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The Observer

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MESSAGE FROM THE CEO



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The Federal Court has granted leave to Ho Hup Construction Co. Bhd to appeal against the Court of Appeal's decision on the development rights of over 60 acres of land in Bukit Jalil. In this regard, we would follow closely on the dispute as it has an impact on minority shareholders, given that the judgement would provide a case precedent in future transactions involving subsidiaries of a listed issuer.

We also like to highlight the much-awaited move by Hong Kong's Securities and Futures Commission in launching a two-month consultation on proposals to enhance sponsor regulations. Hong Kong, which continues to be the world's top market for IPOs, has come under fire regarding the quality of some companies that have sought a listing status in that market.

We still see many more IPOs hitting the Asian markets. In Hong Kong, Graff Diamonds (hoping to raise about \$1 billion), Chinalco (\$1 billion), China Nonferrous Mining (\$400 million) and Yongda Auto (up to \$500 million) will make their debut. In Singapore, Formula One (commercial rights over 20 global races is hoping to raise up to \$3 billion). In Thailand, Thai AirAsia is raising up to \$240 million, and in Malaysian, Felda Global Ventures raising up to \$3.5 billion.

On Axiata's coming AGM, two (2) resolutions pertaining to capping directors' fees to a certain quantum had been withdrawn by the Board and thus, would not be tabled at AGM. We welcome the Board for the move given that the resolutions, if carried would mean that future directors' fees would not require approval from shareholder as long as it does not exceed the cap. We in MSWG prefer directors' fees to be tabled annually for approval so that an avenue of discussion is available (please see our further comments below).

Regards...

Rita Benoy Bushon

CEO IN THE NEWS

SEGi offer price to be questioned

<http://biz.thestar.com.my/news/story.asp?file=/2012/5/15/business/11287994&sec=business>

Minorities are often the losers in the de-listing, re-listing game

<http://biz.thestar.com.my/news/story.asp?file=/2012/5/10/business/11262380&sec=business>

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

Axiata Group Bhd (Axiata)

On the upcoming AGM of the Axiata to be held on 23 May 2012, the Company is tabling two resolutions pertaining to the Directors' fees, Special Resolution 2 and Ordinary Resolution 9. The resolutions are proposed to allow the shareholders to determine the maximum aggregate amount of Directors' fees of RM3.9 million per annum, and such amount determined/approved will be applicable for every subsequent year unless otherwise varied by a subsequent ordinary resolution in a future general meeting. However, the Company withdrew the Resolutions on 16 May 2012 citing that the decision on the withdrawal was made after taking into consideration feedback received from shareholders and/or stakeholders.

Comments:

MSWG in its usual AGM's questions to the Board of Directors of Axiata raised this issue and thus, we welcome the move by the Board to withdraw the Resolutions. The decision reflects well on the Board's willingness to listen and consider all feedback.

TSM Global Berhad (TSM)

The offer document for the takeover offer by the major shareholders has been issued. The first closing date of the offer falls on 28 May 2012. The offer is conditional upon the offerors receiving valid acceptances resulting in the offerors holding more than fifty percent (50%) of total voting shares in TSM. The offeror has no intention to maintain the listing status of TSM. The offerors retracted the offer to acquire all of the business and undertakings, including all the assets and liabilities of TSM to provide the minorities shareholders greater flexibility in the shareholding in TSM.

Comments:

Shareholders are advised to hold on until the release of the recommendations by the independent adviser and the non-interested directors in due course before making further consideration and deciding on the offer. Shareholders who feel that the offer price is unattractive can continue to hold TSM shares but should continue to follow the development and acceptance level of the offer, whether the offeror has secured sufficient shareholding to delist the company.

Please refer to our commentary on the take-over offer dated 19 March 2012 at:

<http://www.mswg.org.my/web/news.php>

AsiaEP Resources Bhd (AsiaEP)

The Company announced on 17 May 2012 that it was an affected listed issuer after triggered Paragraph 2.1(j) of Guidance Note 3 (GN3), which states that the listed corporation has an insignificant business or operations. As reported, the Company was in talks with some parties for JVs and there was a potential diversification of AsiaEP's business away from information technology.

Comments:

As an affected listed issuer, the Company is required to submit to Bursa Securities a regulation plan and obtain Bursa's approval to implement the plan within 12 months from the date the Company announces that it is a GN3 Company. If the Company fails to submit within the stipulated time frame, it may result a de-listing then. On the potential diversification and pursuant to Paragraph 10.13 of the Listing Requirements, a listed issuer must obtain its shareholders' approval in a general meeting for any transaction or business arrangement which might result in either: (i) the diversion of 25% or more of the net assets of the listed issuer to an operation which differs widely from those operations previously carried on by the listed issuer; or (ii) the contribution from such an operation of 25% or more of the net profits of the listed issuer.

Please refer to our commentary on the issue dated 29 March 2012 and 6 April 2012 at:

<http://www.mswg.org.my/web/news.php>

On MSWG Watchlist

KRISASSETS HOLDINGS BHD (KrisAssets) : KrisAssets proposed to sell Mid Valley Megamall, the Garden Mall and their related assets to its parent IGB Corporation Bhd (IGB) for RM4.6 billion. The disposal would be satisfied via cash of RM1.2 billion and the issuance of 3.4 billion consideration units in IGB REIT, where IGB plans to list the REIT on the Main Market of Bursa. The Company also proposed an offer for sale of 670 million consideration units via the IPO of IGB REIT. The balance of 2.73 billion consideration units and the cash proceeds from the sale of the two malls and the IPO would then be distributed to the shareholders of the Company. The Board has no intention of maintaining the listing status of the Company upon completion of the exercises.

Local News and Developments

Ambrin: Government strives to foster good governance, accountability, transparency

<http://www.themalaysianinsider.com/malaysia/article/ambrin-government-strives-to-foster-good-governance-accountability-transparency>

Tajudin, MAS withdraw interlocutory appeals, to move on with trial

<http://www.themalaysianinsider.com/malaysia/article/tajudin-mas-withdraw-interlocutory-appeals-to-move-on-with-trial/>

Investors want news on asset manager probe, fear cover-up

<http://www.themalaysianinsider.com/malaysia/article/investors-want-news-on-asset-manager-probe-fear-cover-up/>

Global News and Developments

Hong Kong securities watchdog proposes tougher rules for IPO sponsors

<http://www.financeasia.com/News/300119,hong-kong-securities-watchdog-proposes-tougher-rules-for-ipo-sponsors.aspx>

Corporate Governance Spreads To Yahoo!, Green Mountain, Chesapeake

<http://247wallst.com/2012/05/09/corporate-governance-spreads-to-yahoo-green-mountain-chesapeake/>

In Singapore, Revised Code of Corporate Governance will make directors more committed: experts

<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1200042/1/.html>

Far East boss acquitted of \$61m fraud

http://www.thestandard.com.hk/news_detail.asp?art_id=122243&con_type=1

Broker Wong Chiu Wan banned for life for misappropriation of client assets

<http://www.sfc.hk/sfcPressRelease/EN/sfcOpenDocServlet?docno=12PR45>

UPCOMING EVENT:

Malaysian Forum on Business Sustainability 24 May 2012 | Sime Darby Convention Centre, KL

MSWG will be holding the **MALAYSIAN FORUM ON BUSINESS SUSTAINABILITY** on 24 May 2012 at the Sime Darby Convention Centre, Kuala Lumpur. Join eminent international and local speakers in a stimulating programme that will explore how the strategic application of good governance and corporate responsibility principles can achieve sustainability and profitability, as well as enhance stakeholder value and shareholder wealth, in today's increasingly competitive and globalized world. Confirmed speakers and moderators to date include:

- Rikke Netterstrom (Executive Director, CSR Asia)

- David Crowther (Chair, Social Responsibility Research Network)
- Paul Lee (Director, Hermes Investment Management Ltd.)
- Peter Vogt (Managing Director, Nestle Malaysia Berhad)
- Boey Tak Kong (Independent Non-Executive Director, IJM Land Berhad)
- Pushpa Rajadurai (Managing Director, Corporate & Institutional Banking, AmlInvestment Bank Group)
- Dr. Millicent Danker (CEO, Perception Management International)
- Rita Benoy Bushon (CEO, MSWG)
- Tan Sri Abdul Halim Ali (Chairman, MSWG)

Session topics will cover:

- Governing Performance and Profits: Stakeholder vs. Shareholder Perspectives
- Driving Corporate Values - Key Determinants for Wealth Creation
- Two Sides of the Same Coin: Corporate Governance and Corporate Responsibility - The View From the Board
- Corporate Sustainability: Aspirations vs. Pragmatism

Registration fees are RM960, with discounts available for MSWG's subscribers and group registrations. Full information will be available on MSWG's website at www.mswg.org.my by 22 May 2012.

Feedback

We welcome your feedback on our newsletter and our work. Email us at <mailto:mswg.ceo@mswg.org.my?subject=Feedback%20on%2018%20May%202012%20issue%20of%20The%20Observer> with your comments and suggestions.

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