

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

21.07.2017

VOICE OF MSWG

Despite a year-to-date return of almost 7% for the KLCI this year, Lotte Chemical Titan Holding Bhd (LCT), Malaysia's biggest IPO since 2012, has not performed to expectations.

Its already reduced reference price of RM6.50 is still trending lower, clearly pressured by the poor sentiment on the stock and weak market conditions in the chemical sector, even after being shored up by its stabilising manager Maybank Investment Bank Bhd.

Lotte's owners should be concerned: they not only read the market incorrectly, hoping that demand would exist because of the paucity of large new listings on the KLCI, but in also failing to expand capacity, unlike its global competitors.

But the regulators should also be concerned.

Lotte is not new to the exchange, having been delisted more than six years ago. It is also the second counter that has ended below its IPO price (after KIP REIT) this year, which does not bode well for Bursa's reputation.

Investors may rightly ask: where are the fresh listings of high-quality, high-margin businesses with good regional prospects and valuable intellectual property assets? It seems that Bursa is losing the best high-growth companies to the UK, Singapore and Australia, while the larger, more mature firms are either staying private or tapping other forms of capital.

In its place appear to be firms in established sectors (like oil and gas services) that are reliant on government contracts for growth. In itself, this is not a bad thing but Bursa needs much more than this to develop the breadth and depth to compete regionally.

After years of reform, we might have a robust governance framework. But it will count for naught if we are unable to offer a conducive environment for quality companies to raise capital. What specifically are the required ingredients and have enough and the right tools been deployed to provide the necessary boost?

THIRD BOARD

Speaking of IPOs, Malaysia will this month officially launch the Third Board on the Exchange (LEAP), which is going to be an SME-focused equity market for startups and smaller companies that don't qualify for the ACE market.

Conceptually, this is a sound platform, since SME Corp points out that 97% of business establishments here in Malaysia are small businesses that are responsible for nearly 36% of the country's GDP, 65% of the country's employment and nearly 18% of Malaysia's exports.

But it's going to be a tough balancing act.

On the one hand, the regulators will be only too aware of the recent collapses in similarly junior exchanges like Hong Kong's Growth Enterprise Market and China's ChiNext market, where low public floats, market manipulation and related shell businesses among connected syndicates resulted in wild intraday price swings and billions in lost market value.

On the other, it also has to be careful to not over-regulate LEAP to the point where SMEs will be dissuaded from listing because of onerous red tape and excessive bureaucracy -- something which some SPACs (Special Purpose Acquisition Vehicles) complained of when the sector was initially set up.

One thing remains a positive however, and that is the focus placed by Bursa on good governance, which it says should start even at junior level. Proper internal controls are therefore one required area, as are provable zero-conflict areas.

RESPONSIBLE INVESTING

The fact that such discussions on good governance and internal controls are taking place is, in our opinion, a welcome development. Such initiatives align themselves with the current global trend towards socially responsible investing (SRI), which benefits a wider sphere of influence beyond merely company shareholders.

To recap, responsible investment (also known as sustainable, socially conscious, "green" or ethical investing), are investment strategies that considers both financial return and social good to bring about a positive social change.

Formal discussions on this matter reached our shores earlier this month when Kuala Lumpur hosted the 2017 ICGN Annual Conference on 14 July.

Investors and governance professionals alike focused on ways to redefine capitalism to achieve a more sustainable global economy while also exploring governance priorities in all the major Asian markets. The forum, we are proud to say, spawned excellent discussions between companies and investors, and we hope to see more companies committing the cause in the years ahead.

MSWG TEAM

21 July 2017

MSWG'S AGM WEEKLY WATCH 24 - 28 JULY 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
25.07.17 (Tue) 10.00 am	Sapura Energy Bhd (AGM)	Sapura@Mines, No. 7 Jalan Tasik, The Mines Resort City Seri Kembangan
25.07.17 (Tue) 10.30 am	Kim Loong Resources Bhd (AGM)	Holiday Villa Johor Bahru City Centre, No. 60, Jalan Dato Sulaiman, JB
25.07.17 (Tue) 02.00 pm	Crescendo Corporation Bhd (AGM)	Holiday Villa Johor Bahru City Centre, No. 60, Jalan Dato Sulaiman, JB
27.07.17 (Thur) 11.00 am	Rimbunan Sawit Bhd (EGM)	Menara Rimbunan Hijau, 101, Pusat Suria Permata, Sibul, Sarawak
28.07.17 (Fri) 09.30 am	Pansar Bhd (AGM)	Tanahmas Hotel, Jalan Kampung Nyabor, Sibul, Sarawak
28.07.17 (Fri) 10.00 am	Malaysian Resources Corp. Bhd (EGM)	Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, KL

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Sapura Energy Bhd (AGM)	<p>With the SK310 B15 development on track towards achieving first gas by Q3 of 2017, the E&P team is now focused on developing and finalising plans for further commercialisation of the SK408 fields.</p> <p>How significant is the contribution of this segment to the Group's financial performance and what is the outlook for this segment?</p>
Kim Loong Resources Bhd (AGM)	<p>As reported in the Management Discussion & Analysis, the cost of production of CPO for FY2017 has increased by 21% to RM1,460 per MT of CPO. The increase was mainly due to lower oil extraction rate (OER) and production of FFB as well as increase in operating cost.</p> <p>(a) We noted that the OER recorded in FY2017 was the lowest in the last five years since 2013. What were the reasons for OER to decline over the years?</p> <p>(b) Apart from the labour cost, what are the major expense items in the operating cost that had contributed to the increase in total operating cost for FY2017?</p> <p>(c) Would the weakening Ringgit have any impact on the operating cost?</p>
Crescendo Corporation Bhd (AGM)	In relation to the Company's Property Development activities, could the Board provide the take-up rates for projects launched during the year and the total unbilled sales to-date?
Rimbunan Sawit Bhd (EGM)	The Lundu Oil Mill was commissioned into operation in March 2006. As stated in Section 7.3, Part A of the Circular to Shareholders, RSB intends to optimise production of the Lundu Mill by replacing the older machineries at the mill to improve the consistency and reliability in the processes and to achieve higher

The points of interest to be raised:	
	<p>production and efficiency.</p> <p>(a) What would be the expected amount to be incurred for replacement of the old machines at the Mill and what would be the source of funding for the amount to be incurred?</p> <p>(b) Other than replacement of the old machines, would there be any material CAPEX expected to be incurred on the Mill that has been operating for more than 10 years?</p>
Malaysian Resources Corp. Bhd (EGM)	<p>The Exercise Price will be RM1.40 per Rights Warrant, representing a premium of approximately 27.27% whereas the Issue Price will be RM0.85 per Rights Share, representing a discount of approximately 22.73%, both to the TERP of MRCB Shares of approximately RM1.10 respectively.</p> <p>(a) While the rationale of the Issue Price, representing a premium of approximately 27.27% is a logical basis, would the Board clarify the basis of the Exercise Price of RM1.40 per Rights Warrant for conversion into MRCB shares?</p> <p>(b) Considering the future performances, profitability, earnings and dividend per share expectations that could attribute to the appreciation of the market price of MRCB shares higher than RM1.10, what measures would the Board put in place, if the major shareholders and/or minority shareholders find the Exercise Price of RM1.40 per Rights Warrant to be not attractive for conversion into MRCB shares over the medium to longer term?</p>

MSWG'S WATCHLIST

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED ("CAP")

Bursa Malaysia had on 10 July 2017 issued a notice to show cause to CAP on the commencement of trading suspension, pursuant to paragraph 16.02(1)(e) of the Main Market Listing Requirements ("LR"), for failing to reissue the company's audited financial statements for the financial year ended 31 December 2015 ("AFS 2015") within 1 month from 5 June 2017.

Further to that and pursuant to paragraph 2.23(1) of the LR, CAP is required to reissue the AFS 2015 within 6 months from 5 July 2017 i.e. on or before 4 January 2018, failing which Bursa Malaysia shall commence de-listing procedures against CAP.

[Source: CAP's announcement on Bursa Malaysia's website on 14 July 2017]

LOCAL NEWS AND DEVELOPMENTS

Malaysia lowers August crude palm oil export tax to 5.5% – govt circular
<http://www.theedgemarkets.com/article/malaysia-lowers-august-crude-palm-oil-export-tax-55-%E2%80%94govt-circular>

Retailers want long-term solution to foreign worker issues

<http://www.thesundaily.my/news/2017/07/14/retailers-want-long-term-solution-foreign-worker-issues>

Bank Negara: Housing loan approval rates remain high

<http://www.thestar.com.my/business/business-news/2017/07/15/bank-negara-housing-loan-approval-rates-remain-high/>

SC to launch SRI framework for investors

<https://www.nst.com.my/business/2017/07/257320/sc-launch-sri-framework-investors>

Bursa Securities queries MLabs Systems after price surge

<http://www.thestar.com.my/business/business-news/2017/07/14/bursa-securities-queries-mlabs-systems-after-price-surge/>

Malaysia, Thailand, Indonesia mull cutting rubber exports

<https://www.nst.com.my/node/258136>

RM2 million loss in FGV daily revenue, due to manpower shortage

<https://www.nst.com.my/business/2017/07/258082/rm2-million-loss-fgv-daily-revenue-due-manpower-shortage>

Factory output 4.6% higher in May

<http://www.thestar.com.my/business/business-news/2017/07/13/factory-output-46-higher-in-may/>

Malaysia June inflation rate seen steady at 3.9% y/y

<http://www.theedgemarkets.com/article/malaysia-june-inflation-rate-seen-steady-39-yy>

Malaysia's SME GDP contribution to exceed 40%

<http://www.thestar.com.my/business/business-news/2017/07/13/malaysias-sme-gdp-contribution-to-exceed-40pct/>

Stone Master withdraws lawsuit against new board

<http://www.theedgemarkets.com/article/stone-master-withdraws-lawsuit-against-new-board-0>

Affin Holdings gets regulatory approval for transfer listing to Affin Bank

<http://www.thesundaily.my/news/2017/07/14/affin-holdings-gets-regulatory-approval-transfer-listing-affin-bank>

GLOBAL NEWS AND DEVELOPMENTS

China second quarter GDP grows 6.9% year on year, beats expectations

<http://www.thestar.com.my/business/business-news/2017/07/17/china-second-quarter-gdp-grows-6dot9-percent-year-on-year-beats-expectations/>

China cuts off Wanda funding after overseas buying spree: reports

<http://www.themalaymailonline.com/money/article/china-cuts-off-wanda-funding-after-overseas-buying-spreereports>

US\$, bond yields dip on inflation data as stocks soar

<http://www.thestar.com.my/business/business-news/2017/07/15/dollar-bond-yields-dip-on-inflation-data-as-stocks-soar/>

US-China trade talks sputtering at 100-day deadline

<http://www.themalaymailonline.com/money/article/us-china-trade-talks-sputtering-at-100-day-deadline>

Indonesia exports, imports contract in June; first in 9 months

<http://www.theedgemarkets.com/article/indonesia-exports-imports-contract-june-first-9-months>

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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 China Automobile Parts Holdings Limited.*

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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