



MSWG

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

29 April 2016

CAPITAL MARKET UPDATE

ANNOUNCEMENT OF NEW BANK NEGARA MALAYSIA (“BNM”) GOVERNOR BY THE PRIME MINISTER YAB, DATUK SERI NAJIB RAZAK

The Prime Minister, YAB Datuk Seri Najib Tun Razak had, on 27 April 2016, announced the appointment of Datuk Muhammad Ibrahim as the new Governor of BNM for 5 years term effective from 1st of May 2016.

[Source: Media release on BNM’s website on 27 April 2016]

MSWG’S COMMENTS:

We welcome the appointment of Datuk Muhammad Ibrahim as the new BNM Governor with 32 years’ experience as Central Banker, of which for 6 years he had acted as understudy to Tan Sri Dr Zeti.

It will be a challenging task for him as he needs to meet expectations placed on him by the financial and economic community. He will need to balance BNM’s independence with the pressures of a slowing global and local economy.

BNM’s next policy moves with the local currency’s valuation, the country’s reserves adequacy, rate policy and inflation especially against the standpoint of our sovereign credit ratings and the country’s vulnerability to capital outflows, with high foreign ownership of Malaysian government bonds will also be examined under his tenureship.

As our country is facing unprecedented challenge, Datuk Mohammad Ibrahim truly has his work cut out for him. More broadly, he will also be responsible for protecting the central bank’s independence, a ‘moat’ that his predecessor Tan Sri Dr Zeti took great pains to build and uphold in her tenure.

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

SONA PETROLEUM BERHAD (“SONA PETROLEUM”)

The Board of Directors of Sona Petroleum announced that at the Adjourned EGM held on 26 April 2016, the special resolution in relation to the Proposed Acquisition was not passed by the shareholders of Sona Petroleum.

The special resolution on the Proposed Acquisition was voted by way of poll and the results are as follows:

Resolution	Numbers of votes cast (% of the total number of votes cast)			
	For	%	Against	%
Proposed Acquisition	189,332,550	22.61	647,989,300	77.39

[Source: Sona Petroleum's announcement on Bursa Malaysia's website on 26 April 2016]

MSWG'S COMMENTS:

The Chairman was not present and Dato' Mohamed Khadar Merican, an Independent Director, was appointed as the Chairman of the meeting.

As indicated by the outcome of the meeting above, the Proposed Acquisition was rejected with lopsided votes from dissenting shareholders. This was in contrast to the majority number of shareholders who attended and voted in favour of the Proposed Acquisition. This shows the disparity among the retail and institutional investors on the objectives of investing in SPAC companies.

The voting pattern and decision in the meeting raises several questions:-

1. What is the protection for minority shareholders for them to continue investing in the scheme if the “decision making” is in the hands of institutional investors having the substantial clout and position to sway the outcome as demonstrated in the Sona Petroleum case?
2. How such an outcome can be prevented under the current regulations and 75% threshold requirement in the situation where institutional investors motivated by the yield factor deemed it attractive and profitable to exit and realised their gains, thus defeating the objective of setting up SPACs?

MULTI SPORTS HOLDINGS LTD (“MULTI SPORTS”)

The Board of Directors of Multi Sports announced that the company is unable to release its Annual Report together with the Audited Financial Statements for the financial year ended 31 December 2015 (“AR”) by 30 April 2016 (“Timeframe”) to Bursa Malaysia as required under the Main Market Listing Requirements (“MMLR”) as the External Auditors, RT LLP, needs to verify expenditure incurred and bank balances. Deloitte & Touche, the Taiwan External Auditors also unable to review works in line with Taiwan Accounting Standard Requirements. It was also announced that Multi Sports targets to issue and submit its AR to Bursa Malaysia not later than 30 June 2016.

[Source: Multi Sports's announcement on Bursa Malaysia's website on 25 April 2016]

MSWG'S COMMENTS:

Multi Sports is the second China-based company (after Maxwell International Holdings Berhad) that had delayed in releasing their annual report for FYE 2015.

In addition, the resignations of its Chairman and a member of the Audit Committee, both were Independent Directors, without giving any reasons has raised a red flag that there could be a sign of financial irregularities.

MSWG'S WATCHLIST

EASTERN & ORIENTAL BERHAD ("E&O")

The Board of E&O had resolved to terminate the proposed admission of the entire issued and to be issued ordinary shares of Eastern & Oriental Plc ("E&O Plc"), an indirect wholly-owned subsidiary of the company, to trading on aim of the London Stock Exchange ("Proposed Admission") in view of the unstable global market conditions and exchange rate volatility.

Save for approximately £1.35 million (RM8.31 million based on the average exchange rate of £1.00:RM6.1553 between April 2015 and March 2016) costs in relation to the Proposed Admission, which will be expensed off to the consolidated statements of comprehensive income for the financial year ended 31 March 2016, the termination of the Proposed Admission is not expected to have an impact on the consolidated earnings per share and net assets per share of the Company for the financial year ended 31 March 2016.

[Source: E&O's announcement on Bursa Malaysia's website on 20 April 2016]

LOCAL NEWS AND DEVELOPMENTS

CLIQ down to four directors

<http://www.thestar.com.my/business/business-news/2016/04/21/cliq-down-to-four-directors/>

Bank Negara's international reserves up 0.21% to US\$97.2b as at April 15

<http://www.theedgemarkets.com/my/article/bank-negaras-international-reserves-021-us972b-april-15?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

Japan keeps economy assessment unchanged, frets about quake impact

<http://www.reuters.com/article/us-japan-economy-report-idUSKCN0XIOS0>

US weekly jobless claims total 247,000 vs 263,000 estimate

<http://www.cnbc.com/2016/04/21/us-weekly-jobless-claims-april-16-2016.html>

China debt load reaches record high as risk to economy mounts

<http://www.cnbc.com/2016/04/24/financial-times-china-debt-load-reaches-record-high-as-risk-to-economy-mounts.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.*
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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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