

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

06 May 2016

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

CHINA OUHUA WINERY HOLDINGS LIMITED (“CHINA OUHUA”)

The Board of Directors of China Ouhua informed that Messrs Helmi Talib & Co., the External Auditors of China Ouhua, had qualified their report for the Audited Financial Statements of the company for the financial year ended 31 December 2015.

China Ouhua Group entered into a contract to purchase land, buildings and ancillary facilities for a cash consideration of RMB132,000,000 (“Assets”) and the Group had made a deposit of RMB118,800,00 representing 90% of the total cash consideration price, which was made to Huangwu Sub district Office, People’s Republic of China. However, no independent professional valuation of the acquired Assets was made.

Due to the absence of an independent valuation, the External Auditors were unable to ascertain whether the net recoverable amount of assets acquired exceeded the total purchase consideration. In addition, the External Auditors have not been able to obtain sufficient appropriate audit evidence to satisfy themselves of the extent of recoverability of the deposits of RMB118,800,000 in the event that the transaction is not completed.

[Source: China Ouhua’s announcement on Bursa Malaysia’s website on 29 April 2016]

MSWG’S COMMENTS:

We are concerned to note that yet another China based company has qualified opinion by auditor due to transaction on a property deal. As we have tracked back the past financial accounts of China Ouhua, we noted that similar qualified opinions were rendered by the same auditor for the past three consecutive financial years since FYE 2013. Why did the company take such a long time to complete the transaction and why no updates were given to transaction which was disclosed; why was 90% deposit been made instead of the normal 10% and the conditions of the deal were never disclosed?

CLIQ ENERGY BERHAD (“CLIQ ENERGY”)

The Board of Directors of CLIQ Energy (represented by the directors who are not in conflict to decide on behalf of the company) provided updates, among others, on the status of the petition (“Petition”) to the High Court of Malaya at Kuala Lumpur (“High Court”) to wind up the company:

1. The rationale for the company to proceed with the winding up by the court pursuant to Section 218(1)(h) of the Companies Act 1965 (“the Act”) is mainly due to the fact that Section 218(1)(h) provides that where there is a fixed duration provided in a company’s Articles of Association and when such duration expires, the court may order for the company to be wound up.
2. The winding up proceedings of the company has commenced on 25 April 2016, which is the date the Petition was filed in court.
3. The company expects to obtain an order of Court for the winding up of the company and appointment of liquidator (“Court Order”) on 31 May 2016, being the date of the hearing.
4. Upon obtaining the Court Order among others:
 - (i) Mr Onn Kien Hoe and/or Mr Mok Yuen Lok from Crowe Horwath Advisory Sdn. Bhd. will be appointed as the liquidators for the Company (“the Proposed Liquidators”); and
 - (ii) The Liquidators will be permitted to make payment to and/or to take such necessary steps to meet the requirements as are provided for under Article 61C(7) of the company’s Articles and to make a substantial interim payment to entitled shareholders.

Shareholders are advised to trade in CLIQ Energy shares with caution in view of the upcoming hearing of the Petition on 31 May 2016.

[Source: Cliq Energy’s announcement on Bursa Malaysia’s website on 29 April 2016]

MSWG’S COMMENTS:

Below is the list of SPAC companies currently listed in Bursa Malaysia:

No	Company	Date of listing	Date of Qualified Acquisition	Status
1	Hibiscus Petroleum Berhad	25 July 2011	18 April 2012	The company had transformed from a SPAC into a fully operating oil and gas exploration and production company listed on Bursa Malaysia’s Main Market.
2	Cliq Energy Berhad	10 April 2013	-	The SC had rejected the application for an extension of time made by the company.
3	Sona Petroleum Berhad	30 July 2013	-	The proposed acquisition was rejected by shareholders in the EGM held on 28 April 2016.
4	Reach Energy Berhad	15 August 2014	-	Pending the approval from the SC and shareholders of the company for its proposed qualifying acquisition.
5	Red Sena Berhad	10 December 2015	-	Pending the announcement of a proposed qualifying acquisition.

We will be updating on the matters relating to SPACs within the next few weeks.

LOCAL NEWS AND DEVELOPMENTS

(PROFILE) Tabung Haji's new Group MD & CEO Datuk Johan Abdullah

<http://www.nst.com.my/news/2016/04/142149/profile-tabung-hajis-new-group-md-ceo-datuk-johan-abdullah>

Three companies' financial statements qualified by auditors

<http://www.thesunday.my/news/1785259>

Corporate governance code gets a sweet 16 makeover

<http://www.thestar.com.my/business/business-news/2016/04/30/corporate-governance-code-gets-a-sweet-16-makeover/>

Statement on 1Malaysia Development Berhad (1MDB)

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press_all&ac=3384&lang=en

'No white knight coming for Megasteel without govt's shield'

<http://www.theedgemarkets.com/my/article/%E2%80%98no-white-knight-coming-megasteel-without-govt%E2%80%99s-shield%E2%80%99?type=Corporate>

Lysaght Galvanized Steel MD quits over board disagreement

<http://www.thestar.com.my/business/business-news/2016/04/28/lysaght-managing-director-quits-over-board-disagreement/>

Malaysian bonds head for worst week this year as 1MDB defaults

<http://www.theedgemarkets.com/my/article/malaysian-bonds-head-worst-week-year-1mdb-defaults?type=Corporate>

Sona considers options after shareholders' blocking of QA

<http://www.theedgemarkets.com/my/article/sona-considers-options-after-shareholders-blocking-qa>

GLOBAL NEWS AND DEVELOPMENTS

Buffett Hits Hedge Funds While They're Down, Faulting Fees

<http://www.bloomberg.com/news/articles/2016-05-01/buffett-hits-hedge-funds-while-they-re-down-faulting-high-fees>

China financial regulator clamps down on shadow banking

<https://next.ft.com/content/4bb772de-1045-11e6-91da-096d89bd2173>

China Manufacturing Gauge Weakens Further as Economy Loses Steam

<http://www.wsj.com/articles/china-manufacturing-gauge-weakens-further-as-economy-loses-steam-1462248735>

Australia's Central Bank Cuts Rates to Record Low

<http://www.bloomberg.com/news/articles/2016-05-03/australia-cuts-rates-to-combat-disinflation-currency-s-gain>

Whistleblowing Claims Spark Debate Over Meaning Of Fraud At Supreme Court

<http://www.forbes.com/sites/danielfisher/2016/04/19/whistleblowing-claims-spark-debate-over-meaning-of-fraud-at-supreme-court/#262a068568c6>

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DISCLOSURE OF INTERESTS

- *With regard to the companies mentioned, MSWG does not hold any shares in all these companies covered in this newsletter.*
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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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