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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



Following the inclusion of additional rulings in SC's Practice Note (PN) 15 on 25 September 2012 as regards the duty of Independent Adviser who intends to rely on the work of another expert in their assessment for take-over offers in forming its opinion, we still hear rumblings as regards the clarity on the need to revalue assets. We are still advocating the need for expert valuation on real estate, plantation land or any land based assets during privatization exercises of PLCs. This would properly align with Chapter 10 of the Bursa Listing Requirements where the need for revaluation is conducted when a transaction involves an acquisition or disposal of any real estate or any corporation which owns real estate (including plantation land) or a transaction of up to or more than certain percentage threshold ratios. We hope that SC would provide further guidance on this.

On a separate issue, the Budget 2013 announced last Friday seems to be a friendly budget, which is neutral to the capital market but good for the lower income citizens. With individual income tax rate to be reduced by 1 percentage point for each taxable category up to a cumulative RM50,000, this measure will remove 170,000 taxpayers from paying tax as well as provide savings on tax payment. However, more efforts need be done on reducing corporate tax to be competitive to other countries in the region, otherwise our country might not be able to attract more FDIs.

On the Astro's IPO, we are pleased to note that the institutional offering and retail offering have been oversubscribed by more than 10 times and 30 times respectively. With the IPO price set at RM3 for the retail, institutional, cornerstone and bumiputera investors, Astro will raise some RM4.6 billion. Going forward, we expect Astro will utilise the amount of proceeds raised from the IPO for its expansion and reward shareholders in the medium to longer term.

Regards...

***Rita Benoy Bushon***

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## CEO in The News

Bankers mum on independent advice ruling

<http://biz.thestar.com.my/news/story.asp?file=/2012/9/27/business/12087583&sec=business>

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## Budget 2013 Overview

### *BUDGET Highlights*

Budget 2013 (Budget) premised on the government's efforts through its theme National Transformation Policy: Welfare for the Rakyat, Well-Being of the Nation.

Five key focused areas are:

- Accelerating Investment;
- Generating Human Capital Excellence, Creativity and Innovation;
- Rural Transformation Programme;
- Strengthening the Civil service; and
- Easing Inflation and enhancing the Well-Being of The Rakyat.

Some of the key measures of the Budget highlighted are:

- Proposed tax allowance and tax deduction for the travel and franchising industries;
- Promotion of the Kuala Lumpur International Financial District (KLIFD) with tax exemptions on service and loan agreements, industrial building allowances and income tax exemption for property developers in KLIFD;
- Promotion on AgroSukuk for companies in the agriculture sector in the Budget 2013 following SC's launch of the retail bonds and sukuk framework;
- Provision of incentives such as double tax deduction to promote education and talent development;
- Improvement of the Rakyat well-being by granting tax relief for Private Retirement Scheme and annuity premium;
- Increase in Real Property Gains Tax (RPGT) from 5% to 10% for the disposal of properties for the first two years, but exemption of stamp duty is proposed on loan agreements taken under the government PRIMA1 housing scheme;
- Extension of the exemption from import and excise duty for CBU hybrid, electric cars, hybrid and electric motorcycles until 2013; and
- A 1% reduction on the individual tax rate on each taxable category up to a cumulative RM50,000.

### **MSWG' s comments**

Budget 2013 supports the Government's Transformation Programme, going forward. Overall the Budget is balanced taking into consideration the key focus and the relevant sub sector interest with a reducing deficit of 4%.

The incentives provided for the issuance of AgroSukuk following the launch of the retail bonds and sukuk framework will meet retail investors' demand for access to a wider range of investment products but also to allow issuers to access to a larger pool of investors and these will improve the liquidity and market size of the debt capital. An upgrade is imminent in capital markets infrastructure and development of rating agency for debt instrument is required to improve market transparency, reduce systematic risk and ensure the sustainable growth in the debt capital market.

A mild hike in RPGT and it is an acceptable tax rate to curb excessive speculation in the property sector. The RPGT hike would not be expected to have a significant impact on the market. The impact on developers should be mild as the RPGT rate within the 2 year construction period is only 10%.

However, Malaysia's corporate tax remains higher than Singapore, Thailand and Hong Kong and needs to be addressed if it wants to remain ahead of the curve.

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## MSWG's Quick Take on Ongoing Corporate Transactions

### **YEO HIAP SENG (M) BHD**

Last Thursday, the disinterested shareholders of Yeo Hiap Seng (M) Berhad (YHSB) approved the proposed selective capital reduction and repayment exercise ("Proposed SCR") of YHSB. This allowed the major shareholder to privatize the Company at RM3.60 a share.

### **MSWG'S Comments:**

It is worth to note that there were more than 21% shares owned by disinterested shareholders (representing 5.348 million of shares), who were either present or through proxy, voted against the Proposed SCR.

According to the announcement, the said 21.97% disinterested shareholders only represented 9.02% of the total votes attaching to the disinterested shareholders and hence the Proposed SCR had met the condition specified under the PN 44 of the Malaysian Code on Take-Overs and Mergers (Take-Overs Code), which says "(b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all disinterested shares of the total voting shares of the offeree."

The other conditions required for the privatization exercises are " (a) the scheme is approved by at least 50% in number and 75% in value to the votes attached to the disinterested shares that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares"

In view of the above, the resolution for the Proposed SCR was duly passed by the majority in accordance to the abovementioned PN 44 stipulated in the Take-Overs Code.

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## MSWG's Watchlist

### **SCIENTEX**

Scientex has announced that it will buy the core businesses of GW Plastics Holdings for RM283.2 million in cash. The purchase will be funded by a combination of internally generated funds and bank borrowings. The acquisition is slated for completion by the first quarter of 2013.

The Disposal Consideration, which is equivalent to the price of RM1.20 per GW Plastics Share, was arrived at on a willing-buyer willing-seller basis and represents:

- (i) a premium of 24.26% over RM0.966, being the one (1)-month volume weighted average market price ("VWAP") of GW Plastics Shares up to and including 28 September 2012, which was the last trading day prior to the announcement date;
- (ii) a premium of 31.22% over RM0.915, being the three (3)-month VWAP of GW Plastics Shares up to and including 28 September 2012, which was the last trading day prior to the announcement date;
- (iii) a premium of 57.89% over RM0.76, being the initial public offering price for GW Plastics Shares in October 2010;
- (iv) a price-to-earnings ratio of approximately 14.49 times based on the audited net earnings per share ("EPS") of 8.28 sen for the financial year ended ("FYE") 31 December 2011; and
- (v) a price-to-book ratio of approximately 1.41 times based on the audited net assets ("NA") per share as at 31 December 2011 of RM0.85.

### **DRB-HICOM BERHAD**

OSI, a subsidiary of DRB-HICOM Berhad, had on 4 October 2012 entered into a Joint Venture Agreement with Faurecia to form a joint venture company in Malaysia to manufacture, assemble, deliver and sell

automotive exhaust systems and vehicle components for Original Equipment Manufacturers. Faurecia specialises in engineering and production of automotive solutions.

The Proposed Joint Venture is in line with the DRB-HICOM Group's overall strategy of maintaining its key position in the Malaysian automotive components industry and transforming the Group's manufacturing and engineering companies into Tier-1 suppliers.

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## Local News and Developments

Authorities in Malaysia, Singapore raid gold trader Geneva's offices

<http://biz.thestar.com.my/news/story.asp?file=/2012/10/1/business/20121001171542&sec=business>

SC appoints Ahmad Fairuz bin Zainol Abidin as Executive Director of Enforcement

<http://www.sc.com.my/main.asp?pageid=379&linkid=3166&yearno=2012&mod=paper>

2013 Budget Speech

<http://www.sc.com.my/main.asp?pageid=1223&menuid=1021&newsid=&linkid=&type=S>

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## Global News and Developments

Asia gets tactical with its stimulus

[http://online.wsj.com/article/SB10000872396390444083304578017923378446946.html?mod=WSJAsia\\_hpp\\_MIDDLE\\_Video\\_second](http://online.wsj.com/article/SB10000872396390444083304578017923378446946.html?mod=WSJAsia_hpp_MIDDLE_Video_second)

JPMorgan sued over alleged Bear fraud

<http://www.ft.com/intl/cms/s/0/cf5fbc28-0c0e-11e2-8032-00144feabdc0.html>

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## Feedback

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