

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

26 November 2017

VOICE OF MSWG

POLICY MISSTEP

Property and construction players in the country have every right to be aggrieved this week with what appeared to be policy inconsistency on the apparent blanket freeze on development approvals for shopping complexes, offices, serviced apartments and luxury condominiums priced over RM1 million.

The sector, estimated to contribute around 10% of the local economy, is already grappling with a multitude of challenges, including rising costs, a lack of quality labour, foreign competition and weak buying demand amidst limited access to financing.

And now this.

Policy works best when it is well thought-out, with the long-term interests of all relevant stakeholders and the industry at heart. It must also be clear and unambiguous, communicated clearly to ensure the maximum possible reach at the best timing possible. And as much as possible, be irrevocable in nature.

However, the conflicting statements made by Second Finance Minister Datuk Seri Johari Abdul Ghani and Works Minister Datuk Fadillah Yusof were anything but the above.

Business thrives on certainty, and the opposite occurs when there is a lack of it, since planning and resource allocation is everything in the property and construction sector. It is little wonder that industry players were left scratching their heads over this surprise announcement, wondering where they now stand on their planned and current developments.

Nor was the issue of unsold units and oversupply a new one so the issue of last-minute scrambling should not enter the equation.

Unfortunately this is yet another clear example of poorly thought-out policy that should and could have been much better thought-through and communicated more effectively.

SIME DEMERGER

By the end of this month, Sime Darby group will be no more, splintered into two pure-play units and one mish-mash of remainder businesses.

While Sime has done a good job of nominating and then communicating the respective boards and leadership teams of the units, other perhaps more pertinent details have been left out.

These include the reasons behind the demerger and the valuable learnings from a corporate exercise that not only cost hundreds of millions at the time but also failed to realise the cost synergies that it promised so abundantly a mere ten years earlier.

And the one KEY detail that has been omitted in the current demerger narrative -- its cost. However, the answer to this can now be found in the Sime's reply to our queries on the cost for the pure-play exercise and the allocation to the three entities which is now published on our website and Sime's website as well.

Sime Darby shareholders can rightly be excused for feeling a sense of lost opportunity. And trepidation for the future, especially with Fitch cutting Sime Darby Bhd's rating to 'junk' status following shareholder and regulatory approval.

This because the demerger of its plantation and property businesses now makes Sime Darby "significantly smaller in scale with lower business diversity".

There is one more roadbump.

Following the listings of Sime Darby Plantation and Sime Darby Property on 30 Nov, there will be 32 constituents in the KLCI index, and as always, membership of this all-important index will be determined by full market value.

According to some analysts, based on the mid-range scenario of indicative reference prices, Sime Darby Plantation will make the cut but Sime Darby Property and Sime Darby won't, making it another potential affront to long-suffering shareholders.

MSWG-ASEAN Scorecard

Last but not least, we are a mere fortnight away from our biggest event of the year, the MSWG-ASEAN Corporate Governance Recognition Awards 2017 that will be held at the Majestic Hotel on Wed. 6 December.

As always, we will be showcasing the findings and results of the governance level of Malaysia's largest public-listed companies and the event will include the presence of Yang Berhormat Datuk Seri Johari Abdul Ghani, Finance Minister II, who will deliver the Keynote Address and present awards to the winning companies.

We are pleased to receive tremendous support for our event and for that our heartfelt appreciation to the organisations and companies that have been very supportive of this important annual event.

MSWG TEAM

24 November 2017

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

OBSERVATION AT THE RECENT AGM - MALAYSIA PACIFIC CORPORATION BERHAD (“MPC”)

MSWG’s representatives attended the annual general meeting (“AGM”) of MPC on 24 November 2017 and from our observation, the meeting was rather hostile. At the beginning of the meeting, the Chairman announced that 30 minutes would be allocated for the “Question & Answer” (Q & A) session.

Another observation was the presence of too many “RELA” officers at the venue of the meeting with shareholders of less than 100.

MSWG’S COMMENTS:

Given that AGM is the only annual event where the shareholders, in particular the minority shareholders, have the opportunity to interact with the Board, we stated our views at the meeting that the Chairman should allow shareholders to ask questions and should not unreasonably limit the time for Q & A. The Chairman subsequently, allowed more time for the shareholders to ask questions. We also understand the frustration of having to handle dominating shareholder at the meeting. However, we stressed that the Chairman should exercise his authority to exercise control and manage the proper conduct and decorum of the meeting. Most importantly, every shareholder should be given equal opportunity to raise issues. In addition, the company should not engage the services of any other third parties to intimidate the shareholders and used gangsterism approach and language at the meeting.

On the other hand, shareholders should also follow the decorum of the meeting and should not use the meeting as a platform to bring out any personal issues and allegations. Proper channel of communication should be used for the allegations to be investigated, i.e. through the proper whistleblowing channel. In this situation, we expect the independent directors to handle the complaint objectively and independently from Management.

MSWG’S AGM WEEKLY WATCH 27 November 2017 - 1 December 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
26.11.17 (Sun) 10.30 am	Oriental Interest Berhad (AGM/EGM)	Royal Kedah Club, Pumpang, Alor Setar, Kedah Darul Aman
28.11.17 (Tue) 10.00 am	Bonia Corporation Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, KL
28.11.17 (Tue) 10.00 am	Berjaya Assets Bhd (AGM)	Berjaya Times Square Hotel, KL
28.11.17 (Tue) 02.30 pm	Malakoff Berhad (EGM)	Hotel Istana Kuala Lumpur, 73 Jalan Raja Chulan, KL
29.11.17 (Wed)	Jaya Tiasa Holdings Bhd	The Auditorium of Jaya Tiasa Holdings

09.00 am	(AGM)	Berhad, Lorong Upper Lanang 10A, Sibu, Sarawak
30.11.17 (Thur) 10.00 am	Kwantas Corporation Bhd (AGM)	Signature Office, Off Coastal Highway, Kota Kinabalu, Sabah
30.11.17 (Thur) 12.00 pm	Zecon Bhd (AGM)	Menara Zecon, No. 92, Lot 393, Section 5 KTL D, Jalan Satok, Kuching, Sarawak

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Oriental Interest Berhad (AGM)	<p>We noted on page 91 of the Annual Report, Other Operations of the Group comprise of hotel operation.</p> <p>(i) Could the Board provide further information in relation to the Group's hotel operation, i.e. number of hotel(s), location and occupancy rate as at 30 June 2017 ("FY2017")?</p> <p>(ii) What is the future prospect of the Group's hotel operation?</p>
Oriental Interest Berhad (EGM)	<p>We noted that the Company is issuing redeemable preference shares ("RPS") to some of its Vendors as part payment of the Purchase Consideration and the Balance Cash Consideration of RM50 million will be funded via bank borrowings. As mentioned by the Independent Adviser on page 113 of the Circular, the Group's cost of borrowing for FYE2017 range from 4.51% to 6.66%.</p> <p>Could the Board provide the basis for using bank borrowings to fund the Balance Cash Consideration of RM50 million?</p>
Bonia Corporation Bhd (AGM)	<p>We noted on page 41 of the Annual Report, the Group is currently focused on expanding its boutique business segment.</p> <p>(i) What are the Group's plans in expanding its boutique business segment (i.e. target countries and number of stores to be opened) for financial year ending 2018, given the negative retail sentiments in its three (3) major markets?</p> <p>(ii) What is the estimated capital expenditure for the expansion of the boutique business?</p>
Berjaya Assets Bhd (AGM)	<p>1) Please update shareholders on the Company's official appeal against the additional assessments imposed by the IRB to the Special Commissioners of Income Tax.</p> <p>2) As reported in the news on 9 August 2017, the Group has obtained the rights to reclaim 55 acres of seabed located next to the Group's existing development, Berjaya Waterfront Sdn Bhd's ("BWSB").</p> <p>It was also reported that the Group would need to raise RM1 billion via equity market for the reclamation work and the Company is planning to list BWSB via a real estate investment trust. Please comment.</p>
Jaya Tiasa Holdings Bhd (AGM)	<p>The revenue of Timber Division declined significantly by 32% in FY2017 and the Division recorded a loss before tax of RM56 million compared with a profit before tax of RM98 million for FY2016. The decline was mainly due to decrease in sales volume on the back of lower production volume and lower average selling price for</p>

The points of interest to be raised:	
	<p>both log and plywood.</p> <p>(i) Following the decrease in log logs supply due to changes in regulations and the Company's commitment to the Sustainable Forest Management Certification, the Group had scaled down its downstream wood processing activities.</p> <p>What would be the expected impact on the revenue and the profitability of the Group from the downsizing exercise, moving forward?</p> <p>(ii) Despite the production constraint which would lead to lower supply, we noted that the average price for both log and plywood had declined by 7% in FY2017.</p> <p>What were the factors that had caused the price of log and plywood to decline and what is the Board's view on the movement of the price in FY2018?</p>
Kwantas Corporation Bhd (AGM)	<p>On 7 April 2017, the Group had divested 100% equity interest in Dongma (Guangzhou Free Trade Zone) Oleochemicals Co Ltd. ("DMO") in China. Also, subsequent to the financial year ended 30 June 2017, the Company has identified a potential buyer for two (2) subsidiary companies in China which are engaged in the business of soap noodle, oleochemicals and glycerine and bulking installation, trading of palm oils and fat products respectively.</p> <p>(i) Could the Board share the plan with regard to its oleochemical business moving forward given that the Oleochemical Products Division has been in a loss position in the last five years?</p> <p>(ii) With the disposal and the proposed disposal of the above-mentioned subsidiaries in China, would the company withdraw its presence in China, going forward?</p>
Zecon Bhd (AGM)	<p>As reported in the Management Discussion and Analysis, the construction division recorded losses in current financial year, mainly due to cost escalation on selected construction contract undertaken by the Company.</p> <p>(i) How would the Board strategise to address the issue of the cost escalation on the selected construction contract? Please explain.</p> <p>(ii) On the PFI Project, how would the Group manage the pre-funding?</p>

MSWG'S WATCHLIST

MULTI-USAGE HOLDINGS BERHAD ("MUH")

Correction Note:

In our newsletter dated 17 November 2017, we had wrongly quoted that the Auditors of MUH had expressed a Disclaimer of Opinion in their Independent Auditors' Report in the Company's Audited Financial Statement for the financial year ended 30 June 2017. It should be Qualified Opinion.

We regret for the errors.

CHINA STATIONERY LIMITED (“CSL”)

CSL had on 21 November 2017 received a directive from Bursa Malaysia to make an immediate announcement with regard to Bursa Malaysia’s decision to exercise its power pursuant to paragraph 2.23 of the Main Market Listing Requirements (“LR”) of Bursa Securities, to direct CSL:-

- (i) to have its 3rd Quarterly Report for financial period ended 30 September 2017 reviewed by its external auditors prior to its issuance.
- (ii) to have the advertisement expenses amounting to RMB146.2 million for financial year ended 31 December 2016 be reviewed by the external auditors.
- (iii) board of directors of CSL is required to announce to Bursa Securities the information set out in (iii)(a)-(d) below (“Status Updates”) within three (3) market days from the date of directives issued by Bursa Malaysia on 21 November 2017 i.e. by 5.00 p.m., Friday, 24 November 2017.
 - (a) Steps to be taken by CSL to address the issues mentioned in item (i) and (ii) above;
 - (b) Confirmation from the auditors that they have been appointed to undertake the review;
 - (c) Steps to be taken to appoint new directors pursuant to Paragraph 4A.04(2), 4A.04A, 15.02(1), 15.09 and 15.10 of the LR; and
 - (d) Confirmation from the lawyer, Zhi Jun Law Firm that it has obtained the necessary authority from CSL to undertake the review on the ongoing material litigations.

Pursuant to Bursa Malaysia’s powers under Paragraph 16.02(1)(j) of the LR, in the event CSL fails to provide the Status Updates as set out above, Bursa Securities will suspend the trading of CSL’s shares. In this respect, such a suspension will be effected via issuance by Bursa Malaysia to the market on 24 November 2017 a notice of suspension in the trading of the shares of CSL on which will take effect from 9.00 a.m., Tuesday, 5 December 2017.

[Source: CSL’s announcement on Bursa Malaysia’s website on 22 November 2017]

HOVID BERHAD (“HOVID”)

Hovid announced it has received a press notice dated 22 November 2017 from CIMB Investment Bank Berhad, on behalf of the joint offerors (“Press Notice”) informing that the acceptance condition for the Offer has been revised to the condition that:

The joint offerors receive, on or before the Closing Date, acceptances by the holders of the Offer Shares, which will result in the joint offerors holding in aggregate (together with such Shares that are already acquired, held or entitled to be acquired or held by the joint offerors) more than 75% of the total Shares (“Revised Acceptance Condition”).

Accordingly the Offer has been extended to 5.00 p.m. (Malaysian time) on 7 December 2017 (“Revised Closing Date”). Save for the Revised Acceptance Condition and the Revised Closing Date, all other details and the terms and conditions of the Offer remain unchanged.

[Source: Hovid’s announcement on Bursa Malaysia’s website on 22 November 2017]

LOCAL NEWS AND DEVELOPMENTS

Economy grew 6.2% in Q3, fastest rate since Q2 of 2014

<https://www.thestar.com.my/business/business-news/2017/11/17/economy-grows-at-faster-pace-of-6pt2pct-in-q3/>

New models to underpin auto sector growth in Nov, Dec

<https://www.thestar.com.my/business/business-news/2017/11/20/new-models-to-underpin-auto-sector-growth-in-nov-dec/>

Property imbalance growing wider

<https://www.thestar.com.my/business/business-news/2017/11/18/property-imbalance-growing-wider/>

Aye to 30% women agenda

<https://www.thestar.com.my/business/business-news/2017/11/18/aye-to-30-women-agenda/>

Grand Hoover: Major shareholder, some directors approached for stake sale

<http://www.thesundaily.my/news/2017/11/16/grand-hoover-major-shareholder-some-directors-approached-stake-sale>

MyEG’s Wong rebuts Palette boss’ criticism on Twitter

<http://www.theedgemarkets.com/article/myegs-wong-rebuts-palette-boss-criticism-twitter-0>

Nakamichi to be delisted from Bursa on Nov 27

<http://www.theedgemarkets.com/article/nakamichi-be-delisted-bursa-nov-27>

TH Heavy given two months to meet creditors on scheme of arrangement

<https://www.thestar.com.my/business/business-news/2017/11/15/th-heavy-gets-two-months-to-meet-creditors-for-scheme-of-arrangement/>

MIER: Malaysia may hit high-income status by early next year

<http://www.theedgemarkets.com/article/mier-malaysia-may-hit-highincome-status-early-next-year>

Bank Negara to regulate digital currency deals next year

<http://www.thesundaily.my/news/2017/11/22/bank-negara-regulate-digital-currency-deals-next-year>

Puncak Niaga shares end steady following suit against Selangor govt, Khalid and Azmin

<http://www.thesundaily.my/news/2017/11/22/puncak-niaga-shares-end-steady-following-suit-against-selangor-govt-khalid-and-azmin>

Malaysia could lose US\$362m a year from GDP by charging airline passengers, say aviation bodies

<http://www.theedgemarkets.com/article/malaysia-could-lose-us362m-year-gdp-charging-airline-passengers-say-aviation-bodies>

Bursa Malaysia to push retail participation to 25%

<https://www.nst.com.my/business/2017/11/305714/bursa-malaysia-push-retail-participation-25>

Palm drops 3% as India raises import tax on edible oils

<https://www.nst.com.my/business/2017/11/305457/palm-drops-3-india-raises-import-tax-edible-oils>

BNM asks CIMB to appoint independent firm to find root cause of magnetic tape loss

<http://www.theedgemarkets.com/article/bnm-asks-cimb-appoint-independent-firm-find-root-cause-magnetic-tape-loss>

Court rules R&A's EGM notice invalid

<http://www.thesundaily.my/news/2017/11/20/court-rules-ra's-egm-notice-invalid>

APFT seeks time extension for AGM

<http://www.theedgemarkets.com/article/apft-seeks-time-extension-agm>

Kinsteel to "resolve matter" after being served with winding-up petition by TNB

<http://www.theedgemarkets.com/article/kinsteel-resolve-matter-after-being-served-windingup-petition-tnb>

Malaysia's Social Accounting Matrix launched

<http://www.thesundaily.my/news/2017/11/20/malaysia's-social-accounting-matrix-launched>

IRB slaps SP Setia with RM75.38 million additional income tax, penalty

<http://www.thesundaily.my/news/2017/11/19/irb-slaps-sp-setia-rm7538-million-additional-income-tax-penalty>

GLOBAL NEWS AND DEVELOPMENTS

China Jan-Oct outbound investment falls 40.9% to US\$86.31b

<http://www.theedgemarkets.com/article/china-janoct-outbound-investment-falls-409-us8631b>

US House of Representatives approves tax overhaul, fight shifts to Senate

<https://www.thestar.com.my/business/business-news/2017/11/17/us-house-of-representatives-approves-tax-overhaul-fight-shifts-to-senate/>

Confidence in eurozone expansion strong among economists

<https://www.thestar.com.my/business/business-news/2017/11/17/confidence-in-eurozone-expansion-strong-among-economists/>

German would-be coalition progresses on tax issue, but fail on immigration policy

<https://www.thestar.com.my/business/business-news/2017/11/20/german-coalition-progresses-on-tax-issue-but-fail-on-immigration-policy/>

U.S. commission recommends tariffs to curb Samsung, LG washer imports

<http://www.theedgemarkets.com/article/us-commission-recommends-tariffs-curb-samsung-lg-washer-imports>

Saudis push for nine-month extension of OPEC-led oil cut – sources

<https://www.nst.com.my/business/2017/11/306264/saudis-push-nine-month-extension-opec-led-oil-cut---sources>

Bitcoin Soars Past \$8,000 as Technology Shift Concern Vanishes

<http://www.theedgemarkets.com/article/bitcoin-soars-past-8000-technology-shift-concern-vanishes>

US consumer prices edge up; retail sales unexpectedly increase

<http://www.theedgemarkets.com/article/us-consumer-prices-edge-retail-sales-unexpectedly-increase>

China tightens rules on asset management products

<https://www.thestar.com.my/business/business-news/2017/11/18/china-tightens-rules-on-asset-management-products/>

UK cuts economic growth forecasts, says finance minister

<http://www.themalaymailonline.com/money/article/uk-cuts-economic-growth-forecasts-says-finance-minister#Wvev1YrWetpzkSQ2.97>

Yellen says it's dangerous to allow US inflation to drift lower

<http://www.themalaymailonline.com/money/article/yellen-says-its-dangerous-to-allow-us-inflation-to-drift-lower#xHwWRF6zyMrXk1Ve.97>

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

Mustaqim Yusof, Analyst, Corporate Services mustaqim.yusof@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 China Stationery Limited and Hovid Berhad.*

Feedback

We welcome your feedback on our newsletter and our work. Email us at corporateservices@mswg.org.my with your comments and suggestions.

DISCLAIMER

This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholder Watchdog Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in

this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.

ENDS./