

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

14 August 2015.

MESSAGE FROM THE CEO

Affin Holdings announced yesterday that the Affin Bank's purchase of the TRX land was based on market value as advised by C H Williams Talhar & Wong. At RM4,700 per sq foot, it is one of the most expensive deals in KL's city center in recent history.

In mitigation, Affin stated that the price for the land was at a discount of 2.3% to the market value of the land. It has also provided the valuation for the land by the independent valuer using the comparison method and residual method of valuation.

We believe that more transparency on the assumptions of the basis the price was arrived at should be provided, given the fact that prior similar transactions were cheaper? Also whether Affin needs to have an office tower in this prevailing environment of uncertainties given its depleting cash reserves.

We believe Affin is in a superior bargaining position compared to 1MD and should be able to negotiate for a better deal for its minority shareholders.

There are also corporate governance concerns and conflict of interest that Tan Sri Lodin Wok Kamaruddin is a common director at both 1MDB and Affin. He is Chairman of 1MDB while also being Deputy Chairman of Affin Holdings Bhd, and CEO of LTAT (which owns 35% of Affin Holdings).

Thus it is only logical to have a second or even a third valuation to be done based on the fact that this is a related party transaction, with inherent controversies and being done when the general property prices have dampened.

Separately, many Malaysians would also have been quite concerned at the recent alarming falls in the share market and ringgit. Our currency is the worst-performing in Asia so far this year, while equity fund outflows as at June have already significantly surpassed the total amount of outflows for all of 2014.

I am relieved to note that the Governor of BNM at a press conference yesterday, stated that there was a 4.9% growth in the economy above the market expectations and had given assurances that there would not be capital controls nor a RM-peg to halt the fall of the ringgit as she felt that the flexible rate had helped adapt to the external developments. The performance of the currency will nevertheless, be monitored closely. She was also comfortable with the Reserves level. On the same note she also mentioned that BNM monitors highly leveraged entities including 1MDB.

In distressing economic and political times as this, I believe that experience matters. So does keeping a cool head.

Following this, a recent article by Focus Malaysia had reported that many Malaysian companies -- especially the family controlled ones -- have quite a few silver-haired directors on the board.

On the proviso always that these individuals are able to maintain a dispassionate independence while offering the necessary vigour in their roles, experience does go a long way.

Whether in terms of offering perspective in how best to manage cashflow, or making the best of company funds or avoiding industry or management pitfalls, the calm hand of veteran directors and together with their experience would surely be a steadying influence.

To add to this, a well-comprised board would always combine veteran hands with young blood with the average age of the boards depending on the industry it is in, whether a techy company or a brick and mortar one. And when well-executed, such a combination forms the essence of a company's growth - perhaps even survival.

Regards,

Rita

MARKET AND REGULATORY UPDATE

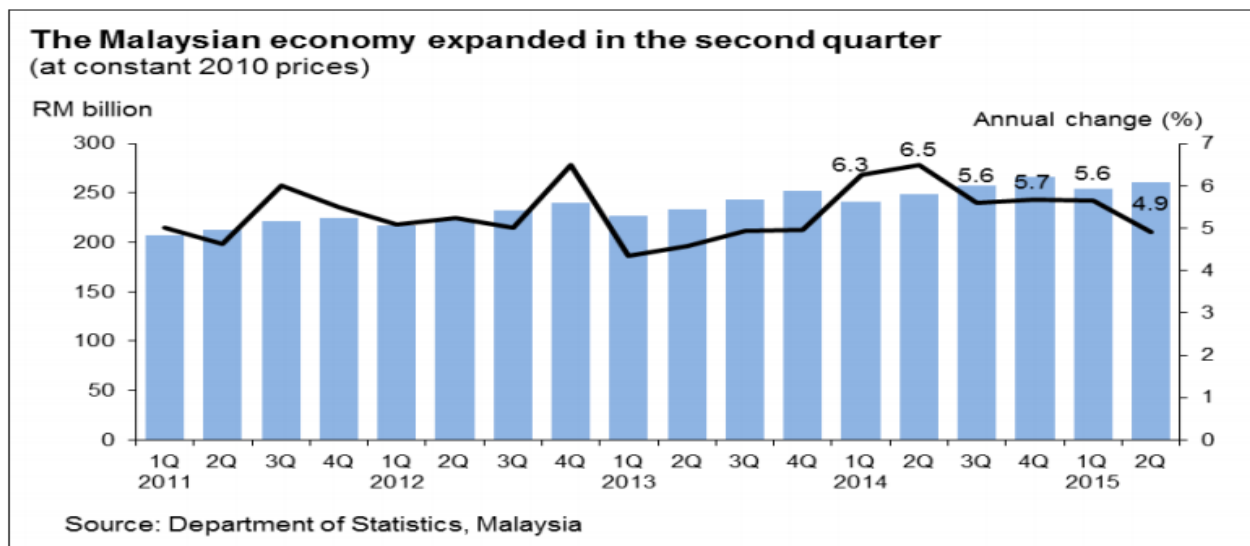
BNM: ECONOMIC AND FINANCIAL DEVELOPMENTS IN THE MALAYSIAN ECONOMY IN THE SECOND QUARTER OF 2015

The Malaysian economy recorded a growth of 4.9% in the second quarter of 2015 (1Q 2015: 5.6%), driven mainly by private sector demand. On the supply side, growth was underpinned by the major economic sectors. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.1% (1Q 2015: 1.2%).

The Monetary Policy Committee (MPC) maintained the Overnight Policy Rate (OPR) at 3.25% at its meetings during the second quarter of 2015. Despite increased volatility in international financial markets, interest rates in the domestic money market have remained stable.

Financial system resilience remained intact despite persistent volatility in the global and domestic financial markets during the quarter. In the near term, domestic financial system stability is expected to be maintained, thus providing continued support to real sector activities amidst challenging operating environment.

Going forward, the global economy is projected to remain on a moderate growth path, with diverging growth momentum across major economies. Global growth, however, has become more vulnerable to increased downside risks. Any adverse developments in Europe, increased uncertainty over policy adjustments in the advanced and emerging economies and a re-emergence of geopolitical tensions could result in further international financial market volatility.



[Source: BNM's media release on 13 August 2015]

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

MULTI SPORTS HOLDINGS LTD ("MSHL")

MSHL proposes to undertake a variation to the utilisation of proceeds raised from the Taiwan Depository Receipt Programme ("TDRP"), which was completed on 30 November 2011, to be as working capital ("Proposed Variation"). The Proposed Variation will enable MSHL to utilise an unutilised portion of approximately RM11.68 million raised from the TDRP. Subsequent to the Proposed Variation, MSHL also proposes to undertake a Proposed Par Value Reduction and Proposed ESOS.

MSHL will hold a Special General Meeting on 20 August 2015 for the Proposed Variation, Proposed Par Value Reduction and Proposed ESOS

[Source: MSHL's announcement on Bursa Malaysia's website on 28 July 2015]

MSWG'S COMMENTS:

Although MSHL Group's net cash position of RMB1.09 per share (approximately RM0.61 per share) and net asset value of RMB1.73 per share (approximately RM0.98 per share) as stated in MSHL's latest annual report, we have seen the substantial shareholder, Mr. Lin Huozi, who is also the Executive Chairman of MSHL, has been trimming down his shareholding in the company from 50.5% since the IPO of MSHL to 18.575% as at 17 June 2015 which brings about the question on why he was doing so.

We are concerned by MSHL to propose a par value reduction to provide the company with greater flexibility to raise funds, notwithstanding the fact that the MSHL Group's OPEX and CAPEX has been declining significantly since the last financial year. It is also holding a huge net cash position and was also unable to fully utilise the fund previously raised from the TDRP.

MSWG'S WATCHLIST

BENALEC HOLDINGS BERHAD ("BHB")

Bursa Malaysia has publicly reprimanded BHB and its 3 executive directors at the material period for breaching the Bursa Malaysia's Main Market Listing Requirements (Main LR). In addition, the 3 executive directors of BHB were fined a total of RM250,000.

The finding of breach and imposition of the above penalties on BHB and the 3 executive directors were made pursuant to paragraph 16.19 of the Main LR upon completion of due process and after taking into consideration all facts and circumstances of the matter including the materiality of the related party transactions / breaches, impact of the breach to the company and shareholders and the role, responsibilities, conduct and interest of the directors.

Bursa Malaysia views the contraventions seriously in view of the importance of the related party transaction requirements (RPT Requirements) under the Main LR which served to govern potential conflicts of interest which may give rise to potential abuses vis-à-vis transactions by listed companies to the detriment of shareholders.

[Source: BHB's announcement on Bursa Malaysia's website on 11 August 2015]

LOCAL NEWS AND DEVELOPMENTS

Acquisition by Affin Bank Berhad, a wholly-owned subsidiary of Affin Holdings Berhad of a plot of land with a land area of 54,266 square feet at Tun Razak Exchange (known as Plot C7.9-CT)

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/4825705>

Bursa Malaysia Securities publicly reprimands Benalec Holdings Berhad and fines 3 executive directors a total of RM250,000

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/3509>

CCM to sell Medan plant

<http://www.thestar.com.my/Business/Business-News/2015/08/10/CCM-to-sell-Medan-plant/?style=biz>

FGV due diligence on PT Eagle High soon

<http://www.thesundaily.my/news/1509995>

Bank Negara's international reserves at US\$96.7b

<http://www.thestar.com.my/Business/Business-News/2015/08/07/Bank-Negara-foreign-reserves-fall-at-end-July/?style=biz>

Disgruntled DNeX shareholders hold up meeting for two hours

<http://www.thesundaily.my/news/1512615>

Media Chinese braces for challenging FY16

<http://www.thesundaily.my/news/1512612>

Khazanah may privatise UEM Sunrise, says MIDF

<http://www.thesundaily.my/news/1511346>

AirAsia says it has 'no choice' but to take stern action against Malaysia Airports

<http://www.thestar.com.my/Business/Business-News/2015/08/07/AirAsia-says-it-has-no-choice-but-to-take-stern-action-against-MAHB/?style=biz>

Westports Holdings Berhad: revised container tariff at Port Klang

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/4821273>

Monthly External Trade Statistics June 2015

https://www.statistics.gov.my/index.php?r=column/cthemByCat&cat=139&bul_id=emp6aTFEczVsU0tOd094V3hNOXJXZz09&menu_id=azJjRWpYL0VBYU90TVhpclByWjdMQT09

Scientex purchase of Mondi Ipoh will boost packaging production by 30%

<http://www.theedgemarkets.com/my/article/scientex-purchase-mondi-ipoh-will-boost-packaging-production-30?type=Markets>

MBSB denies getting Bank Negara nod for merger

<http://www.thestar.com.my/Business/Business-News/2015/08/05/MBSB-unaware-about-BNM-nod-for-merger-deal/?style=biz>

Century Logistic falls over 11% on demand for RM21.6m damages compensation from Nestle

<http://www.theedgemarkets.com/my/article/century-logistic-falls-over-11-demand-rm216m-damages-compensation-nestle?type=Markets>

GLOBAL NEWS AND DEVELOPMENTS

Indonesia urges U.S. Fed to hurry up and raise rates

<http://www.reuters.com/article/2015/08/09/us-indonesia-economy-idUSKCN0QE06820150809>

Warren Buffett reportedly close on latest big buy

<http://money.cnn.com/2015/08/09/investing/warren-buffett-berkshire-hathaway/index.html?iid=hp-stack-intl>

Berkshire profit falls 37 percent on investment, insurance slump

<http://www.reuters.com/article/2015/08/07/us-berkshire-results-idUSKCN0QC29G20150807>

Solid U.S. jobs report bolsters case for Fed rate hike

<http://www.reuters.com/article/2015/08/07/us-usa-economy-idUSKCN0QB1FP20150807>

China's July exports slump 8%, raises pressure for more stimulus

<http://www.cnbc.com/2015/08/08/china-economy-july-exports-slump-8.html>

Pearson set to offload Economist stake for £400m

<http://www.ft.com/intl/cms/s/0/c8e60786-3eb1-11e5-9abe-5b335da3a90e.html#axzz3iN6k56cP>

US economy adds 215,000 jobs in July

<http://www.bbc.com/news/business-33823904>

US service sector activity hits 10-year high: ISM

<http://www.cnbc.com/2015/08/05/ism-non-manufacturing-index-hits-603-in-july-vs-562-estimate.html>

Brazil inflation rate hits 12-year high

<http://www.bbc.com/news/business-33826934>

Japan's economy probably shrank in second quarter on weak exports, private spending

<http://www.reuters.com/article/2015/08/07/us-japan-economy-gdp-idUSKCN0QC0P620150807>

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DISCLOSURE OF INTERESTS

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