

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

19 February 2016

MESSAGE FROM THE CEO

With the benefit of several weeks passing since the announcement of the sale of a 51% stake in Shell Refining Company [the listed company] (SRC) at a 64% discount to the market price, here are my considered thoughts on the matter:

- (1) There appear to be a long-standing financial justifications for the sale, with SRC having said as much to reporters after its AGM in June last year.

The potential spend awaiting the buyer appears manifold, including over a billion ringgit in looming debt obligations and CAPEX spending needed to upgrade the refinery to international standards from Euro 2 to Euro 4 standard.

- (2) From a press statement yesterday by Shell Overseas Holdings Limited's (SOHL), which was reiterated in a briefing to MSWG today that:

- (i) they had already divested their downstream businesses in Australia, Norway, Japan, UK, France, Denmark, Germany and many others as a strategic decision to divest their refinery arm globally. As a result of this strategy, SRC's refinery plant in Malaysia was divested.

- (3) MSWG, nevertheless, queried on:

- (i) whether the parent company had embarked on a robust bidding process. According to the representative of SOHL, there was a wide range of bidders from foreign and local for their 51% stakes in SRC. After due process, they decided on Malaysia Hengyuan International Limited (MHIL).

We had also done a background research on Shandong Hengyuan Petrochemical Group, which is the parent company of MHIL and a large state-owned enterprise in China involved in petrochemical engineering and oil refining. It appeared that MHIL has the technical, operating and financial expertise, including to meet all debt obligations and to upgrade SRC's refinery plant.

- (ii) the price discount to the market price of about 64%. SOHL in the explanation stated that the offer price, after taking into account the liabilities, was close to the intrinsic book value, this had not taken into account the substantial CAPEX for the plant conversion.

Notwithstanding the above, we have requested the representative of SOHL to convey our

message for MHIL to consider a higher offer price.

- (4) We believe that both Shell and MHIL could have done more in terms of communicating the rationale for the disposal and its financial reasons for doing so in a much clearer and more expedient fashion.

The entire world is suffering through one of the worst oil slumps in history. Shareholders would have been sympathetic to its explanation on their disposal.

MSWG will be organising a forum as a platform for all shareholders of SRC to better understand this exercise and raise any issues of concern that they may have.

Regards,

Rita

MSWG'S WATCHLIST

MAXWELL INTERNATIONAL HOLDINGS BERHAD ("MAXWELL") - EXTENDED AUDIT ON ADVERTISEMENT EXPENDITURE AND ISSUES HIGHLIGHTED BY THE STATUTORY AUDITOR

The Board of Directors of Maxwell International Holdings Berhad ("the Company") wishes to announce the following additional information:-

1. As stated in the third quarterly results ended 30 September 2015, the total amount of cash/cash equivalent were RM257 million. The third quarterly results was announced on 30 November 2015.
2. The total amount of cash placed with the asset management company, namely Jinjiang Jin Chuang Private Capital Management Co Ltd ("Jin Chuang") as at 30 September 2015 was RM103.7 million
3. Messrs Baker Tilly Monteiro Heng's ("BTMH"), on preliminary assessment with regards to the cash placed with Jin Chuang and pending the commencement of the annual audit, have yet to obtain any documentary evidence for such placements of funds and sufficient information on the nature of business of Jin Chuang. In addition, BTMH was concerned with the authenticity of these deposits placed with Jin Chuang and the recoverability of the deposits.
4. On its preliminary assessment, BTMH noted that based on the announcement of court cases on the website of Fujian Quanzhou Intermediate People's Court, a company named "Zhenxing" (A subsidiary of Maxwell) is being sued by a company, Fujian Quanzhou Li Cheng Qu Chuang Xing Micro Credit Co Ltd due to a dispute on the loan agreement. The Defendants in the case involve Zhenxing as the borrower, Madam Li Kwai Chun (the Executive Director of Maxwell) and two others as the guarantors.

[Source: <http://www.qzcourt.gov.cn/news/ktgg/showinfo.aspx?id=316>]

The Management of China Subsidiary claimed that they did not received any documents relating to the litigation before.

Madam Li Kwai Chun represented to the Board that the said loan dispute was in fact involving herself as a personal guarantor and it should not involve the Zhenxing. Therefore, she will seek the necessary legal advice on the matter. Further announcement will be made upon the legal council revert with the opinion.

5. Company has obtained one quotation for the appointment of the investigative auditor. However, the Company will source for additional quotations for such service and will make the necessary announcement upon the appointment is being finalized.

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

[Source: Maxwell's announcement on Bursa Malaysia's website on 17 February 2016]

LOCAL NEWS AND DEVELOPMENTS

Hartalega net profit up on higher demand

<http://www.thestar.com.my/business/business-news/2016/02/17/hartalega-net-profit-up/>

Ringgit among best performing Asian currencies

<http://www.thestar.com.my/business/business-news/2016/02/16/rising-ringgit/>

Ex-Tanjung Offshore MD charged with money laundering

<http://www.thestar.com.my/business/business-news/2016/02/16/former-md-of-tanjung-offshore-claims-trial-to-two-charges/>

Maybank to grow online banking market share with new services

<http://www.theedgemarkets.com/my/article/maybank-grow-online-banking-market-share-new-services-0>

GLOBAL NEWS AND DEVELOPMENTS

Saudi Arabia, Russia agree to freeze oil output

<http://www.thestar.com.my/business/business-news/2016/02/17/saudi-arabia-russia-agree-to-freeze-oil-output/>

China's Bad Loans Rise to Highest in a Decade as Economy Slows

<http://www.bloomberg.com/news/articles/2016-02-15/china-s-bad-loans-rise-to-highest-in-a-decade-as-economy-slows>

Strategist for \$1.7 Trillion in Funds Says Rout Has Room to Run

<http://www.bloomberg.com/news/articles/2016-02-17/strategist-for-1-7-trillion-in-funds-says-rout-has-room-to-run>

ANZ Bank Warns of Asia Volatility as Cash Profit Rises

<http://www.bloomberg.com/news/articles/2016-02-16/anz-bank-cash-profit-rises-3-4-on-small-business-lending>

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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 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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