

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

Incorporated in Malaysia * Company No. 524898-M

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MESSAGE FROM THE CEO



With regard to the ongoing disputes at KLIA2, which I am sure stakeholders would love to see some closure: if the security issues had been resolved as stated by MAHB and the appropriate certifications have been obtained which was one of the main reasons for this stand-off, we feel that AirAsia should proceed to move there, unless there are more extenuating reasons to do otherwise. Objecting from a distance only prolongs the issue and delays the commencement of operations at the new terminal. The two parties must negotiate and come up with a solution to handle the issue. Stating that, it ought to be a win-win outcome as far as shareholders are concerned.

The financial damage from the multi billion-dollar plunge in Asiasons, Blumont and LionGold in Singapore may have totalled approximately RM21 billion in combined market value and the reputational damage to SGX is many times worse, and likely intangible. The police in collaboration with Monetary Authority of Singapore is investigating the case and we await the outcome as there are several Malaysian personalities involved.

Regards,

Rita

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

ZECON BERHAD ("ZECON")

Zecon had on 15 July 2013 received a letter from Dawla Capital Sdn Bhd ("DCSB") and Datuk Haji Zainal Abidin bin Haji Ahmad being the major shareholders of Zecon, together with Tan Sri Datuk Amar (Dr.) Tommy bin Bugo @ Hamid bin Bugo and Hj Zainurin bin Hj Ahmad, proposing the privatization of the Company via a selective capital reduction and repayment exercise ("Proposed SCR") and an acceleration of maturity of all outstanding 2007/2017 warrants in Zecon ("Warrants") and cancellation thereof ("Proposed WAC") (collectively referred to as "Proposals").

However, the company received a letter dated 1 April 2014 from Datuk Haji Bolhassan bin Di @ Ahmad bin Di ("Datuk Bolhassan"), a Non-Independent Non-Executive Director and a substantial shareholder of

Zecon, informing of his irrevocable decision, following his further review, to vote against the Proposed SCR. Datuk Bolhassan directly holds 11,500,000 Zecon shares, representing approximately 9.66% equity interest in Zecon or approximately 25.71% of the voting shares held by the entitled shareholders.

MSWG'S COMMENTS:

Before the company had made the announcement for the Proposals, the market price for the Warrants was hovering around RM0.18 to RM0.22 and subsequently tumbled to RM0.08 after the announcement. The drastic drop in warrants price was mainly due to the offer price of merely RM0.05 per Warrant to accelerate the maturity of Warrants. The warrant price eventually recovered and back to the mark of RM0.20 after the announcement of Datuk Bolhassan's irrevocable pledge to vote against the Proposed SCR.

We believe that this deal requires more transparency:

- 1) Was there a unanimous decision in the Board for accepting the offer and then deciding to table the offer for shareholders' approval?
- 2) What was the decision and stand of Datuk Bolhassan, the Director and substantial shareholder of Zecon, at the Board meeting?
- 3) If Datuk Bolhassan dissented the Proposed SCR, why were the Proposals tabled for shareholders' approval?
- 4) If Datuk Bolhassan accepted the Proposed SCR earlier, why did he change his mind?
- 5) Should the Board continue to incur expenses to carry on with the Proposals which are destined to fail?

We hope the Board of Zecon could clarify all the issues mentioned above.

MSWG's WATCHLIST

MALAYAN BANKING BERHAD ("MAYBANK")

Maybank Islamic Berhad, a wholly-owned subsidiary of Maybank, has completed the issuance of RM1.5 billion Subordinated Sukuk Murabahah on 7 April 2014 pursuant to the Subordinated Sukuk Programme established in March 2014.

The approval from Bank Negara Malaysia ("BNM") for the Subordinated Sukuk Programme was obtained on 19 December 2013 and the approval and authorisation from the Securities Commission Malaysia for the establishment of the Subordinated Sukuk Programme was obtained on 26 February 2014.

The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of Maybank Islamic for the purpose of BNM's Capital Adequacy Framework for Islamic Banks.

AFFIN HOLDINGS BERHAD (“AFFIN”) / HWANG-DBS (MALAYSIA) BERHAD (“HWANG-DBS”)

The Board of Directors of both Affin and Hwang-DBS announced that the Proposed Acquisition has been completed on 7 April 2014, pursuant to the receipt of the consideration on even date. Therefore, Affin directly owns 100% interest in Hwang-DBS Investment Bank Berhad which in turn owns 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, 70% interest in Hwang-DBS Investment Management Berhad, 49% interest in Asian Islamic Investment Management Sdn Bhd and 100% interest in HDM Futures Sdn Bhd.

Upon completion of the Proposed Disposal, Hwang-DBS may be classified as a ‘cash company’ and/or an ‘affected listed issuer’ as set out under Practice Note 16 and Practice Note 17 respectively of the Main Market Listing Requirements of Bursa Malaysia. In regard to this, a concurrence application not to be classified as a Practice Note 16 company and a Practice Note 17 waiver application have been submitted to Bursa Malaysia, and is currently pending their decision.

AIRASIA BERHAD (“AIRASIA”) / MALAYSIAN AIRLINE SYSTEM BERHAD (“MAS”)

The Malaysian Competition Commission (“MyCC”) had via a Notice of Finding of Infringement dated 10 April 2014 informed Airasia and MAS that MyCC maintains its finding of infringement and the fine of RM10 million as provided under the MyCC Proposed Decision dated 6 September 2013. In this regard, both Airasia and MAS announced that they will appeal to the Competition Appeal Tribunal against the decision made by MyCC.

LOCAL NEWS AND DEVELOPMENTS

World Bank comments on demographics, climate change and debt

<http://www.thestar.com.my/Business/Business-News/2014/04/05/Focus-on-fiscal-issues-World-Bank-comments-on-demographics-climate-change-and-debt/>

Petronas approves US\$27b Pengerang Integrated Complex

<http://www.thesundaily.my/news/1006870>

Boustead Plantations IPO plan

<http://www.nst.com.my/business/todayspaper/boustead-plantations-ipo-plan-1.553413>

Malaysia Feb exports expand 12.3% y-o-y, beat forecast

<http://www.theedgemaalaysia.com/first/283587-highlight-malaysia-feb-exports-expand-123-y-o-y-beat-forecast-fr.html>

AirAsia must move to KLIA2 on May 9

<http://www.theedgemaalaysia.com/business-news/283662-airasia-must-move-to-klia2-on-may-9--najib-.html>

Malaysia's First Quarter Trade Performance To Improve

<http://www.bernama.com.my/bernama/v7/bu/newsbusiness.php?id=1028388>

Stock watch – Perisai Petroleum Teknologi Bhd. Why is it acquiring Lewek

<http://www.themalaymailonline.com/money/article/stock-watch-perisai-petroleum-teknologi-bhd-why-is-it-acquiring-lewek>

Palm reserves in Malaysia dropping to lowest in three years

<http://www.themalaymailonline.com/money/article/palm-reserves-in-malaysia-dropping-to-lowest-in-three-years>

A-G sounds alarm over EPF's RM6.5b investments abroad - See more at:

<http://www.themalaymailonline.com/malaysia/article/a-g-sounds-alarm-over-epfs-rm6.5b-investments-abroad>

Five ministries to be hauled up over latest audit report revelations

<http://www.themalaysianinsider.com/malaysia/article/five-ministries-to-be-hauled-up-over-latest-audit-report-revelations>

AirAsia boss says klia2 delay for thorough checks, adds MAHB failed to keep costs down

<http://www.themalaysianinsider.com/malaysia/article/airasia-boss-says-klia2-delay-for-thorough-checks-adds-mahb-failed-keeping>

Boustead Plantations IPO plan

<http://www.nst.com.my/business/todayspaper/boustead-plantations-ipo-plan-1.553413>

Is the Malaysian goods and services tax regressive?

<http://www.thestar.com.my/Business/Business-News/2014/04/07/Is-the-Malaysian-GST-regressive-The-GST-aims-to-overcome-the-inefficiency-of-the-indirect-tax-system/>

GLOBAL NEWS AND DEVELOPMENTS

Singapore Stock Probe Highlights Firms' Ties

<http://online.wsj.com/news/articles/SB10001424052702304819004579484891964567128?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304819004579484891964567128.html>

Holcim to Merge With Lafarge to Form Biggest Cement Maker

<http://www.bloomberg.com/news/2014-04-07/holcim-to-merge-with-lafarge-to-form-biggest-cement-maker.html>

Nigeria surpasses South Africa as continent's biggest economy

<http://www.reuters.com/article/2014/04/06/us-nigeria-gdp-idUSBREA350CI20140406>

World Bank: Developing Asia to Grow 7.1%

<http://online.wsj.com/news/articles/SB10001424052702304819004579486401251215152?mg=reno64-wsj&url=http%3A%2F%2Fonline.wsj.com%2Farticle%2FSB10001424052702304819004579486401251215152.html>

Bank of New York Mellon investors balk at board pay and expenses

<http://www.ft.com/intl/cms/s/0/dc0cf584-bd40-11e3-8bdf-00144feabdc0.html#axzz2yBJWQ79m>

ExxonMobil Obliges Minority Shareholders, Will Disclose Unconventional Drilling Risks

<http://www.naturalgasintel.com/articles/97954-exxonmobil-obliges-minority-shareholders-will-disclose-unconventional-drilling-risks>

Stakeholder-oriented corporate governance pushed

<http://business.inquirer.net/167875/stakeholder-oriented-corporate-governance-pushed>

Will Japan's tax hike spur a fiscal crisis?

<http://www.cnn.com/id/101563011>

Why Indonesia's parliamentary elections matter

<http://www.cnn.com/id/101566726>

Fed policymakers want more clarity on rate-hike plans

<http://www.reuters.com/article/2014/04/08/us-usa-fed-idUSBREA3729L20140408>

Untaxed U.S. corporate profits held overseas top \$2.1 trillion: study

<http://www.reuters.com/article/2014/04/09/us-usa-tax-offshore-idUSBREA3729V20140409>

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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 Zecon Berhad and Hwang-DBS (Malaysia) Berhad.*
- *The CEO of MSWG owns a small interest in MAS.*

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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