

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

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VOICE OF MSWG

There has been a lot of fuss in the news recently over the Fake News Bill.

From the capital-markets perspective, 'Fake News' can have real and damaging consequences to unsuspecting members of the public who fall prey to the fraudulent investment advice on various online investment platforms purportedly written by market experts and 'gurus' but which are essentially 'pump and dump' schemes benefiting the perpetrators.

According to the SC, spreading such false information about listed companies for fraudulent self-benefit is an offence under Section 178 of the Capital Markets and Services Act 2007 (CMSA). Section 178 is aptly titled 'Fraudulently inducing persons to deal in securities'.

The SC has always taken a stern stance on white-collar crime. This is also reflected by the recent charging of two investment bankers, Tan Giap How and Ng Ee Fang, and another Executive Director of a public listed company, Daniel Yong Chen-I, for offences relating to the insider trading of Hirotako Holdings Bhd shares in 2011 when it was the subject of a takeover by MBM Resources Bhd. Insider trading is an offence under Section 188 of the CMSA which carries an imprisonment term not exceeding ten years and to a fine of not less than one million ringgit.

We echo the SC's warning that investors must always exercise caution and be diligent about verifying the legitimacy of any 'investment' information, advice or tips. The recent spate of charges for insider trading is also a reminder especially to industry participants to not abuse their position as insiders -- not only to bankers, accountants and lawyers but also to brokers, analysts and journalists -- to deal in shares using the privileged insider information - be it to make a profit or to avoid a loss.

RED SENA, SPAC WOES

Red Sena is the only non-Oil & Gas SPAC (Special Purpose Acquisition Company) listed on Bursa Malaysia.

Red Sena has forewarned investors that if it fails to make a Qualifying Acquisition by the end of the year, it will follow the route of CLIQ Energy and Sona Petroleum and return the funds to shareholders.

GRAB VICTORY, MEGA IPO?

Uber's capitulation to its rival Malaysia-originated Grab in the Southeast Asian market, where Grab has always focused its energies and investments on, must surely have capital market promoters in the region salivating at the prospect of an upcoming mega-IPO for the ride-hailing service.

Bursa may well be competing with the likes of SGX, Hong Kong Stock Exchange and possibly even the New York Stock Exchange or Nasdaq for the public flotation of Grab's business, said to be currently worth above \$6 billion.

Though Grab founder Anthony Tan is Malaysian, (he hails from the Tan family which controls the Bursa-listed companies Tan Chong Motor Holdings and APM Automotive Holdings Bhd), this fact alone may not be enough to convince Tan to list in Malaysia.

MSWG TEAM

30 March 2018

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

EKOVEST BERHAD ("EKOVEST") / ISKANDAR WATERFRONT CITY BERHAD ("IWCITY")

The Board of Directors of Ekovest announced that the shareholders of the company have not approved the resolution pertaining to the conditional voluntary take-over offer by the company to acquire all the offer shares in IWCITY ("Proposed Offer") as set out in the notice of Extraordinary General Meeting ("EGM") dated 12 March 2018 at the EGM held on 29 March 2018.

The details of the poll results, which were validated by Messrs Coopers Professional Scrutineers Sdn Bhd, the Independent Scrutineer appointed by the company, are as follows:

	FOR		AGAINST	
	No. of Votes	%	No. of Votes	%
Ordinary Resolution	195,750,297	30.8	439,821,290	69.2

[Source: Ekovest's announcement on Bursa Malaysia's website on 29 March 2018]

MSWG'S COMMENTS:

The results of the poll seemed to be in line or have justified the initial negative market reaction, whether rightly or wrongly, to the proposed acquisition when it was first announced by Ekovest where its share price tumbled. One foreign research house had also downgraded the share significantly following the announcement.

Initially, we were surprised that non-interested shareholders of Ekovest had voted against the Proposed Offer as we believed the Proposed Offer could have benefited shareholders of Ekovest in the long run. However, after an in-depth analysis of the poll results, and taking into consideration the concerns raised by non-interested shareholders based on our observations during the EGM, we believe the following issues could have contributed to the rejection of the Proposed Offer:

- (i) With non-interested shareholders representing such a sizeable amount of shares (439.8 million shares) voted against the resolution, there is a high likelihood that these must be coming mainly from the institutional shareholders. As disclosed in the Ekovest's latest Annual Report 2017, the top 30 shareholders as at 6 October 2017, revealed a significant number of institutional shareholders with sizeable shareholdings;
- (ii) The cash settlement price of RM1.50 per IWCITY share was probably not well received by non-interested shareholders of Ekovest as it was not only much higher than the market price of IWCITY but also that of Ekovest shares of approximately RM1.00, especially when Ekovest share is equated to IWCITY share on a share swap basis of 1:1;
- (iii) Many Ekovest's non-interested shareholders, especially institutional shareholders hold the company's shares with the intention of receiving decent dividends as Ekovest owns several lucrative highway concessions. They were probably concerned that the company would have to increase its borrowings. Furthermore, if most of Ekovest shareholders were to opt for cash settlement instead of share swap, this could possibly affect the payment of dividends as the company would now need to service its debt before dividends can be paid to shareholders;
- (iv) There was also the view that Ekovest should focus on its existing business in construction and infrastructure instead of venturing into the property sector;
- (v) IWCITY currently holds a huge landbank in Johor Bahru and there are concerns on oversupply of properties. Though total landbank has very high realisable value, it would take a very long time to realise its value, particularly when the property market is currently very depressed;
- (vi) IWCITY Group had sold three pieces of land in Plentong, to Greenland Tebrau Sdn Bhd ("Greenland") for RM2.37bil. However, the payment by Greenland is now delayed as Greenland has requested for an extension of time for the aggregate second and third payments of RM92.6 million; and
- (vii) Ekovest's non-interested shareholders had questioned the background of the shareholders of Iskandar Waterfront Holdings Sdn Bhd ("IWH"), the other partner who would continue to hold shares in IWCITY after the Proposed Offer. They seemed uncomfortable with the potential shareholding structure of IWH as its shareholders remain unknown.

Having known the poll results, it would be interesting to note what would have been the outcome if supposing there are almost similar institutional shareholders in both Ekovest and IWCITY especially if they have more shares in IWCITY, would it be likely that Ekovest's proposed acquisition be approved? This is because IWCITY shareholders will be better off if the proposed acquisition goes through.

TA ANN HOLDINGS BERHAD ("TA ANN") / SARAWAK PLANTATION BERHAD ("SPB")

The Extraordinary General Meeting (EGM) called by Ta Ann for the purpose of considering the Proposed Acquisition of 30.39% equity interest in SPB was held on 23 March 2018. The proposed acquisition received 100% support from the shareholders/proxies who voted at the EGM.

On 28 March 2018, SPB announced the appointment of Dato Wong Kuo Hea ("Dato Wong") as the Executive Director (ED) of SPB.

Dato' Wong is currently the Chief Executive Officer / Group Managing Director (MD) of Ta Ann. With the appointment of Dato' Wong as the ED in SPB, he will be holding chief executive officer and executive director positions respectively in both public listed companies.

[Source: SPB's announcement on Bursa Malaysia's website on 23 & 28 March 2018]

MSWG'S COMMENTS:

Currently, there is no regulation prohibiting ED/MD/CEO from assuming such positions in more than one public listed company. We acknowledge that pooling of expertise and resources between both companies may create some synergies. However, we are concerned that a CEO/ED being very much involved actively in the businesses of two public listed companies would affect the CEO's ability to devote time, attention and effort to both the public listed companies, especially if one of the companies requires extensive effort to improve its financial and operation conditions as in the case of SPB.

Also, this may create potential conflicts of interest especially when the other company is not a wholly owned subsidiary.

MSWG'S AGM WEEKLY WATCH 2 - 6 APRIL 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 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
03.04.18 (Tue) 10.00 am	Syarikat Takaful Malaysia Bhd (AGM)	Annexe Block, Menara Takaful Malaysia, No. 4, Jalan Sultan Sulaiman, KL
06.04.18 (Fri) 03.30 pm	Zecon Bhd (EGM)	Menara Zecon, No. 92, Lot 393, Section 5 KTLD, Jalan Satok, Kuching, Sarawak

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Syarikat Takaful Malaysia Bhd (AGM)	<p>1. Under the "Review of Subsidiaries" on page 46 of the Annual Report it was stated that PT Asuransi Umum (ATU), PT Asuransi Takaful Keluarga (ATK) and PT Syarikat Takaful Indonesia (STI) had contributed less than 10% of the Group's gross total operating revenue.</p> <p>Please brief on the medium to long term plan including the contribution and targets for STI and ATK and the importance of the Indonesian market to the Group's overall strategy.</p> <p>2. On the domestic operations, what would be the KPIs/targets set for its key business segments for FYE 2018? How have you revolutionised your operations to tap on the digital advantage and the benefits to date?</p>

The points of interest to be raised:

Zecon Bhd
(EGM)

By disposing a substantial 49% equity interest to the State Financial Secretary of Sarawak (SFSS), would there be any changes to the current business model and business operation of Zecon Medicare?

LOCAL NEWS AND DEVELOPMENTS

Malaysia to reach RM92,300 productivity growth value per worker by 2020

<https://www.nst.com.my/business/2018/03/348051/malaysia-reach-rm92300-productivity-growth-value-worker-2020>

Bank Negara to launch revised Takaful operational framework

<https://www.thestar.com.my/business/business-news/2018/03/24/bank-negara-to-launch-revised-takaful-operational-framework/#A2dKT3RTSKbHuhaj.99>

SC Warns Investors Over 'Pump and Dump' Schemes via Internet and Social Media

https://www.sc.com.my/post_archive/sc-warns-investors-over-pump-and-dump-schemes-via-internet-and-social-media/

Malaysia's debt-to-GDP ratio runs high among A-rated sovereigns, says Moody's

<https://www.thestar.com.my/business/business-news/2018/03/21/malaysia-debt-to-gdp-ratio-high-among-a-rated-sovereigns-says-moodys/#Ha6iVUKT50AU4CqJ.99>

Leading Index up 0.8% in January, economy seen strengthening between May and July

<http://www.thesundaily.my/news/2018/03/23/leading-index-08-january-economy-seen-strengthening-between-may-and-july>

Inflation eases to 16-month low in February

<http://www.theedgemarkets.com/article/inflation-eases-16month-low-february>

High valuations put Red Sena in a spot

<http://www.theedgemarkets.com/article/high-valuations-put-red-sena-spot>

IHH shareholder Khazanah to acquire Prince Court Medical Centre from Petronas

<http://www.theedgemarkets.com/article/ihh-shareholder-khazanah-acquire-prince-court-medical-centre-petronas>

FIMM reprimands unit trust consultant

<http://www.thesundaily.my/news/2018/03/22/fimm-reprimands-unit-trust-consultant>

YFG files appeal against delisting of securities

<http://www.theedgemarkets.com/article/yfg-files-appeal-against-delisting-securities-0>

Response to FMT article entitled 'Consumer Body: Abolish surcharges on credit cards'

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4644&lang=en

Malaysia's rubber glove exports to hit RM20b by 2020

<http://www.themalaymailonline.com/money/article/malysias-rubber-glove-exports-to-hit-rm20b-by-2020>

GLOBAL NEWS AND DEVELOPMENTS

China's Central Bank raises borrowing costs after Fed hikes

<http://www.theedgemarkets.com/article/chinas-central-bank-raises-borrowing-costs-after-fed-hikes>

US core capital goods orders, shipments surge in February

<http://www.theedgemarkets.com/article/us-core-capital-goods-orders-shipments-jump-february>

US weekly jobless claims increase slightly

<http://www.theedgemarkets.com/article/us-weekly-jobless-claims-increase-slightly>

China renews pledges to open economy, protect IP rights

<http://www.themalaymailonline.com/money/article/china-renews-pledges-to-open-economy-protect-ip-rights>

US/German two-year bond yield gap widest in 21 years

<https://www.thestar.com.my/business/business-news/2018/03/22/usgerman-twoyear-bond-yield-gap-widest-in-21-years/#4Qm63ciFwLTz9VXZ.99>

BOJ gets halfway to inflation target as yen clouds outlook

<http://www.theedgemarkets.com/article/boj-gets-halfway-inflation-target-yen-clouds-outlook>

U.S. Congress unveils \$1.3 trillion spending bill as shutdown looms

<http://www.theedgemarkets.com/article/us-congress-unveils-13-trillion-spending-bill-shutdown-looms>

US exempts S. Korea from steel tariffs, revises free trade deal

<http://www.themalaymailonline.com/money/article/us-exempts-s.-korea-from-steel-tariffs-revises-free-trade-deal>

US sends China to-do list to cut trade imbalances, reports WSJ

<http://www.themalaymailonline.com/money/article/us-sends-china-to-do-list-to-cut-trade-imbalances-reports-wsj>

China vows to hit back as US trade sanctions loom

<http://www.thesundaily.my/news/2018/03/22/china-vows-hit-back-us-trade-sanctions-loom>

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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 Iskandar Waterfront City Berhad.*
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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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