

**MSWG****MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia * Company No. 524898-M

The Observer

MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

FELDA GLOBAL VENTURES HOLDINGS BERHAD ("FGV")

The Board of Directors of Felda Global Ventures Holdings Berhad ("FGV") announced that the Group President/Chief Executive Officer and Group Chief Financial Officer of FGV have been given leave of absence commencing from 6 June 2017 pending investigations of certain transactions under Delima Oil Products Sdn Bhd, a subsidiary of FGV.

FGV will continue its business as usual. In the interim, a Board Executive Committee, comprising two (2) FGV Directors, YBhg. Dato' Dr Omar Salim and YBhg. Dato' Mohd Zafer Mohd Hashim, together with En. Azman Ahmad, Head of Logistics Cluster will take over the responsibility to perform the functions of the Group President/Chief Executive Officer. The Board has also appointed Pn. Aznur Kama Azmir, Group Financial Controller, Plantation Sector as the Interim Group Chief Financial Officer.

Further announcements shall be made in the event of material developments on this matter.

[Source: FGV's announcement on Bursa Malaysia's website on 6 June 2017]

MSWG'S COMMENTS:

News on the suspension of four FGV's senior executives, including the Group President/CEO and the Group CFO pending a probe on certain transactions were indeed a surprise. The market reacted negatively causing its share price to tumble by 6.36% at market close on 6 June 2017. Research houses reacted by downgrading the Company.

As reported, the investigation is now being conducted by FGV's Internal Audit Committee. It was also reported that the Prime Minister's Office had appointed Datuk Seri Idris Jala as an independent party to establish the facts of the case. In our view, non-governmental external independent consultants should also join in the investigation.

Perhaps it is timely for us to reiterate the wisdom of PLCs not to appoint serving politicians on their Board for fear of, among others, any unnecessary insinuations, lack of time commitment and unhealthy intermingling of politics and business resulting in blurring of business goals and objectives - in short, political agenda should never exist in PLCs.

We hope the investigation would be fairly and impartially done in a transparent manner. It should be concluded promptly and satisfactorily as FGV being a global plantation player would also draw a lot of concerns from its worldwide stakeholders.

PUNCAK NIAGA HOLDINGS BERHAD (“Puncak”)

Proposed acquisition of the entire issued and paid-up capital of Danum Sinar Sdn Bhd (Danum Sinar) by Danau Semesta Sdn Bhd (DSSB, Purchaser), a subsidiary of Puncak

(Reference to the announcements dated 17 October 2016 and 17 April 2017 on Bursa Malaysia’s website in relation to the Proposed Acquisition)

The Company announced that DSSB (Purchaser) and Shin Yang Holding Sdn Bhd (SYHSB) (Vendor) have entered into a second supplemental Sale and Purchase Agreement (SPA) to amend and vary the terms of SPA whereby the Purchase Price for the 100% equity interest in Danum Sinar has been reduced from RM446,505,690.45 to RM276,587,523.65. The revised Purchase Price of RM276,587,523.65 was arrived at on a willing buyer-willing seller basis and based on the revised value of the Land of RM604,370,399.85 (previously RM735,102,114.25) less the liabilities of Danum Sinar based on its management accounts as at 31 March 2017 of RM327,782,876.20. The Purchase Price is subject to adjustments in accordance with the provision of the SPA.

[Source: Puncak’s announcement on Bursa Malaysia’s website on 5 June 2017]

MSWG’S COMMENTS:

We understand that the shareholders of Puncak are generally happy to see that the Purchase Price for 100% equity interest in Danum Sinar has been reduced substantially from RM446,505,690.45 to RM276,587,523.65 and the value of the land has been revised from RM735,102,114.25 to RM604,370,399.85. The questions that we would like to ask, among others, are:-

- i. Why was the Independent Valuer engaged after more than six months from the date of the first SPA?
- ii. Despite the market value of the land of RM800,000,000 based on the Independent Valuer’s report dated 26 May 2017 being about 9% higher than the original value of RM735,102,114 stated in the first SPA purchase price, the vendor was willing to reduce the price by 18% from RM735,102,114 to RM604,370,400. What was the reason for the vendor to agree to the revised purchase price of RM604,370,400 which would be about 25% lower than the market value of the land of RM800,000,000 given by the Independent Valuer?
- iii. What was the basis for the Board of Puncak to agree on the original value of RM735,102,114 when the first SPA was signed in October 2016?
- iv. Was there any due diligence done on the condition of the land, including soil testing and legality issue of the land? If yes, was the lower Purchase Price due to any unfavourable findings from the due diligence?

MSWG’S AGM WEEKLY WATCH 12 - 17 JUNE 2017

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholder Watchdog Group’s (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG’s website at www.mswg.org.my.

Date & Time	Company	Venue
13.06.17 (Tue) 10.30 am	Kretam Holdings Bhd (AGM)	Lot 6, Block 44, Leboh Tiga, Sandakan, Sabah
14.06.17 (Wed) 03.00 pm	Sunway Bhd (AGM)	Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, Subang Jaya
15.06.17 (Thur) 09.00 am	Mah Sing Group Bhd (AGM)	Wisma Mah Sing, No. 163, Jalan Sungai Besi, KL
15.06.17 (Thur) 09.30 am	KNM Group Bhd (AGM)	Philea Mines Beach Resort, Jalan Dulang, MINES Resort City, Seri Kembangan, Selangor
15.06.17 (Thur) 09.30 am	Astro Malaysia Holdings Bhd (AGM)	Connexion Conference & Event Centre at Nexus Bangsar South City, KL
15.06.17 (Thur) 11.00 am	Amalgamated Industrial Steel Bhd (AGM)	Lot 11A, Jalan Utas 15/7, Section 15, Shah Alam
15.06.17 (Thur) 02.00 pm	Petron M'sia Refining & Marketing Bhd (AGM)	Mandarin Oriental Kuala Lumpur, KLCC, KL
15.06.17 (Thur) 02.30 pm	Mudajaya Group Bhd (AGM)	Menara Mudajaya, Mutiara Damansara, PJ

The points of interest to be raised:

Company	Points/Issues to Be Raised
Kretam Holdings Bhd (AGM)	<p>We noted that the FFB and oil yields of the Group for both FY2015 and FY2016 were below the MPOB Sabah Average.</p> <p>Besides the El-Nino phenomenon, what were the other contributing factors to the low yields recorded by the Group and what are the measures taken to improve the yields?</p>
Mah Sing Group Bhd (AGM)	<p>The Group had achieved RM1.78 billion in its domestic property sales. Projects launched in 2016 include the Tower C of Lakeville Residences in Jalan Kuching, Tower A and Tower B of Cerrado Residential Suites, Southville City, as well as The Greenway and The Eden which are both 2-storey Link Homes in Meridin East, Johor.</p> <p>(a) What were the take-up rates for the projects launched in FY2016?</p> <p>(b) What was the total unbilled sales as at 31 December 2016?</p> <p>(c) What would be the total GDV of projects to be launched for FY 2017?</p>
KNM Group Bhd (AGM)	<p>The Group suffered a substantial loss after tax of RM333.1 million in FY2016 as compared to a profit after tax of RM47.9 million in FY2015.</p> <p>What is the outlook for FY2017 and does the Board expect the Group to turn around in FY2017?</p>
Mudajaya Group Bhd (AGM)	<p>Under the Management Discussion and Analysis (MD & A), the Company reported two significant milestones achieved in the power segment, namely (i) the Group's 26% associate, RKM Powergen Private Limited in India had achieved Commercial Operation Date ("COD") in March 2016; and (ii) the Energy Commission of Malaysia awarded the 49 MW Large Scale</p>

	<p>Solar Photovoltaic (“LSSPV”) project in Perak worth RM270 million to the Group in December 2016.</p> <p>(a) What would be the capital expenditure allocation for the renewable energy (“RE”) segment amid the Government’s commitment in developing the green energy industry?</p> <p>(b) Could the Board explain the reason(s) for the Group’s share of losses in associates, namely RKM and PT Harmoni?</p> <p>(c) Why was there no disclosure of the performance for associates, namely MMJV, MVSB, and Amihan Energy Corporation respectively for FY2016? Could the Board brief on the performances of these associate companies?</p>
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CAPITAL MARKET AND REGULATORY UPDATE

Exposure Draft on Rahn

As part of the objective to strengthen the Shariah-compliance practice among Islamic financial institutions (IFIs), Bank Negara Malaysia (the Bank) is developing a Shariah-based regulatory policy with the objective of providing comprehensive guidance to the Islamic financial industry on to end-to-end compliance with Shariah.

This exposure draft sets out the Bank’s proposed operational requirements on the operationalisation of *rahn* contract (collateral) with respect to governance and oversight, structuring, risk management, business and market conduct as well as financial disclosure. This exposure draft also outlines the Shariah requirements that highlight the salient features and optional practices of a valid Shariah contract to facilitate sound understanding of *rahn* contract by the IFIs.

The Bank invites written feedback and comments on **Part C**, that is, the operational requirements of a *rahn* contract, including suggestions for particular issues/areas to be further clarified or elaborated on and any alternative proposals that the Bank should consider. The Shariah requirements in Part B serves as reference to facilitate the IFIs in providing feedback and comments on the operational aspects of the *rahn* in line with Shariah requirements. To facilitate the Bank’s assessment, please support each comment with a clear rationale, accompanying evidence or illustration, as appropriate.

The responses should reach the Bank by 15 June 2017. For details:

http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=546&lang=en

LOCAL NEWS AND DEVELOPMENTS

Retail association expects 4.5% growth in sales for 2017

<http://www.thestar.com.my/business/business-news/2017/06/08/retail-association-expects-45-growth-in-sales-for-2017/>

Malaysia to begin tourism tax on Aug 1

<http://www.straitstimes.com/asia/se-asia/malaysia-to-begin-tourism-tax-on-aug-1>

M'sian debt paper foreign holdings up for second month

<http://www.theedgemarkets.com/article/msian-debt-paper-foreign-holdings-second-month>

Higher foreign reserves at end-May

<http://www.thestar.com.my/business/business-news/2017/06/08/higher-foreign-reserves-at-endmay/>

Migration to PIN-enabled Payment Cards (PIN & PAY)

http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=547&lang=en

Malaysia April industrial output seen quickening to 4.8%

<http://www.theedgemarkets.com/article/malaysia-april-industrial-output-seen-quickening-48-yy>

Palm oil drops on rising output, weaker export demand

<http://www.theedgemarkets.com/article/palm-oil-drops-rising-output-weaker-export-demand>

More multinational firms moving to M'sia from S'pore due to lower costs

<http://www.thestar.com.my/business/business-news/2017/06/07/more-multinational-firms-moving-to-malaysia-from-singapore-due-to-lower-costs/>

GLOBAL NEWS AND DEVELOPMENTS

Euro steady before ECB, pound near 2-week high ahead of UK vote

<http://www.theedgemarkets.com/article/euro-steady-ecb-pound-near-2week-high-ahead-uk-vote>

India to seek Malaysian expertise to modernise train stations

<http://www.thestar.com.my/business/business-news/2017/06/07/india-to-seek-malaysian-expertise-to-modernise-train-stations/>

Global growth headed for six-year high, says OECD

<http://www.thestar.com.my/business/business-news/2017/06/07/global-growth-headed-for-six-year-high-says-oecd/>

Australia economy ties record for longest expansion

<http://www.thestar.com.my/business/business-news/2017/06/07/australia-economy-ties-record-for-longest-expansion/>

Japan Display considers deeper restructuring, seeks more funding

<http://www.thestar.com.my/business/business-news/2017/06/07/japan-display-considers-deeper-restructuring/>

O&G sector momentum to pick up from second quarter 2017

<http://www.thestar.com.my/business/business-news/2017/06/07/oil-and-gas-sector-poised-for-growth/>

MSWG Analysts

Lya Rahman, General Manager, lyarahman@mswg.org.my

Rebecca Yap, Head, Corporate Monitoring rebecca.yap@mswg.org.my

Quah Ban Aik, Head, Corporate Monitoring banaik.quah@mswg.org.my

Norhisam Sidek, Manager, Corporate Monitoring norhisam@mswg.org.my

Wong Kin Wing, Manager, Corporate Monitoring, kinwing@mswg.org.my
Hoo Ley Beng, Manager, Corporate Monitoring linnert.hoo@mswg.org.my
Nor Khalidah Khalil, Analyst, Corporate Monitoring khalidah@mswg.org.my
Vinodth Ramasamy, Analyst, Corporate Monitoring vinodth.ram@mswg.org.my
Muhammad Faris bin Mohamed Yusof, Analyst, Corporate Monitoring farisyusof@mswg.org.my

DISCLOSURE OF INTERESTS

- *With regard to the companies mentioned, MSWG holds a minimum number of shares in all these companies covered in this newsletter.*
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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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