

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

07 October 2017

VOICE OF MSWG

The meeting on the proposed early termination of the Golden Palm Growers Scheme (“the Scheme”) was held on 2 October 2017 as scheduled. MSWG’s representatives attended the meeting as proxies.

The meeting commenced with nomination of the Chairman of the Meeting (“the Chairman”). Two candidates were nominated to chair the meeting, one was a Grower and the other was the Trustee of the Scheme. The Growers objected strongly to the nomination of the Trustee as Chairman as they were of the view that the Trustee might not play an effective role to look after their interests. Pressured by the Growers, the Trustee declined the nomination. The meeting was chaired by the nominated Grower. Ironically and surprisingly, the Growers seemed to have lost trust in the Trustee who was appointed to protect the interests of the Growers under the Scheme.

The Chairman convened the meeting and invited the Monitoring Accountant appointed by the Management Company (MC) to oversee the closure of the Scheme, to make his presentation which encompassed the 12-month Cash Flow Projection of the Scheme (“the Projection”), explanations on the resolutions and consequences of the winding-up of the Scheme in the event neither resolution were to be passed.

The Projection showed that at the end of the 12-month period, the Scheme would only have a cash surplus of RM1.16 million. We noted that the cost of plantation operations of RM10.59 million in the Projection for the next 12 months would be substantially lower than the past records and there was no finance cost in the Projection. In response to the question raised by MSWG, the MC confirmed that the Scheme would be solvent for the next 12 months.

During the Q & A session, the Growers expressed their anger over the early termination of the Scheme when FFB yield and net return/yield to Growers would be higher and also the MC was promoting the Scheme aggressively in the local newspapers and letters to the existing Growers in the last three (3) months. In response to several pertinent questions, the Executive Chairman (EC) of the MC stated that most of the challenges faced by the Company had been resolved and the plantation is now in better condition. He tried to comfort the Growers that given sufficient time, the MC should be able to secure a good price for the plantation. However, no reserve price would be set.

The EC informed that the proposed early termination was primarily due to substantial re-purchase/redemption applications which he attributed to the agents who had asked the Growers to

redeem their investments. And this, as claimed by the EC, had caused the collapse of the Scheme as the MC was facing cash flow problems in meeting the re-purchase obligations.

We are of the view that if the Scheme had been well managed and cash flows properly monitored, it would not collapse just because of the re-purchase obligation which nevertheless has been capped at 10% of total plots sold. We also feel that it is very unprofessional and un-ethical to blame the agents and to reveal the commission of the agents in the Growers' Meeting.

Generally, the Growers were dissatisfied with both the proposed two resolutions but after more than three hours of deliberations, the Growers voted for Resolution 1 (about 98% in value). Many probably were of the view that Resolution 1, with a timeline of up to 12 months for disposal of the plantation would afford them better realisation value and higher probability of recovering fully their initial investments and the net yield for year 2017.

Under Resolution 1, the MC committed to the following:-

1. Actively source for potential buyers and secure the best price for the plantation
2. The Net Sales Proceeds from disposal of the plantation would be distributed in the following order:-
 - (i) Growers' fees for plots sold (excluding the approximately 40% plots retained with the MC);
 - (ii) Deferred net yield for 2017;
 - (iii) The approximately 40% plots retained with the MC.
3. An Action Committee with representatives from the Growers, representatives from the MC, the Monitoring Accountant and the Trustee would be formed to oversee and review the proposals from the potential buyers.

Following the passing of Resolution 1, and after much deliberation, it was decided that the Action Committee would have five members comprising two representatives (duly appointed at the meeting) from the Growers, one from the MC, the Trustee and the Monitoring Accountant.

We hope the Action Committee members would be impartial in their acts to protect the interests of the Growers and strive their best so that all the Growers would get back their initial investments and the yield due within the shortest time possible.

As a point of interest, it is relevant to recollect what happened to such similar interest scheme previously - the premature termination of Country Heights Growers Scheme in 2013. Hence, this Golden Palm Growers Scheme represents the second premature termination of such scheme. This recent episode certainly does not bode well for such investment scheme, and potentially leading to the erosion of public trust and confidence in the regulators, the trustee and any regulations governing such scheme.

With effect from January 2017, all the Interest Schemes are regulated under the new Interest Scheme Act 2016. While we are happy to have a specific Act for the interest scheme, we noted that the provisions in the Act are inadequate to protect the interests of the investors. The emphasis was more on paper and procedural compliances. We hope SSM would re-look into the new framework for the Interest Scheme Regulations and supplement with guidelines, if not available, to protect the interests

of the investors. Although the schemes are not listed like any other public listed companies, it nevertheless involves the public interest and, therefore, necessary protection provisions should be in place.

Apart from the legislations, the Trustee should be more pro-active in monitoring the operations of the Scheme and keep the investors informed of the development and financial position of the Scheme. They should also engage with the management of the Scheme regularly to ensure that they are aware of the problems and challenges faced by the Company.

Of utmost importance is the role of the Regulator, SSM. Before approving the Scheme, they should study the viability of the Scheme and ensure that all material risks are adequately addressed in the prospectus. In this case, we noted that the risk of termination of the Plantation Land Agreement by Kelantan State Agency in the event of insolvency of the Company was not stated in the prospectus despite it being a significant matter/consideration to the investors in making the investment decision.

During the term of the scheme, SSM should ensure that the scheme is properly managed and governed. Very importantly, SSM should also seriously consider looking into how the funds from the investors are utilised and accounted for and not used for purposes in breach of the purpose the scheme is set up for. In the event of premature closure, they should ensure that reasons for the early closure are genuine and justifiable. If the early closure is unavoidable, they must ensure that the process is properly carried out and all the investors are fairly treated. In the Golden Palm Growers' case, we hope SSM would investigate the issues raised by the Growers although the mandate had been given to the Company to dispose the plantation within 12 months.

As for investors, before investing in any scheme, it is important to study the prospectus thoroughly, know the background of the management team of the scheme and seek advice from the experts of the industry to assess the sustainability of the scheme.

MSWG TEAM

6 October 2017

MARKET AND REGULATORY UPDATE

GOVERNOR'S KEYNOTE ADDRESS AT THE INTERNATIONAL CONFERENCE ON FINANCIAL CRIMES AND TERRORISM FINANCING 2017 - FUTURE PROOFING COMPLIANCE: RESPONSIBILITY AND RESPONSIBILITY

Bank Negara Malaysia (BNM) Governor, Tan Sri Muhammad Ibrahim had delivered a keynote address at the *International Conference On Financial Crimes And Terrorism Financing 2017*. The salient points of the keynote address are shown below:

- Outlining “future-proof” compliance which takes into consideration the incentives, ethics, professional conduct as well as mutually reinforcing partnerships to continuously fulfil a financial institution’s responsibility to contribute to the well-being of society;
- The financial industry needs to be an active and responsible partner and BNM will continue to remain firm in ensuring the orderly conduct of the financial system. Between 2015 to June 2017 a

total of RM115.8 million of fines and penalties were imposed for breaching the regulations and affecting the integrity of the financial system;

- Effective January 2018, BNM will publish enforcement actions taken against financial institutions and intermediaries for non-compliance with rules and regulations. This aims to further increase the impact of enforcement actions as a credible deterrent;
- To adapt regulations to support emerging technologies and changing business and operational models when they bring clear benefits to our financial system and economy, and when the risks are well-understood and managed. For example, new requirements for e-KYC solutions that were recently released for industry feedback; and
- To continue to cooperate constructively with the counterparts, including through our membership in the Financial Action Task Force (FATF), to safeguard the integrity of the global financial system.

Weblink: http://www.bnm.gov.my/index.php?ch=en_speech&pg=en_speech&ac=761&lang=en

[Source: Media release on Bank Negara's website on 4 October 2017]

MSWG'S COMMENTS:

The publication of enforcement actions by BNM on financial institutions is a positive step to inform the public on measures taken on these financial institution culprits. Though this has been part of BNM on-going activities, the move would mean that offenders' identities would now be known publicly, dispensing the perception that the central bank was not hard and hands-on on these institutions.

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

LOTTE CHEMICAL TITAN HOLDING BERHAD ("LCTHB")

LCTHB announced that the Department of Environment had on 1 October 2017 issued a stop-work order on our KBR Catalytic Olefins Technology catalytic cracking reactor ("K-COT") within our TE3 Project ("Stop-Work Order") for the company to mitigate and reduce odour emission and eliminate surface oil sheen / film discharge. The company is attending to the remedial actions and will provide an update in due course.

The company further announced that the stop-work order on the KBR Catalytic Olefins Technology catalytic cracking reactor ("K-COT") within TE3 Project ("Stop-Work Order"), issued by Department of Environment ("DOE") on 1 October 2017 takes effect from 1 October 2017 until such time the withdrawal is notified by DOE. The DOE requires the company to remedy the odour emission and the surface oil sheen / film discharge. The company expects the Stop-Work Order to be lifted after requested remedial actions are carried out to the satisfaction of DOE.

The Stop-Work Order does not have any operational impact because the TE3 Project has not commenced operations. The commissioning and the commercial start-up of the TE3 Project remain on target by fourth quarter of 2017.

All other plants are operating normally.

The Stop-Work Order is also not expected to have a material effect on the company's and group's earnings, net assets and gearing of the company for the financial year ending 31 December 2017.

[Source: Abridged version of LCTHB's announcement on Bursa Malaysia's website on 2 & 4 October 2017]

MSWG'S COMMENTS:

This was the 3rd incidence of operational disruption that happened to the company within the past 3 months since the listing of the company in July 2017. We believe even with the clarification statement released by the company to claim that the impact of the incidences was minimal to the company, damage has been done and the incidences could have impaired the confidence of the investing public towards the company. The company should seriously strengthen its operational risk management to reduce their impacts on its corporate image and financial objectives.

FELDA GLOBAL VENTURES HOLDINGS BHD ("FGV")

FGV had on 3 October 2017 announced that the Group Chief Financial Officer will resume his duty on 4 October 2017 after being given leave of absence commencing from 6 June 2017 pending investigations of certain transactions under a subsidiary.

[Source: FGV's announcement on Bursa Malaysia's website on 3 October 2017]

MSWG'S COMMENTS:

While the status of the Group CFO is cleared now, we hope the Company would ascertain the position of the President/CEO as soon as possible given that announcement on the decision of the Independent Domestic Inquiry had been delayed for weeks.

MSWG'S AGM WEEKLY WATCH 9 - 13 OCTOBER 2017

For this week, the following are the AGMs of companies which are in the Minority Shareholder Watchdog Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Venue
11.10.17 (Wed) 10.00 am	Berjaya Sports Toto Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Berjaya Sports Toto Bhd (AGM)	1) Due to different interpretations on the value of gaming supply under the Goods and Services Tax Act ("GST Act"), the Group made an additional GST adjustment of RM15.6 million in FY 2017. (i) Please enlighten shareholders on the method applied by Royal Malaysian Customs to estimate the Company's GST payments.

The points of interest to be raised:

- | | |
|--|---|
| | (ii) Would the Company be penalised for the variation of GST payment?
(iii) What will be the forecasted GST payment for FY 2018?
(iv) Would the management consider transferring the GST charge to consumers in order to maintain the profit margin of the company? |
| | 2) We noted the interim settlement agreement entered by Philippine Gaming Management Corporation and Philippine Charity Sweepstakes Office will expire on 21 August 2018. Could the Board comment on the status of the arbitration proceedings? |

MSWG'S WATCHLIST**PERISAI PETROLEUM TEKNOLOGI BERHAD ("PPTB")**

The Board of Directors of PPTB announced that its external auditors, Messrs Baker Tilly AC have issued a statement of "Material Uncertainty Related to Going Concern" in respect of Perisai's Audited Financial Statements for the financial period ended 30 June 2017.

The external auditors highlighted in Note 2(b) to the financial statements, which disclosed that the group and the company incurred a net loss of RM606,952,555 and RM308,616,663 respectively during the financial period ended 30 June 2017 and, as of that date, the group's and the company's current liabilities exceeded its current assets by RM1,340,931,550 and RM729,539,587 respectively. As stated in Note 2(b) to the financial statements, these events or conditions, along with other matters as set forth in Note 2(b) to the financial statements indicate that a material uncertainty exists that may cast significant doubt about the group's and the Company's ability to continue as a going concern.

[Source: PPTB's announcement on Bursa Malaysia's website on 4 October 2017]

WINTONI GROUP BERHAD ("WINTONI")

According to the announcement released by Wintoni, the company has been wound up by order of the High Court of Malaya at Kuala Lumpur dated 17th August 2017 upon petition by a creditor and Mohd Afrizan bin Husain has been appointed as the liquidator for the purposes of the winding up of the company. The appointment of the liquidator had been gazetted and advertised in national newspapers.

[Source: Wintoni's announcement on Bursa Malaysia's website on 3 October 2017]

MAXWELL INTERNATIONAL HOLDINGS BERHAD ("MIHB")

The Board of Directors of MIHB announced that Beijing Taojin Law Office, a legal firm in the People's Republic of China ("PRC"), had on 14 September 2017 conducted special legal due diligence on the litigations involving Jinjiang Zhenxing Shoes & Plastics Co., Ltd. ("Zhenxing Shoes"), a wholly-owned subsidiary of MAXWELL and Hebi City Yifu Plastics Product Co., Ltd., a wholly-owned subsidiary of Zhenxing Shoes.

Beijing Taojin Law Office had upon receipt of the authorisation letter from Zhenxing Shoes, went to Jinjiang City People's Court; Jinjiang City Administration for Industry and Commerce Court; Quanzhou Intermediate People's Court and Fujian Provincial Higher People's Court and met with the Judges in charge to request for the court papers.

However, Beijing Taojin Law Office informed that the due diligence on the litigations investigation has not been progressing smoothly due to (i) the Courts have not been cooperative; and (ii) the number of court cases and the amounts claimed cannot be conclusively determined yet at this juncture and are expected to be more than what the Company were initially made aware of.

In view of the abovementioned issues, the lawyers informed that they would require additional time of approximately 2 months to complete the special due diligence on the litigations.

[Source: MIHB's announcement on Bursa Malaysia's website on 29 September 2017]

REGULATOR'S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Securities Commission Malaysia (SC)	GW Plastics Holdings Bhd (GWPH)	<p>SC had filed a civil suit on 28 September 2017 at the Kuala Lumpur High Court against two individuals for insider trading involving the shares of GWPH.</p> <p>Lim Kok Boon and Cheah Mean Har were alleged to have been involved in the insider trading of GWPH's shares in September 2012.</p> <p>SC is seeking a disgorgement of three times the profits made as a result of the insider trading and a civil penalty of RM1 million from each of the defendants.</p> <p>[Date: 3 October 2017]</p>
2	Securities Commission Malaysia (SC)	Magnum Corporation Berhad (MCB)	<p>The High Court declared that SC had successfully proven an insider trading case against Lim Chiew, a former independent director of MCB.</p> <p>In the suit which was filed in 2005, SC claimed that Lim Chiew had breached section 89E (2) of the Securities Industry Act 1983 when he acquired 590,000 Bolton shares on 12 July 1999 while in possession of material non-public information.</p> <p>Justice Datin Hajah Azizah Haji Nawawi ordered Lim Chiew to pay a sum of RM1,242,061.08, which amounted to three times the profits he earned as a</p>

No	Regulator	Companies	Reasons
			<p>result of the insider trading. In addition, the High Court ordered Lim to pay the SC a civil penalty of RM50,000 and RM75,000 in costs.</p> <p>[Date: 29 September 2017]</p>
3	Bursa Malaysia	Scanwolf Corporation Berhad (SCB)	<p>Bursa Malaysia has publicly reprimanded SCB in respect of the company's fourth quarterly report for the financial year ended 30 June 2016 (QR 4/2016) announced on 29 August 2016 which was in contravention of paragraph 9.16(1)(a) of the Bursa Malaysia Securities Main Market Listing Requirements (Main LR).</p> <p>While Bursa Malaysia has not found any of SCB's directors to have caused or permitted the breach by the company, Bursa Malaysia wishes to highlight and remind that it is the duty of the directors to maintain appropriate standards of responsibility and accountability in ensuring compliance of the Main LR. The Board of Directors of SCB at the material time was as follows:-</p> <ol style="list-style-type: none"> 1. Dato' Othman bin Talib 2. Dato' Ong Boon Aun @ Jaymes Ong 3. Dato' Tan Sin Keat 4. Teoh Teik Kean 5. Dato' Loo Bin Keong 6. Mohd Azizal bin Shubali 7. Abdul Hamid bin Abdul Shukor 8. Dato' Ibrahim bin Saleh 9. Ong Sing Guan <p>[Date: 29 September 2017]</p>
4	Securities Commission Malaysia (SC)	APL Industries Berhad (APLI)	<p>SC recently sued seven individuals at the Kuala Lumpur High Court for the manipulation of shares in APLI and is seeking court orders for disgorgement and civil penalty of up to RM7 million and barring the defendants from the capital market.</p> <p>The SC alleged that Ng Wai Hong, a dealer's representative at Hwang-DBS Securities Berhad, and six others who were acquainted or connected to her, had actively transacted in large volumes of APLI shares between 7 to 9 November</p>

No	Regulator	Companies	Reasons
			<p>2006, causing a surge in the volume and price of APLI.</p> <p>The other six defendants are Lo Ga Lung, Toh Pik Chai, Ling Pik Ngieh, Ng Soo Tian, Chan Kok and Chai Shou Wei.</p> <p>[Date: 27 September 2017]</p>

LOCAL NEWS AND DEVELOPMENTS

Bank Negara issues draft on net stable funding ratio, seeks feedback

<http://www.thesundaily.my/news/2017/09/29/bank-negara-issues-draft-net-stable-funding-ratio-seeks-feedback>

LEAP Market will help retain M'sian talents, says Bursa's Tajuddin

<http://www.theedgemarkets.com/article/leap-market-will-help-retain-msian-talents-says-bursas-tajuddin>

Government offers incentives for adopting MSPO certification

<http://www.thestar.com.my/business/business-news/2017/10/03/government-offers-incentives-for-adopting-mspo-certification/>

August producer price index rises 6.7%

<http://www.thestar.com.my/business/business-news/2017/09/29/august-producer-price-index-rises/>

Shareholders seek to remove iDimension's directors

<http://www.theedgemarkets.com/article/shareholders-seek-remove-idimensions-directors>

IRB: No plans to amend Act to allow filing of returns with unaudited accounts

<http://www.thesundaily.my/news/2017/10/01/irb-no-plans-amend-act-allow-filing-returns-unaudited-accounts>

Global Competitiveness Report 2017-2018

<https://drive.google.com/file/d/0B8qsAHKdODzcNW9hUXFFLWNaVE0/view>

GLOBAL NEWS AND DEVELOPMENTS

World Bank raises East Asia growth forecasts

<http://www.thestar.com.my/business/business-news/2017/10/04/world-bank-raises-east-asia-growth-forecasts/>

China growth is humming but 'darker story' may emerge in 2018

<http://www.thestar.com.my/business/business-news/2017/09/28/china-growth-is-humming-but-darker-story-may-emerge-in-2018/>

US 2Q economic growth revised higher; jobless claims rise

<http://www.theedgemarkets.com/article/us-2q-economic-growth-revised-higher-jobless-claims-rise>

Genting Hong Kong gets nod for SGX delisting

<http://www.thestar.com.my/business/business-news/2017/10/04/genting-hong-kong-gets-nod-for-sgx-delisting/>

US exchange withdraws SEC request to list bitcoin fund

<http://www.thestar.com.my/business/business-news/2017/09/29/us-exchange-withdraws-sec-request-to-list-bitcoin-fund/>

China outbound M&As seen picking up on hopes of eased capital outflow curbs

<http://www.theedgemarkets.com/article/china-outbound-mas-seen-picking-hopes-eased-capital-outflow-curbs>

London house prices decline for first time in eight years
<http://www.theedgemarkets.com/article/london-house-prices-decline-first-time-eight-years>

MSWG Analysts

Lya Rahman, General Manager, 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
Wong Kin Wing, Manager, Corporate Monitoring, kinwing@mswg.org.my
Hoo Ley Beng, Manager, Corporate Monitoring linnert.hoo@mswg.org.my
Elaine Choo, Manager, Corporate Monitoring, elaine.choo@mswg.org.my
Muhammad Faris bin Mohamed Yusof, Analyst, Corporate Monitoring farisyusof@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 Golden Palm Growers Scheme, Lotte Chemical Titan Holding Berhad, Wintoni Group 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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