

# New year, old spats

## Corporate dramas galore that may well continue into 2015

BY LIEW JIA TENG, CHARLOTTE CHONG & GHO CHEE YUAN

KUALA LUMPUR: There was no shortage of drama in the local corporate scene last year, what with some very public shareholders' spats, family feuds and boardroom tussles that have surely spiced things up for the investing community.

The eventful year that was 2014 is well and over now. But that does not mean that all the dramas have similarly come to an end. Here are some corporate feuds that will most likely continue to hog the limelight in the brand new year:

### Protasco Bhd

Things have turned ugly at Protasco as three extraordinary general meetings (EGM) were called in the span of two days between Nov 28 and Nov 30 last year, one of which was called off, did not seem to have resolved the dispute between managing director Datuk Seri Chong Ket Pen and its two former directors, Tey Por Yee and Ooi Kock Aun.

The outcome of the EGMs saw Tey and Ooi being ousted from the board, with Chong seemingly the winner.

But things appear to be far from over: both factions have continued to mop up shares in Protasco after the EGMs.

The saga is likely to continue in the courts this year as Protasco has filed a lawsuit against Tey, Ooi and PT Anglo Slavic Utama (PT Asu) to reclaim the US\$27 million that Protasco had paid in its foiled attempt to buy a 63% stake in oil and gas outfit PT Anglo Slavic Indone-



Lysaght's troubles began as a family dispute brewed in its boardroom. Photo by Abdul Ghani Ismail



Tan: They (Laxey and City of London) are very experienced; we can't underestimate them... this time they may lose but they may come back again." Photo by Sam Fong

sia (PT Asi) from PT Asu.

Tey had countered the accusation by launching his own legal suit against Chong and some Protasco top brass, alleging that they had made some personal gain of RM10 million in the transaction, which Tey claimed had been channelled to RS Maha Niaga Sdn Bhd, a vehicle that is controlled and run by Protasco's senior management.

### Lysaght Galvanized Steel Bhd

Low-profile traffic pole maker Lysaght came under the spotlight after it emerged that a family dispute was brewing in its boardroom between managing director Liew Hoi Foo and his sister-in-law Annie Chew Meu Jong, just a few months after the passing of its late founder Chew Kar Heing in February.

The dispute surfaced in October when the Lysaght board aborted a proposed share split, bonus issue,

and free warrants — exercises which it had proposed in May — due to objections from Lysaght Malaysia Sdn Bhd (LMSB), its controlling shareholder with a 55.26% stake.

It is learnt that Liew, the only executive on Lysaght's board and Chew's son-in-law, wanted to push through the proposals. But LMSB, which is controlled by Meu Jong, proved an immovable stumbling block.

The key to settling the feud is Singapore-listed United Engineers Ltd, which owns an 11.63% stake in LMSB.

It is believed that both Liew and Meu Jong intend to take up the stake to control LMSB, for whoever controls LMSB will then control Lysaght.

### icapital.biz Bhd

British hedge fund Laxey Partners Ltd and UK-based investment advisory firm City of London Investment Management Company Ltd



Tey (right) with his lawyer Gideon Tan. Photo by Sam Fong

have come back to haunt the outspoken fund manager Tan Teng Boo, who manages closed-end fund icapital.biz Bhd.

City of London, together with Laxey Partners, had voted against a resolution to reappoint Tunku Abdul Aziz Tunku Ibrahim as director in the closed-end fund through a proxy form just two days before icapital.biz's 10th annual general meeting (AGM) on Oct 11.

However, the AGM was later adjourned to Nov 30 when Tan accused the London firms' action as "unethical" and "oppressing the majority".

Tan had told pressmen then: "They (Laxey and City of London) are very experienced; we can't underestimate them... this time they may lose but they may come back again."

Tan's statement proved to be a prescient warning. When the AGM resumed on Nov 30, Abdul Aziz failed to be reappointed a director of icapital.biz.

It later emerged that City of London had been accumulating more shares in icapital.biz since November. As at Dec 24, the firm owned an 11.65% stake, compared with 9.88% in April.

In November 2012, Tan successfully blocked Laxey Partners' entry into icapital.biz's board when the two firms had requested for three board seats in an AGM.

From the look of things, City of London seems to be gearing up for another try.

### Kian Joo Can Factory Bhd

Kian Joo's executive director Datuk Anthony See Teow Guan has filed an appeal on his suit against Can-One Bhd and few others regarding the sale of Kian Joo's assets and liabilities to Aspire Insight Sdn Bhd for RM1.47 billion, after the case was struck out by the Kuala Lumpur High Court on Nov 14 this year.

See in May this year commenced legal action against Can-One, its unit Can-One International Sdn Bhd, and four others including Kian Joo, to prevent Can-One and Can-One International from voting on the sale.

In his suit, See alleged that Aspire Insight and Can-One were related parties, and therefore the latter should not be allowed to vote.

In November last year, Freddie Chee Khay Leong, who is Can-One's former chief operating officer (COO) and Kian Joo's current COO, with the Employees Provident Fund, through Aspire Insight, jointly proposed to acquire Kian Joo for RM3.30 apiece.

It is believed that the See family still owns more than 15% fragmented stakes in Kian Joo, after they lost a bitter court battle to invalidate the sale of the family's 32.9% stake in the company to Can-One in 2012.

# GDP to grow only 4.7% this year, says MARC

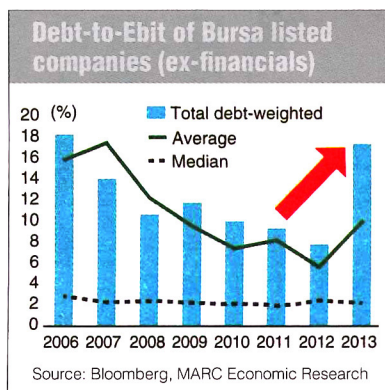
BY AHMAD NAQIB IDRIS

KUALA LUMPUR: Malaysian Rating Corp Bhd (MARC) expects Malaysia to post a gross domestic product (GDP) growth of 4.7% in 2015, lower than the government's growth projection of between 5% and 6%, as it expects slower growth in private consumption and investment.

The country's export performance will also be moderated next year due to uncertainties in major economies, especially in Europe, China and Japan, despite the continued strength of the US economy and lower-than-expected average oil price.

"Although declining oil prices will boost consumer spending (as in the United States), in the case of Malaysia, it may only prevent a significant erosion in consumer spending which would have taken place if pump prices were on the uptrend.

"This is because consumers are already overstretched by high household debt and are facing rising costs of living," said MARC in its 2015 outlook report titled "Gyrations Amid Pockets of Silver Lining" on Wednesday.



Its forecast is similar to World Bank's estimation. Last Dec 17, World Bank, which originally had a 4.9% GDP growth projection for Malaysia this year, cut its forecast to 4.7% as it expects the nation's economy to grow at a slower pace amid tumbling oil prices.

Two days later, Swiss bank UBS AG followed suit with a steeper cut on its GDP forecast for Malaysia, from 5% to 4.5%, on what it expects to be a "sharper slowdown" in the country's economy this year.

Meanwhile, MARC expects private consumption growth to moderate to

5.5% this year from 6.4% last year.

Although the research agency expects investments to remain relatively resilient next year, it cautioned that growth will continue to normalise as the government tightens its belt following a cloudier outlook for the global economy and lower oil revenue.

"In addition, the leverage level of large corporations has evidently increased since 2012, with the average debt-to-Ebit (earnings before interest and tax) levels of Bursa-listed companies (ex-financial) surging to 10.1% in 2013 from 5.6%.

"Such an increase would normally cause corporations to scale down their future investments as they would find it more difficult to service their debt."

On inflation, it expects the consumer price index (CPI) to continue to rise in 2015, due to the implementation of the goods and services tax (GST) and possible further cuts in subsidies. Hence, it forecasts an average inflation rate of 4% to 4.5% next year.

It further noted that the increase in CPI due to the implementation

of the GST is likely to be a "transient phenomenon", and that CPI growth may subside in the following year.

Despite its forecast of rising consumer prices, MARC does not expect Bank Negara Malaysia to respond with a hike in the overnight policy rate (OPR), as price increases will not be due to demand-pull inflation.

Hence, the agency expects the OPR to remain stable at 3.25% this year, although it foresees lending growth to moderate due to the lag effects of Bank Negara's macro-prudential measures, which will continue to be felt by consumers, as well as slower economic growth, which will dampen demand for credit.

"The growth in household lending is expected to drop to below 10%, which we anticipate to be contributed by slowing personal and hire purchase loans, despite a stable pace in loan growth for residential properties," it said.

Similarly, the pace of business loan growth will also stabilise, it said, giving an overall loan growth forecast of 8% to 9% this year.

MARC also noted that the overall impact of the slump in oil prices

on governmental revenue would hinge on the sustainability of the current price.

"Based on global economic prospects and the long-term trend of oil prices, we view that the recent sell-offs are overdone and oil prices will rebound slightly to stabilise at around US\$65 (RM227.50) to US\$75 per barrel in 2015," it said.

It believed, however, that oil prices of above US\$90 per barrel are no longer a possible scenario "at least in the next one year."

As it estimates that every US\$1 drop in the price of Tapis will trim Malaysia's oil revenue by RM400 million to RM500 million, it thinks the budget deficit target of 3% of GDP has become "more challenging, not only because the amount of government revenue is dropping, but also because of the shrinking value of nominal GDP in 2015."

"For this reason, we think that if the oil price is sustained below US\$65 per barrel for a considerable period, the budget deficit target may be adjusted slightly by approximately 30 to 40 basis points above the initial target."