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Shrinking board

icapital.biz faces prospects of having only 4 board members following opposition from a group of shareholders

By NG BEI SHAN
beishan@thestar.com.my

KUALA LUMPUR: The designated person for Malaysia's only closed-end fund, icapital.biz Bhd, has appealed to shareowners to vote wisely in the company's upcoming shareholders' meeting to complete some unfinished business from its previous meeting.

In the first meeting on Oct 11, a resolution pertaining to the reappointment of Tunku Abdul Aziz Tunku Ibrahim, who is above the age of 70 and retiring as a director, was adjourned to another date at the request of shareowners and with the consent of the meeting. The new date to complete the meeting has been fixed for Nov 30.

During the Oct 11 AGM, the resolution was not tabled, as shareowners holding a 11.39% stake had already indicated their intention to vote against it two days before the shareholders' meeting.

Tan Teng Boo (pic), the managing director of Capital Dynamics Asset Management Sdn Bhd that has been managing icapital since its inception 11 years ago, said yesterday while speaking in his personal capacity and as a shareowner that the block against the re-election of Tunku Abdul Aziz could be held by City of London Investment Management Co Ltd and Laxey Partner Ltd.

Laxey surfaced as a substantial shareholder in April 2012, while City of London emerged with a 5.12% stake in August 2011.

Tan has requested for City of London to send a representative to the adjourned AGM to explain



its rationale for the opposition.

The fund faces the prospects of having only four directors if the resolution to vote Tunku Abdul Aziz is not favourable.

Tan is unperturbed about the number of directors on board.

He told reporters that the real issue was not about not passing the resolution, but felt that it was more about the agenda of the owners of the 11.39% block.

In what Tan construed as the bigger scheme of things, he questioned if their motives were aligned

with the long-term interest of icapital and its other 3,000 over shareholders.

"The real issue is whether the 11.39% should control icapital. If they can block the reappointment of one director with only an 11.39% share ownership, what is there to prevent them from abusing their power again?"

Under the Securities Commission's guidelines, a Malaysian closed-end fund cannot have a 51% controlling shareholder.

Tan says he won't attend adjourned AGM

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He said shareholders who opposed the resolution should issue a statement on their rationale for doing so, even though it was not required from a procedural and legislative perspective.

Tan said he would not attend the adjourned AGM, as he "does not want to interfere with the flow".

He also indicated that he had not made up his mind on whether to "tick" or "leave the proxy form blank".

Out of a maximum of icalpital's seven board seats, six are filled.

At the Oct 11 adjourned AGM, its chairman-cum-non-independent-non-executive director, Tunku Tan Sri Ahmad Yahaya, had sought to retire upon the completion of its 10th AGM, leaving the board with five directors.

In the event that Tunku Abdul Aziz is not

re-elected, the fund would be left with only four directors.

Tan described his relationship with Tunku Abdul Aziz as one between "a fund manager and director".

The European hedge fund, Laxey, caused a stir in icalpital two years ago when its co-founder, Andrew Pegge, requested for a representation on board alongside two others – Lo Kok Kee and Low Nyap Heng.

Pegge manages funds that seize on investment trusts that trade at a discount to the net asset value.

He had partnered Lo to take a position in Singapore Exchange-listed closed-end fund United International Securities in 2011. The duo had also made similar attempts with Amanah Millenia Fund and Amanah Harta Tanah PNB2.

Pegge claims he is a "shareholder activist" and is championing to close the gap between

icalpital's share price and net asset value.

Next October marks the eleventh year of icalpital's listing on Bursa Malaysia.

For its first quarter ended Aug 31, icalpital's net asset per share rose two sen to RM3.07 compared with the previous corresponding quarter.

That represents a gap of 22% compared with its share price that closed at RM2.39.

The closed-end fund is sitting on a cash pile of RM242.47mil, 16% higher than RM209.1mil a year ago.

When asked if he was concerned about his position, Tan replied, "Yes and no."

According to Tan, 75% of its shareholders have the ability to change its fund manager.

"As a fund manager, we are able to work with anyone," he added.

Asked on any possibilities that the fund might be liquidated, he said: "It can be done anytime the shareowners vote for it."