

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

07 July 2017

VOICE OF MSWG

AOB: AUDITORS SHOULD IMPROVE QUALITY CONTROL

Capacity building efforts are continuing apace in Malaysia with the Securities Commission (SC) expressing concerns over the work of auditors with questions raised recently over audit quality issues and urging auditors to up their ante in service delivery.

In lauding the SC's Audit Oversight Board (AOB) move to point out heightened deficiencies among audit firms relating to revenue recognition, inventory, group audits and related-party transactions such as to potentially harm the integrity of the local capital markets, we are also encouraged by its collaborative approach in their desire to guide and monitor such remediation efforts.

This initiative will also offer an opportunity for the AOB to introduce fresh methodologies like improved disclosures of key audit matters that will offer more informative and tailored reporting specific to individual company circumstances instead of the current boilerplate approach. Although key audit matters have been newly implemented, it is important to gauge how useful are the matters raised and whether there is real value add as far as users of audited financial statements, in particular the investors, are concerned.

Quality external audits, when combined with rigorous internal audits stand a good chance of detecting financial and operational abnormalities that can be effective in containing potential losses while protecting shareholder interests over the long term.

WARNING TO MULTI-SPORTS

Moving from the macro to the micro, Bursa's show-cause letter issued to China-based Multi Sports Holdings Ltd on its potential delisting might, going forward, prove to be an effective lightning rod in terms of how the front-line regulator deals with errant counters who consistently and stubbornly miss deadlines for the submission of its financial statements.

As it is, Multi Sports has already failed to issue its financial statements since at least 2015, which has continued on to a couple more quarters in fiscal 2016.

The point at which delisting looms for such omissions is well-documented in the Listing Rules, but the actual act of pulling the trigger has always been a difficult one. With Bursa now telling the company, ‘no further extension of time is granted’, the ball is firmly in Multi-Sports’ court.

It is entirely possible that Bursa switches tack to become firmer on this issue in future, which should prompt other itinerant firms guilty of the same transgression to gee up and meet the rules as stipulated.

BANK MERGERS

Shareholders are waiting for key developments in the merger talks currently ongoing between RHB and AMMB.

Our interest, in turn, centres on the governance ramifications of the proposed marriage.

Operational disruptions due to staff attrition and branch closures as well as possible breaches of anti-competition rules are some concerns, as are potential gaps in banking coverage especially in rural areas like East Malaysia.

Will Malaysia’s regulatory push for larger and stronger (but fewer) banking groups result in our one day counting systemically important, too-big-to-fail banking groups as what was witnessed on Wall Street during the Global Financial Crisis?

With KWAP expressing an interest in taking over ANZ’s share in the merged entity if the merger goes through, there could be some mitigating pushbacks, given their signatory membership of the Institutional Investor Code (IIC).

While the IIC are mere guidelines to CG best practices, we take heart that there could be a potential heavyweight in KWAP to provide a modicum of corporate governance and counter-balance.

MSWG TEAM

7 July 2017

MSWG’S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

KUMPULAN JETSON BERHAD (“JETSON”)

Jetson had on 29 June 2017 announced the acceptance by the wholly-owned subsidiary of the Company, Jetson Construction Sdn Bhd (“JCSB”) of a letter of award issued by MCC Overseas (M) Sdn Bhd (“MCC”) for sub-contract works.

However, on 3 July 2017, JCSB received a letter from MCC wherein MCC purported to unilaterally rescind the award of the sub-contract relating to the project on the basis that there was an alleged misrepresentation or non-disclosure of a certain matter namely that one of the substantial shareholders of the Company is a director of a third party consultant to the employer of the Project.

The Company informed that MCC has not given an opportunity to JCSB to respond prior to the purported unilateral rescission and JCSB denies any misrepresentation or non-disclosure or wrongdoing giving rise to such rescission. JCSB believes that MCC has repudiated and wrongfully rescinded the said letter of award / sub-contract.

JCSB is seeking legal advice on this matter and will take appropriate action in due course.

[Source: Jetson's announcement on Bursa Malaysia's website on 29 June 2017 and 4 July 2017]

MSWG'S COMMENTS:

The Company's share price appreciated 27% to 50 sen amid the announcement of the letter of award by MCC to JCSB and subsequently its share price tumbled 35% to 32.5 sen when the letter of award was rescinded. Shareholders could have suffered substantial losses if they had purchased the Company's shares following the announcement of the letter of award and hence we hope the regulator could seek explanations from Jetson and JCSB on the retraction of the letter of award in such a short notice.

MSWG'S AGM WEEKLY WATCH 10 - 14 July 2017

For this week, the following are the AGMs/EGMs 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
12.07.17 (Wed) 10.30 am	Alliance Financial Group Bhd (AGM/EGM)	InterContinental Kuala Lumpur, 165 Jalan Ampang, KL

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Alliance Financial Group Bhd (AGM/EGM)	<p>1. The AFG had reinforced its position as the bank of choice for business owners with its strong niche among business owner segment as reported by the Chairman and Chief Executive Officer who placed the AFG as one of the top 3 financial groups in terms of its return on equity ("ROE") performance at 10.5% and its SME loans growth at 9.3%.</p> <p>(a) What are the Board's strategic imperatives and key performance metrics for transforming Alliance Bank Malaysia Berhad ("the Bank") as the listed entity in place of the AFG, and what does it entail going forward and beyond for the Group to enhance and further improve on its current position in the midst of all the market changes in the financial services sector?</p> <p>(b) Amid the prospects and foresight of accelerated growth in the next 3-5 years for the Group, what are the Board's main concerns when compared to its banking peers with economies of scale, competitive pricing on loans to deposits and competitive advantage given its strong niche and linkages</p>

The points of interest to be raised:

across the Group's businesses offering similar solutions and capabilities?

2. Could the Board clarify and elaborate on the following:

- (a) The optimal balance and strategies between the short-term initiatives of "Fix the Present" towards the Group's asset efficiency, funding mix, risk management, governance and controls, and operational processes and the longer-term initiatives of "Build the Future" for establishing the Group's new purpose and new brand architecture under various rolled-out programmes?
- (b) The duration of these short-term and longer-term initiatives and how much capital expenditure is to be committed for the new brand architecture to enable it to determine the attributes every product, service or value proposition must have to ensure success before offering to the Group's target audiences.

MSWG'S WATCHLIST

MULTI SPORTS HOLDINGS LTD ("MSPORTS")

Msports announced that the company had on 3 July 2017 received a Notice to show cause on de-listing of the securities of Msports from Bursa Malaysia. Bursa Malaysia decided to reject the company's application for a further extension of time as stated in the earlier company's letter dated 29 June 2017.

Msports is required to make written representations supported by documentary evidence, if any, to Bursa Malaysia within (5) five market days from the date of the above notice i.e on or before 10 July 2017, as to why the securities of the company should not be delisted from the Official List of Bursa Malaysia.

In the event that Bursa Malaysia decides to de-list the company, the securities of the company shall be removed from the Official List of Bursa Malaysia upon the expiry of 7 market days from the date of notification of the decision to de-list the company or upon such other date as may be specified by Bursa Malaysia unless an appeal is made within the prescribed timeframe.

In the event Bursa Malaysia decides not to de-list the company, other appropriate action/penalty(ies) may be imposed pursuant to paragraph 16.19 of the Main Market LR.

[Source: Msports' announcement on Bursa Malaysia's website on 4 July 2017]

XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED ("XINGQUAN")

Xingquan announced that the company has yet to secure a suitable candidate to fill the vacancy of the Chief Financial Officer ("CFO") within the month of June 2017 and therefore the company is still unable to complete the preparation of the 3rd Quarterly Report for submission by middle of July 2017, as targeted and announced earlier.

The company is still sourcing for suitable candidates to fill the vacancies of the CFO and Independent director and hopes to be able to fill the vacancies soonest possible.

[Source: Xingquan's announcement on Bursa Malaysia's website on 30 June 2017]

LOCAL NEWS AND DEVELOPMENTS

May Producer Price Index rises 8%

<http://www.thesundaily.my/news/2017/06/30/may-producer-price-index-rises-8>

Bzzt! Wrong answers, Lay Hong

<http://www.thestar.com.my/business/business-news/2017/07/01/bzzt-wrong-answers-lay-hong/>

Divided views on Malaysia's second-half performance

<http://www.thestar.com.my/business/business-news/2017/07/01/divided-views-on-malysias-secondhalf-performance/>

Malaysia's May broad money up 4.7% on year – c.bank

<http://www.theedgemarkets.com/article/malysias-may-broad-money-47-year-%E2%80%94-cbank>

Bank Negara: Malaysia's headline inflation down to 3.9 pct

<https://www.nst.com.my/business/2017/06/253228/bank-negara-malysias-headline-inflation-down-39-pct>

Despite April export bump, Malaysian factories hit five-year low

<http://www.themalaymailonline.com/money/article/despite-april-export-bump-malaysian-factories-hit-five-year-low>

Foreign inflow into govt bonds at RM9b in May, says BNM

<http://www.thestar.com.my/business/business-news/2017/06/30/foreign-inflow-into-govt-bonds-at-rm9b-in-may/>

Competitive motor insurance premiums

<http://www.thestar.com.my/business/business-news/2017/06/30/competitive-motor-insurance-premiums/>

Suspended FGV CEO Zakaria submits show-cause reply, meets deadline

<http://www.theedgemarkets.com/article/suspended-fgv-ceo-zakaria-submits-showcause-reply-meets-deadline-0>

High Court dismisses Hock Seng Lee shareholder's bid to remove 4 directors

<http://www.thestar.com.my/business/business-news/2017/06/29/high-court-dismisses-hock-seng-lee-shareholder-bid-to-remove-4-directors/>

Japan's investment in Malaysia may rise 30pct in 2017

<https://www.nst.com.my/business/2017/06/252691/japans-investment-malaysia-may-rise-30pct-2017>

SC and ASIC Sign Innovation Cooperation Agreement to Establish Fintech Bridge

https://www.sc.com.my/post_archive/sc-and-asic-sign-innovation-cooperation-agreement-to-establish-fintech-bridge/

Hwang Capital asked to consider selective capital reduction, repayment

<http://www.thesundaily.my/news/2017/07/03/hwang-capital-asked-consider-selective-capital-reduction-repayment>

Goldis revises options for IGB takeover

<http://www.theedgemarkets.com/article/goldis-revises-options-igb-takeover>

No electricity tariff hike for July-Dec period

<http://www.thesundaily.my/news/2017/06/30/no-electricity-tariff-hike-july-dec-period>

XingQuan fails to fill vacant top management roles, to miss report submission deadline

<http://www.theedgemarkets.com/article/xingquan-fails-fill-vacant-top-management-roles-miss-report-submission-deadline>

Non-performing loans to rise – S&P

<http://www.theedgemarkets.com/article/nonperforming-loans-rise-%E2%80%94-sp>

Ire-Tex to block Elite Cosmo from calling more EGMs pending suit disposal

<http://www.theedgemarkets.com/article/iretex-block-elite-cosmo-calling-more-egms-pending-suit-disposal>

GLOBAL NEWS AND DEVELOPMENTS

Key US inflation measure declines in May

<http://www.themalaymailonline.com/money/article/key-us-inflation-measure-declines-in-may>

China, not supply, holds key to oil's next move

<http://www.thestar.com.my/business/business-news/2017/07/01/china-not-supply-holds-key-to-oils-next-move/>

China factory growth unexpectedly quickens but debt risks pressure economy

<http://www.thestar.com.my/business/business-news/2017/06/30/china-factory-growth-unexpectedly-quickens-but-debt-risks-pressure-economy/>

Eurozone economic confidence hits decade high

<http://www.thestar.com.my/business/business-news/2017/06/30/eurozone-economic-confidence-hits-decade-high/>

Japan big manufacturers' mood improves in Q2 - BOJ tankan

<http://www.theedgemarkets.com/article/japan-big-manufacturers-mood-improves-q2-boj-tankan>

UK consumer confidence slumps on double hit from inflation and weak pay

<http://www.thestar.com.my/business/business-news/2017/06/30/uk-consumer-confidence-slumps-on-double-hit-from-inflation-and-weak-pay/>

India launches tax revolution amid business doubts

<http://www.themalaymailonline.com/money/article/india-launches-tax-revolution-amid-business-doubts>

Saudi GDP falls for first time since financial crisis as oil output cut

<http://www.theedgemarkets.com/article/saudi-gdp-falls-first-time-financial-crisis-oil-output-cut>

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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 Kumpulan Jetson 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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