

The logo for MSWG (Minority Shareholder Watchdog Group) features the letters 'MSWG' in white on a dark blue background.

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

25 March 2016

CAPITAL MARKET UPDATE

BURSA MALAYSIA AMENDS LISTING REQUIREMENTS TO STRENGTHEN THE FRAMEWORK FOR DISCLOSURE AND EXERCISE OF SHAREHOLDERS' RIGHTS

Bursa Malaysia Berhad (“Bursa Malaysia”) had issued various amendments to the Main Market and ACE Market Listing Requirements (“LR”) to raise the standards of disclosure and Corporate Governance (“CG”) practices.

Arising from changes to the international standards of auditing relating to key audit matters and going concern (“Standards”), the Exchange has also introduced enhancements to promote greater transparency of significant matters highlighted in the auditor’s report.

The amendments follow a review and public consultation conducted in October 2015 with the primary objectives of promoting greater transparency and maintaining the highest standards of market integrity and investor protection. In finalising the amendments, the Exchange has considered the feedback or comments received on the Consultation Paper, and reviewed the proposals accordingly.

The key amendments to the LR include:

- improving the quality of disclosures in annual reports by prescribing disclosure of non-financial information such as the management discussion and analysis (“MD&A”) in order to aid investors in making informed investment decisions, and at the same time, reducing the burden of regulatory compliance through the removal of information considered to be redundant from the annual report;
- enhancing the integrity of financial statements and transparency on significant matters highlighted in the auditor’s report by requiring immediate and periodic disclosures of, among others, key audit matters and matters related to going concern, and strengthening the role of the audit committee in reviewing financial statements;
- strengthening the CG practices of listed issuers by mandating poll voting for all resolutions set out in the notice of any general meeting or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting
- improving transparency and shareholder engagement by requiring posting of a summary of key matters discussed at annual general meetings, on the listed issuer’s website; and

- streamlining the relevant LR requirements consequential to changes in the relevant laws and guidelines issued by the Securities Commission Malaysia.

The amendments will be implemented on a staggered basis, commencing from 30 April 2016, to ensure a sufficient grace period is accorded to listed issuers to understand and comply with the amendments.

[Source: Media release on Bursa Malaysia's website on 24 March 2016]

MSWG'S COMMENTS:

As MSWG will be having the “MSWG-Institutional Investor Council (IIC) Corporate Governance Week 2016” next week, we indeed welcome the amendments by Bursa Malaysia on the Listing Requirements and the relevant guidelines or acts for our capital market to further promote transparency and corporate governance, in particular the introduction of summary proceedings of minutes to be included by public listed companies. In addition, poll voting has been introduced which is in line with the regional developments as well as in the spirit of one share one vote.

We hope that regulators will look into how to address companies with concentrated shareholding structure which would disenfranchise minority shareholders when voting by poll. We also welcome the introduction of independent scrutineer during AGMs to oversee the counting process.

BANK NEGARA MALAYSIA (“BNM”) FINANCIAL STABILITY AND PAYMENT SYSTEMS REPORT 2015

BNM expects real GDP growth in the range of 4.0-4.5% in 2016 as domestic demand continues to drive growth with support from external demand. Private consumption is expected to grow by 5.1% in 2016 and inflation rate is forecast at 2.5-3.5% in 2016 with the assumption that there will be no further hikes in prices of goods. The country current account surplus is to narrow to 1-2% of Gross National Income (“GNI”) in 2016.

Household debt (“HD”) for the whole financial system inched up to 89.1% of GDP in 2015 (2014: 87.9%), but HD assets as a percentage of GDP was flattish albeit still much higher than HD debt in absolute levels, resulting in the HD financial assets/debt ratio in 2015 easing slightly to 2.05 vs. 2.10 in 2014.

The Country's external debt stood at RM833.7bn (US\$192.2bn) or 72.1% of GDP at the end of 2015, compared with RM747.5bn or 67.5% of GDP at end- 2014.

The offshore borrowing remained low at end-2015 at 40.1% of GDP compared to 60.0% during the Asian financial crisis. A larger share of that is accounted for by banks which have domestic centralised foreign currency liquidity operations with a regional presence. At the same time, 75% of foreign currency assets are owned by banks and corporations, which would have sufficient cover over their external liabilities.

[Source: Media release on BNM's website on 23 March 2016]

SECTORIAL UPDATE

PERFORMANCE OF CHINA BASED LISTED COMPANIES IN BURSA MALAYSIA AS AT 22 MARCH 2016

No	Name	Current market price(RM)	Market cap (RM mil)	NA per share (RM) ^	EPS (4 quarters) (RM) ^	Net cash/share (RM) ^	P/B	P/E	Dividend paid (Sen)	Rights issue?	Total return (%) @#
1	China Automobile Parts Holdings Limited	0.065	39,000	0.477	0.060	0.475	0.14	1.08	No	No	(81.5%)
2	China Ouhua Winery Holdings Limited	0.050	33,400	0.280	(0.025)	0.053	0.18	N.A.	2 (2010) 0.72 (2011)	No	(87.1%)
3	China Stationery Limited	0.105	130,490	1.441	0.043	0.952	0.07	2.43	1.8 (2012) 1.6 (2012)	No	(84.6%)
4	HB Global Limited (formerly known as Sozo Global Limited) [PN17]	0.050	23,400	0.436	(0.515)	(0.033)	0.12	N.A.	1.8 (2010) 3.8 (2012)	No	(86.8%)
5	Ideal Jacobs (Malaysia) Corporation Bhd	0.145	19,677	0.190	(0.065)	(0.050)	0.76	N.A.	No	No	(46.3%)
6	Kanger International Berhad	0.140	72,240	0.160	0.018	(0.006)	0.88	7.87	No	No	(18.4%)
7	K-Star Sports Limited	0.050	13,320	0.565	(0.191)	(0.044)	0.09	N.A.	1.6 (2010)	No	(90.8%)
8	Maxwell International Holdings Berhad	0.045	17,949	1.340	(0.125)	0.915	0.03	N.A.	3.35 (2010) 1.75 (2011)	No	(86.0%)
9	Multi Sports Holdings Ltd	0.065	33,638	1.109	(0.018)	0.620	0.06	N.A.	2.5 (2010) 3.11 (2011)	Issue price - RM0.38 (1R:4S) [2010]	(89.4%)
10	Sino Hua-An International Berhad (RTO: formerly known as Antah Holdings Berhad)	0.040	44,892	0.490	(0.249)	0.021	0.08	N.A.	2.275 (2008) 0.178 (2010)	No	(95.6%)
11	Sinotop Holdings Berhad (RTO: formerly known as John Master Industries Berhad)	0.045	88,852	0.110	0.001	0.03	0.41	40.91	No	Issue price - RM0.2 (10R:1S) [2010]	(98.0%)
12	Xidelang Holdings Ltd	0.050	134,774	0.331	0.002	0.328	0.15	27.91	1.5 (2010) 1 (2010) 0.5 (2012)	Issue Price - RM0.05 (1RW:2S) [2012] Issue Price RM0.35 (1R:3S) [2013]	(83.0%)
13	XingHe Holdings Berhad (RTO: formerly known as Key West Global Telecommunications Berhad)	0.055	129,168	0.220	0.034	0.111	0.25	1.63	0.2 (2014)	No	(77.0%)
14	Xingquan International Sports Holdings Limited	0.280	94,658	3.840	0.160 *	2.377	0.07	1.75	2.5 (2010) 2.5 (2010) 2 (2012) 2 (2015)	No	(83.1%)
Average							0.24	11.94	Average Total Losses		(79.1%)

Note:

^ Based on latest financial results as at 31 December 2015.

* Based on annualised data.

@ Total return since listing is calculated based on the capital invested into the IPO listing and full subscription of rights issue entitlement.

Return includes dividend payments, free detachable warrants as well as share price appreciation.

MSWG'S COMMENTS:

According to the statistics collated by MSWG from Bursa Malaysia's website, 4 out of 14 China based companies had never paid any form of dividends since their listing in Bursa Malaysia. Even though the

rest of the other 10 China based companies had paid cash dividends before, but the quantum of dividend was minimal and disproportionate to the earnings generated or net cash position of the companies. Most of the China based companies had not been paying dividends since year 2012, except XingHe Holdings Berhad and Xingquan International Sports Holdings Limited.

From our calculations, the average total losses for all 14 companies were 79.1%, some as much as 98% since listing.

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

MALAYSIA SMELTING CORPORATION BERHAD ("MSC")

As announced in the Bursa Malaysia's website by MSC on 18 March 2016, three independent directors of the company had resigned. MSC appointed a new director on the same day. Below are the details of the change in Boardroom of MSC:

No	Name	Directorship	Action	Reasons
1	Encik Razman Ariffin	Chairman / Independent Non-Executive Director ("INED")	Resignation	Personal reason
2	Miss Gee Siew Yoong	INED	Resignation	Personal reason
3	Mr Chew Hoy Ping	INED	Resignation	Personal reason
4	Miss Chew Gek Khim	Non-Independent Non-Executive Director	Appointment	-

[Source: MSC's announcement on Bursa Malaysia's website on 18 March 2016]

MSWG'S COMMENTS:

As 3 out of 4 Independent Directors of MSC had resigned on the same day and all of them citing personal reasons, it becomes a concern of MSWG. In addition, one of the resigned Independent Directors also relinquished his position as the Chairman of Audit Committee and this had raised red flag in the governance matters.

MSWG'S WATCHLIST

FELDA GLOBAL VENTURES HOLDINGS BERHAD ("FGV")

Updates on the proposed acquisition of 55% equity stake in Zhong Ling Nutril Oil Holdings Limited announced on 26 February 2016:-

1. Bursa has written to FGV via a letter dated 7 March 2016 to inform that the Proposed Acquisition would be subject to FGV shareholders' approval in compliance with Chapter 10 of the Main Market Listing Requirements.
2. As at 18 March 2016, FGV has obtained the requisite approval from the Ministry of Finance and executed the Contracts for Services for Key Personnel and Shareholders' Agreement. These are conditions precedent to be satisfied under the Sale & Purchase Agreements.

3. The parties involved in the Proposed Acquisition had agreed to extend the period to satisfy the conditions precedent from 4 March 2016 to a day not later than 8 April 2016, or such other date as may be mutually agreed upon in writing.

[Source: FGV's announcements on Bursa Malaysia's website on 17 & 18 March 2016]

MAXWELL INTERNATIONAL HOLDINGS BERHAD ("MAXWELL")

The Board of Directors of Maxwell announced the following:-

1. The company's management is making arrangement to come to Malaysia to resolve and provide more supporting documents to Ferrier Hodgson MH Sdn Bhd ("FHMH") on the extended scope of audit on the advertisement expenditure, and is still liaising with FHMH on this matter.
2. As the concern raised by the Statutory Auditor is on the recoverability of the funds placed with the asset management company, namely Jinjiang Jin Chuang Private Capital Management Co., Ltd, the company decided that Jinjiang Zhenxing Shoes & Plastics Co., Ltd ("Zhenxing Shoes") will notify the asset management company to transfer all the funds into Zhenxing Shoes's bank account or a bank account nominated by Zhenxing Shoes.
3. The company has accepted the advice of its Independent Directors to engage reputable legal firms in the People's Republic of China ("PRC") to provide legal advice/opinion on the litigation and is currently in the midst of identifying reputable legal firms. The company will make an announcement in relation to the legal advice in due course.

Further announcement on the development of the above matter will be made to Bursa Malaysia in due course.

[Source: Maxwell's announcement on Bursa Malaysia's website on 18 March 2016]

HIAP TECK VENTURE BERHAD ("HIAP TECK")

Hiap Teck announced that the Royal Malaysian Customs Department ("RMCD") has completed its audit in respect of two (2) of its subsidiaries, and RMCD has returned all documents taken into custody and released all bank accounts of a subsidiary frozen for the purpose of the audit.

There had been no material effects to the operations of the Group arising from the RMCD audit.

[Source: Maxwell's announcement on Bursa Malaysia's website on 16 March 2016]

LOCAL NEWS AND DEVELOPMENTS

Huge Petronas Canada LNG project runs into further delays

<http://www.themalaymailonline.com/money/article/canada-delays-decision-on-petronas-lng-project-for-further-study>

Governance revamp for financial sector

<http://www.thestar.com.my/business/business-news/2016/03/19/governance-revamp-for-financial-sector/>

MPOC condemns France's palm oil tax plan
<http://www.thesundaily.my/news/1733634>

FGV gets nod from Finance Ministry for 55% stake acquisition in Zhong Ling
<http://www.theedgemarkets.com/my/article/fgv-gets-nod-finance-ministry-55-stake-acquisition-zhong-ling?type=Corporate>

Malaysia Smelting Corp's chairman and two independent directors resign
<http://www.theedgemarkets.com/my/article/malaysia-smelting-corps-chairman-and-two-independent-directors-resign?type=Corporate>

Customs completes audit of Hiap Teck's subsidiaries
<http://www.theedgemarkets.com/my/article/customs-completes-audit-hiap-teck%E2%80%99s-subsidiaries?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

U.S. Consumer Sentiment Slips in March
<http://www.wsj.com/articles/u-s-consumer-sentiment-inches-lower-in-march-1458310185>

Indonesia Cuts Rate For Third Month, Signals Cautious Path
<http://www.bloomberg.com/news/articles/2016-03-17/indonesia-cuts-benchmark-rate-for-third-month-to-boost-growth>

Norway cuts borrowing costs and refuses to rule out negative rates
<http://www.ft.com/intl/cms/s/0/129e7606-ec22-11e5-9fca-fb0f946fd1f0.html#axzz43UrrnHDn>

Bailout monitors threaten to abandon Greece talks
<http://www.ft.com/intl/cms/s/0/80286bbe-ed2b-11e5-9fca-fb0f946fd1f0.html#axzz43UrrnHDn>

IMF Chief Says Vietnam's Economy Is at Risk Without Reforms
<http://www.bloomberg.com/news/articles/2016-03-20/imf-chief-says-vietnam-s-economy-is-at-risk-without-reforms>

Japan February exports drop on-year but slow January's decline
<http://www.cnbc.com/2016/03/16/japan-february-exports-drop-on-year-but-slow-januarys-decline.html>

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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 Malaysia Smelting Corporation Berhad and Maxwell International Holdings Berhad.*
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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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