investment vehicles to be introduced in the Malaysian market. With the introduction of Business Trust, local investors would be able to enjoy steady returns generated from the injected assets and at the same time the assets will still be controlled and managed by professional issuers who are able to monetise their assets.

The Chairman of Securities Commission ("SC"), Datuk Ranjit Ajit Singh mentioned in the 17th Malaysian Capital Market Summit that the SC is in the process of creating a framework for Business Trust. In addition, provisions in relation to Business Trust accompanied by the necessary safeguards for the protection of investors have been incorporated in the Capital Markets and Services Act 2007. The framework should be completed by end of 2012 and this may satisfy the growing investor appetite, encourage future mergers and acquisitions and spur investments in local market.

MSWG's Quick Take on Ongoing Corporate Transactions

KFC HOLDINGS (MALAYSIA) BERHAD ("KFCH")/ QSR BRAND BERHAD ("QSR")

The EGMs in relation to the Proposed Disposal for both KFCH and QSR will be held on 5 November 2012. Both Independent advisers ("IA") advised shareholders to accept the buyout offer and vote in favour of the Proposed Disposal, except for warrant holders of KFCH, the IA is of the view that the offer of RM1 per KFCH warrant is not fair but reasonable.

MSWG'S COMMENTS:

We believe that the Board should consider distributing any additional dividends to shareholders that would have accrued during the year as the announcement of the Proposed Disposal had been almost a year now since its announcement.

HONG LEONG INDUSTRIES BERHAD ("HLIB")/ HONG LEONG FINANCIAL GROUP BHD ("HLFG")/

HONG LEONG BANK BERHAD ("HLB")/ MALAYSIAN PACIFIC INDUSTRIES BERHAD ("MPIB")

HLIB, HLB and HLFG had obtained shareholders' approvals in the recent AGMs of the group of companies

for the proposed establishment of new Executive Share Option Scheme (“ESOS Scheme”) which would also benefit the non-executive directors (“NED”).

The respective Boards had informed shareholders at the meetings that the Group of Companies will issue a separate circular to shareholders seeking the mandate if it chooses to offer the share options to non-executive directors.

In addition, MPIB, which is the subsidiary of Hong Leong Group, also had the same ESOS Scheme. During its meeting, the Board explained that although the ESOS Scheme allows participation for non-executive directors, no allocation is given to independent directors for the current year.

MSWG'S COMMENTS:

MSWG is of the view that the practice of giving ESOS to non-executive directors (including independent directors) would give rise to issue of conflict as they are there to monitor the ESOS allocation to the employees and the executive directors and they play to a large extent the governance and oversight role in the Company. Thus, their fees ought to be an appropriate amount which would commensurate with their roles and responsibilities as well as size and risks of the operation of the Company.

Being part of the Board as a whole, the non-executive directors' position as beneficiary to the ESOS Scheme raises governance issues as to their roles and responsibilities and the monitoring process under the ESOS Scheme.

Thus we welcome the practice of not giving such allocation to NEDs.

MSWG's Watchlist

SCOMI GROUP BHD (“SGB”)

SGB on 29 October 2012 announced that Maybank Investment Bank Bhd (“MIB”) resigned as Principal Adviser for its Proposed Bonds Issue. It has appointed Hong Leong Investment Bank Berhad in place of MIB as the Principal Adviser for the Proposed Bonds Issue.

Local News and Developments

BNM, SC sign MoU to enhance regulatory oversight

<http://www.theedgemalaysia.com/business-news/224037-bnm-sc-sign-mou-to-enhance-regulatory-oversight.html>

Aeon surge on Carrefour takeover news

http://www.btimes.com.my/Current_News/BTIMES/articles/20121029124944/Article/index_html

Carrefour selling Malaysian ops to Aeon for RM990m

<http://biz.thestar.com.my/news/story.asp?file=/2012/11/1/business/20121101090652&sec=business>

Global News and Developments

Indonesia Cuts November CPO Export Tax to 9% From 13.5% in October

<http://www.palmoilhq.com/PalmOilNews/indonesia-cuts-november-cpo-export-tax-to-9-from-13-5-in-october/>

U.S. Markets shut on Tuesday, focus shifts to Wednesday

<http://www.reuters.com/article/2012/10/29/us-storm-sandy-markets-idUSBRE89S11B20121029>

BLOCK YOUR DATE **21 NOVEMBER 2012**
 OPPORTUNITY NOT TO BE MISSED BY PLCs AND OTHER MARKET PARTICIPANTS.

MSWG Presents a seminar on:

ASEAN CG SCORECARD - THE WAY FORWARD

MSWG will be organising a seminar themed, “**ASEAN CG SCORECARD – THE WAY FORWARD**”, on **21st November 2012**.

The objective of this seminar is to create awareness on the ASEAN CG Scorecard that will now be used to assess companies listed on Bursa Malaysia. The ASEAN CG Scorecard is aimed to enhance the visibility and investability of well-governed ASEAN listed companies globally. Participants would be able to gain insights on all aspects of corporate governance for improvement in their CG practices.

Speakers/Panelists include CG experts from various ASEAN Countries.

For details of the seminar programme and registration form please visit our website at
<http://www.mswg.org.my/web/iep.php>

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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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