

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

19 January 2018

MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

HOVID BERHAD (“HOVID”)

The Board of Directors of Hovid (“Board”) announced that as at 10 January 2018, the joint offerors collectively hold 75.64% of the total issued ordinary share capital of the company. Accordingly, Hovid does not comply with the required public shareholding spread pursuant to Section 8.02(1) of the Listing Requirements whereby a listed issuer must ensure that at least 25% of its total listed shares are in the hands of public shareholders (“Public Shareholding Spread Requirements”).

The joint offerors have stated that they do not intend to maintain the listing status of Hovid and may procure Hovid to take the requisite steps to withdraw its listing status from the Official List in accordance with Paragraph 16 of the Listing Requirements. As at the date of the announcement, there are no plans to rectify the shortfall in the Public Shareholding Spread Requirements.

[Source: Hovid’s announcement on Bursa Malaysia’s website on 11 January 2018]

MSWG’S COMMENTS:

We noted that the joint offerors had revised twice the acceptance threshold from 90% to 75% and then from 75% to 67%. The joint offerors were able to fulfil the acceptance level of 67% as the joint offerors were holding in aggregate 75.64% of the total shares on the day prior to the closing date of the offer, i.e. 12 January 2017. The company would risk having its shares suspended from trading by Bursa Malaysia due to non-compliance of the Public Shareholding Spread Requirements.

In view of the above, the company should consider rectifying the shortfall in the Public Shareholding Spread Requirements or at least try to apply to Bursa Malaysia to seek approval for the company to continue to trade with a public shareholding spread that is below the stipulated minimum 25% public shareholding spread. Bursa Malaysia may accept a public shareholding spread below the stipulated 25% if Bursa Malaysia deems the lower public shareholding is sufficient to deem the shares of the company as ‘liquid’. We are of the opinion that such action will hold the company in good stead and allow the company to be recognised as a public entity which has taken into consideration the interest of all shareholders, including the minority shareholders.

KINSTEEL BERHAD (“KINSTEEL”)

Kinsteel held its 26th Annual General Meeting (“AGM”) on 15 January 2018.

[Source: Kinsteel’s announcement on Bursa Malaysia’s website on 15 January 2018]

MSWG’S COMMENTS:

On 27 October 2016, Kinsteel was classified as a PN17 company.

On 5 January 2018, trading in Kinsteel shares was suspended as the company had failed to submit its regularisation plan by Bursa Malaysia’s deadline of 26 October 2017. The company was to be delisted on 9 January 2018.

On 4 January 2018, Kinsteel submitted an appeal against the suspension and delisting and appealed for an extension of time to submit its regularisation plan. Although trading on the securities has been suspended since 5 January 2018, the delisting of Kinsteel securities has been deferred pending the regulator’s decision on the appeal.

There are a few Corporate Governance issues that MSWG wishes to highlight, some of which were raised by MSWG at Kinsteel’s AGM held on 15 January 2018.

Following the spate of resignations by its independent directors, Kinsteel did not comply with Chapter 15, Part B Para 15.02 (1) of Bursa Malaysia’s Main Market Listing Requirements (“Listing Requirements”) which requires a listed issuer to ensure that at least 2 or one-third of its board members, whichever is the higher, are independent directors. Kinsteel also did not comply with Chapter 15, Para 15.09 (1) of the Listing Requirements which requires the audit committee to be composed of not fewer than 3 members with a majority of them being independent directors.

The company did not publish on its website the Summary of Key Matters discussed for its AGM held in 2016. This contravenes Chapter 9, Para 9.21 (2) of the Listing Requirements.

The company issued its annual report on 15 December 2017 more than 4 months after the financial year end on 30 June 2017. This contravenes Chapter 9, Para 9.23(1) of the Listing Requirements which requires a listed issuer to issue its annual report within 4 months from the close of the financial year.

Under Appendix 9C Part A (11b) of the Listing Requirements, the remuneration of directors must be disclosed in bands of RM50,000. Kinsteel Bhd did not comply with this requirement as it disclosed one director’s remuneration as falling between RM1 million to RM1.5 million - a banding of RM500,000 instead of the prescribed RM50,000 banding.

MSWG'S AGM WEEKLY WATCH 22 - 26 JANUARY 2018

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 are 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
22.01.18 (Monday) 9.00 am	Bright Packaging Industry Berhad (AGM)	Redang Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur
23.01.18 (Tue) 10.00 am	Concrete Engineering Products Bhd (AGM)	Menara Integriti, Institut Integriti Malaysia, Persiaran Tuanku Syed Sirajuddin, KL
23.01.18 (Tue) 10.00 am	Malaysia Building Society Bhd (EGM)	Grand Nexus, Level 3A, Connexion Conference & Event Centre @ Nexus, Bangsar South City, No. 7 Jalan Kerinchi, KL
24.01.18 (Wed) 10.00 am	Fraser & Neave Holdings Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, KL

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Bright Packaging Industry Berhad (AGM)	<p>1) The Group's revenue had declined for the last 2 financial years with profit before tax (PBT) further deteriorating from RM0.3 million in FYE 2016 to a loss of RM3.6 million in FYE 2017.</p> <p>a. What were the reasons for the losses especially since the Board had expressed in the last financial year that the Group's prospects were expected to be positive?</p> <p>b. What measures have been taken to address the Group's deteriorating financial performance?</p> <p>c. When is the Group expected to turn around?</p> <p>2) We noted in Note 7, page 96 of the Annual Report 2017 that there was an impairment amount of RM1,778,032 million on trade receivables for the FYE 2017.</p> <p>a. What is the recoverability and collection status of these impaired trade receivables?</p> <p>b. What were the reasons for the substantial increase in trade receivables in FYE 2017, especially since the revenue had decreased by about 32.4% from RM62.3 million in FYE 2016 to RM42.2 million in FYE 2017?</p>
Concrete Engineering Products Bhd (AGM)	<p>The Chairman's Statement and his Review of Operations mentioned about a slew of infrastructure projects under the 2018 Budget which are expected to benefit the construction industry. On the export front, he also believes there are potential new markets in the ASEAN region left untapped such as Indo-China countries.</p> <p>a. What are the projects which the CEPCO's management team has identified in order to secure a fair share of these projects?</p> <p>b. The Group's export sales contributed to 8% of the revenue. What are the</p>

The points of interest to be raised:	
	<p>Board's strategies and which markets are the Board targeting to enhance the potential of the export market to improve the Group's performance?</p> <p>c. What are the sizeable contracts that the Board hopes to secure in order to replenish the Group's order book for sustainable performance and results?</p>
Malaysia Building Society Bhd (EGM)	<p>Page 36 of Appendix II of the Circular on the financial performance of Asian Finance Bank ("AFB") showed AFB had incurred a loss before tax amounting to RM18.9 million for the unaudited 6-month FYE 30 June 2017 contributed by both a drop in income as well as an increase in the allowance for impairment on financing and advances.</p> <p>a. Did the Board conduct a financial due diligence on AFB? Please elaborate.</p> <p>b. What is the nature of the financing assets? Would there be a need for further impairment in FYE 2017?</p> <p>How would this impact the pricing valuation of AFB in the merger exercise?</p> <p>Are there any provisions in the Sale and Purchase agreement to address/compensate the risk of deterioration in asset quality?</p> <p>c. Based on the financial summary and operations of AFB, what business synergistic value creation would MBSB expect to gain from the merger?</p> <p>Please explain in terms of key business strategy, market share, assets and products advantage that AFB can offer to complement MBSB after the merger.</p>
Fraser & Neave Holdings Bhd (AGM)	<p>In relation to the three growth pillars of the Company, i.e. F&B Malaysia Domestic, F&B Thailand and the Exports segment, could the Board provide the following information:</p> <p>a. When would F&B Malaysia Domestic complete its transformation initiatives?</p> <p>b. What are the efforts taken to grow sales for the financial year ending 2018 (and to address the 8.2% decline in revenue in FY2017) for F&B Malaysia (Combined Domestic and Exports)?</p> <p>c. F&B Thailand registered 8.7% increase in revenue contributed by a double-digit growth in exports to Indochina. What are the efforts taken to further grow sales in Indochina for the financial year ending 2018? Please elaborate on the business strategy, challenges and potentials in that country.</p> <p>d. What is the outlook for the Export segment in 2018?</p>

MSWG'S WATCHLIST

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED ("CAP")

The Board of Directors of CAP announced that Messrs. PFK, the company's External Auditors, had expressed an audit disclaimer of opinion in the company's latest Audited Financial Statements for the financial year ended 31 December 2015.

One main basis for the audit disclaimer of opinion is that there were significant unreported borrowings and material litigation involving QuanZhou Fen Sun Automobile Parts Co. Limited (“Fen Sun”), a subsidiary of CAP, in financial year ended 31 December 2015. The Auditors were unable to confirm or verify by alternative means the adjustments necessary in respect of the undisclosed material liabilities and their corresponding effects in the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows.

In addition, the Auditors stated that they were unable to determine the consequential effects of the disclosed material liabilities on the financial position of the Group as at 31 December 2015 and on the financial performance and cash flows of the Group for the year then ended and the material uncertainty casts significant doubt about the Group’s ability to continue as a going concern.

[Source: CAP’s announcement on Bursa Malaysia’s website on 11 January 2018]

LOCAL NEWS AND DEVELOPMENTS

November’s industrial output exceeds forecast at 5%

<https://www.thestar.com.my/business/business-news/2018/01/11/november-industrial-output-exceeds-forecast-at-5pc/>

Top Glove inks RM1.37bln deal to acquire Aspion

<https://www.nst.com.my/business/2018/01/324367/top-glove-inks-rm137bln-deal-acquire-aspion>

Bank execs urged to apply for new certification for auditors

<https://www.thestar.com.my/business/business-news/2018/01/13/bank-execs-urged-to-apply-for-new-certification-for-auditors/>

November’s industrial output exceeds forecast at 5%

<https://www.thestar.com.my/business/business-news/2018/01/11/november-industrial-output-exceeds-forecast-at-5pc/>

Kinsteel says creditors response encouraging, in talks with potential investors

<http://www.thesundaily.my/news/2018/01/15/kinsteel-says-creditors-response-encouraging-talks-potential-investors>

Bid to take Hovid private unsuccessful

<http://www.thesundaily.my/news/2018/01/12/bid-take-hovid-private-unsuccessful>

Ta Ann to buy 30.1% stake in Sarawak Plantation for RM170m

<https://www.theedgemarkets.com/article/ta-ann-buy-301-stake-sarawak-plantation-rm170m>

Cover Story: Two years to 2020: High-income or developed nation?

<https://www.theedgemarkets.com/article/cover-story-two-years-2020-highincome-or-developed-nation>

Malaysia airports hit record 96.54 million in 2017, driven by international traffic

<https://www.theedgemarkets.com/article/malaysia-airports-hit-record-9654-million-2017-driven-international-traffic>

GLOBAL NEWS AND DEVELOPMENTS

US finds China aluminum sheet metal imports hurt American producers

<https://www.theedgemarkets.com/article/us-finds-china-aluminum-sheet-metal-imports-hurt-american-producers>

Wall St hits new highs on earnings optimism, data

<https://www.theedgemarkets.com/article/wall-st-hits-new-highs-earnings-optimism-data>

China's 2017 exports rose 10.8% in yuan terms – imports jumped 18.7%

<https://www.theedgemarkets.com/article/chinas-2017-exports-rose-108-yuan-terms---imports-jumped-187>

Japan's minister hints calling end to deflation before BOJ goal reached

<http://www.themalaymailonline.com/money/article/japans-minister-hints-calling-end-to-deflation-before-boj-goal-reached#kxLg5fLXjfiBfCrB.97>

Japan's retailers struggle to raise prices, even as economy gains momentum

<https://www.theedgemarkets.com/article/japans-retailers-struggle-raise-prices-even-economy-gains-momentum>

China's premier says 2017 GDP growth expected around 6.9 percent

<https://www.theedgemarkets.com/article/chinas-premier-says-2017-gdp-growth-expected-around-69-percent>

China says diversifying FX reserves, warns report on US bonds may be 'fake'

<https://www.theedgemarkets.com/article/china-says-diversifying-fx-reserves-warns-report-us-bonds-may-be-fake>

SGX seeks public feedback on quarterly reporting

<https://www.theedgemarkets.com/article/sgx-seeks-public-feedback-quarterly-reporting>

US yields at 10-month high on report China may slow US bond purchases

<https://www.theedgemarkets.com/article/us-yields-10month-high-report-china-may-slow-us-bond-purchases>

Buffett succession gains clarity as Berkshire promotes Abel, Jain

<https://www.theedgemarkets.com/article/buffett-succession-gains-clarity-berkshire-promotes-abel-jain>

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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 Hovid Berhad and China Automobile Parts Holdings Limited.*
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Feedback

We welcome your feedback on our newsletter and our work. Email us at corporateservices@mswg.org.my with your comments and suggestions.

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