

The logo for MSWG (Minority Shareholder Watchdog Group) features the letters 'MSWG' in white, bold, sans-serif font on a dark blue rectangular background.

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

29 July 2016

MESSAGE FROM THE CEO

The growth of the real estate market is a close proxy to the nation's economy. Thus, a positive multiplier of a vibrant property market on a country's economy is indisputable.

While we acknowledge that the economy is indeed slowing and in need of catalysts, it is important to note that the proposed relaxation of local REIT guidelines* governing caps on acquiring vacant land and undertaking property development needs to be looked at with caution. [*In reference to the Proposed Amendments to Guidelines on Real Estate Investment Trusts and Streamlining of Post-Listing Requirements for Listed Real Estate Investment Trusts with Listed Corporations issued by the SC on 14 July 2016]

REITS, by their very nature, are defensive and preferred by those adverse to the notion of capital loss.

To heighten their risk profile at a time when there are precious few instruments catering to this class of investors is a debatable proposition. As such, we urge the regulators to adopt a more prudent stance in this regard. We will also view the proposal which is now under public consultation in greater detail. We also urge other minority shareholders to scrutinise the implication of the proposal and submit their feedback to the SC before 13 September 2016.

Separately, the recent reduction of OPR by 25 basis points by BNM was to spur the growth of the domestic economy. This could be followed by a reduction in bank statutory reserve requirements (SRR).

Overall then, the talk of an SRR cut and the move by Bank Negara to cut overnight policy rates should be read in the context of an economy that is slowing down, and in tandem with a deteriorating global environment, on which our export-dependent nation relies upon. Relating to this matter, minority shareholders must be vigilant and as always look into fundamental when investing in a volatile downward trending market.

Regards,

Rita

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

YNH PROPERTY BERHAD ("YNH")

YNH Property will hold an Extraordinary General Meeting ("EGM") on 3 August 2016 for shareholders' approval on the following proposals:

- (i) The proposed bonus issue entails the issuance of up to 88,289,225 bonus shares to be credited as fully paid-up on the basis of one (1) bonus share for every five (5) existing YNH shares ("Proposed Bonus Issue");
- (ii) Proposed establishment of a new employees' share scheme involving up to 15% of the issued and paid-up share capital of YNH (excluding treasury shares) at any one time to eligible persons comprising the proposed share option plan and the proposed share grant plan ("Proposed ESS");
- (iii) Proposed increase in authorised share capital of the company from RM500,000,000 comprising 500,000,000 YNH shares to RM1,000,000,000 comprising 1,000,000,000 YNH shares ("Proposed Increase in Authorised Share Capital"); and
- (iv) Proposed amendment to the Memorandum of Association of the Company to facilitate the Proposed Increase in Authorised Share Capital.

[Source: YNH's announcement on Bursa Malaysia's website on 12 July 2016]

MSWG'S COMMENTS:

We are agreeable to the resolution of the Proposed Bonus Issue. For the Proposed ESS, we are not in favour of awarding ESOS to non-executive directors. The reason being that it could give rise to issue of conflict as they are there to monitor the ESOS allocation to the employees and the executive directors and they play to a large extent the governance and oversight role in the Company. Thus, we encourage the non-executive directors to not take up the ESOS allocation given to them to be in line with good governance principle.

MSWG'S WATCHLIST

HWANG CAPITAL (MALAYSIA) BERHAD ("HWANG CAPITAL")

Hwang Capital announced that trading in the company's shares will be suspended with effect from 9.00 a.m., Friday, 2 September 2016, pursuant to Paragraph 16.02(2) of the Main Market Listing Requirements ("MMLR").

The suspension will only be uplifted by Bursa Malaysia upon Hwang Capital's full compliance with the public shareholding spread requirements under paragraph 8.02(1) of the MMLR or as may be determined by Bursa Malaysia.

[Source: Hwang Capital's announcement on Bursa Malaysia's website on 25 July 2016]

SCOMI ENGINEERING BHD (“SCOMI ENGINEERING”)

Scomi Transit Projects Sdn. Bhd. (“STP”), a wholly-owned subsidiary of Scomi Engineering, filed a notice of appeal on 25 July 2016 against the dismissal of the originating summons filed on 20 June 2016 which appeal has been fixed for hearing on 16 August 2016 (“Appeal Hearing”).

The Court had on 26 July 2016 refused to extend the interim injunction granted on 22 July 2016. However, the Court made an order restraining Prasarana Malaysia Berhad (“PMB”) from appointing another contractor for the Project until the Appeal Hearing.

The announcement stated that STP will challenge the purported termination of the Contracts. On 21 July 2016, STP had filed a Notice of Arbitration for wrongful termination of the Contracts by PMB and will continue pursuing its rights in arbitration.

The Contracts between PMB and STP relates to the Project which involves the upgrade of the stations and systems of the Kuala Lumpur Monorail and replaces the old trains with 12 new 4-car trains, 6 of which have been delivered with 5 in successful revenue service. 83% of the Project works have been completed by STP despite extensive delays beyond its control and ongoing disputes relating to contractor claims.

[Source: Scomi Engineering’s announcement on Bursa Malaysia’s website on 26 July 2016]

LOCAL NEWS AND DEVELOPMENTS

Malaysia's external debt to GDP ratio higher than others in region at 66pct: Moody's
<http://www.nst.com.my/news/2016/07/159852/malaysias-external-debt-gdp-ratio-higher-others-region-66pct-moodys>

Parkson suspects forgery in legal proceedings against subsidiaries in China
<http://www.theedgemarkets.com/my/article/parkson-suspects-forgery-legal-proceedings-against-subsidiaries-china?type=Corporate>

Bank Negara international reserves up 0.1% to US\$97.3b as at July 15
<http://www.theedgemarkets.com/my/article/bank-negara-international-reserves-01-us973b-july-15?type=Corporate>

Regulatory framework for fintech in Q4
<http://www.thestar.com.my/business/business-news/2016/07/21/bank-negara-regulatory-framework-for-fintech-in-q4/>

Consumer Price Index Malaysia June 2016
https://www.statistics.gov.my/index.php?r=column/cthemByCat&cat=106&bul_id=bzJKb1VTK3VhVk1ScXFUSVU0RDZtZz09&menu_id=bThzTHQxN1ZqMVf6a2I4RkZoNDFkQT09

Malaysian Economic Indicators: Leading, Coincident & Lagging Indexes May 2016
https://www.statistics.gov.my/index.php?r=column/cthemByCat&cat=82&bul_id=RU5MVHZrc2wxUjZ3aTcyWDh5NkFmUT09&menu_id=YmJrMEFKT0p0WUlxbl1bzZydW9JQT09

'Private debt securities' now known as 'corporate bonds', says SC

<http://www.theedgemarkets.com/my/article/private-debt-securities-now-known-corporate-bonds-says-sc?type=Corporate>

Last month's passenger, commercial vehicle sales flat at 57,358 – MAA

<http://www.theedgemarkets.com/my/article/last-month%E2%80%99s-passenger-commercial-vehicle-sales-flat-57358-%E2%80%94-maa>

The issue is affordability, not credit access – BNM

<http://www.theedgemarkets.com/my/article/issue-affordability-not-credit-access-%E2%80%94-bnm?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

China cannot easily solve debt problem, but no systemic risks, says finance minister

<http://www.themalaymailonline.com/money/article/china-cannot-easily-solve-debt-problem-but-no-systemic-risks-says-finance-m>

Japan's CPI seen falling again in June, more headaches for BOJ

<http://www.theedgemarkets.com/my/article/japans-cpi-seen-falling-again-june-more-headaches-boj?type=Corporate>

US jobless claims hit three-month low; factory activity weakens

<http://www.theedgemarkets.com/my/article/us-jobless-claims-hit-three-month-low-factory-activity-weakens?type=Corporate>

Samsung Electronics sues Huawei in China for patent infringement

<http://www.thestar.com.my/tech/tech-news/2016/07/22/samsung-electronics-sues-huawei-in-china-for-patent-infringement/>

UK retail sales fall 0.9% in the month of Brexit referendum

<http://www.thestar.com.my/business/business-news/2016/07/22/uk-retail-sales-fall-09-in-the-month-of-brexit-referendum/>

G20 nations warn of Brexit risk to global growth

<http://www.themalaymailonline.com/money/article/g20-nations-warn-of-brexit-risk-to-global-growth>

MSWG Analysts

Lya Rahman, General Manager, Corporate Services, lyarahman@mswg.org.my

Rebecca Yap, Head, Corporate Monitoring rebecca.yap@mswg.org.my

Quah Ban Aik, Head, Corporate Monitoring banaik.quah@mswg.org.my

Norhisam Sidek, Manager, Corporate Monitoring norhisam@mswg.org.my

Lee Chee Meng, Manager, Corporate Monitoring cheemeng@mswg.org.my

Wong Kin Wing, Manager, Corporate Monitoring, kinwing@mswg.org.my

Hoo Ley Beng, Manager, Corporate Monitoring linnert.hoo@mswg.org.my

Nor Khalidah Khalil, Analyst, Corporate Monitoring khalidah@mswg.org.my

Vinodth Ramasamy, Analyst, Corporate Monitoring vinodth.ram@mswg.org.my

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 Hwang Capital Berhad.*

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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