

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

12 May 2017

VOICE OF MSWG

NEW LICENCE FOR DIGITAL INVESTMENT MANAGEMENT SERVICES

With effect from 9 May 2017, fund management companies offering automated discretionary portfolio management services will have to apply from the Securities Commission (SC) for a licence to operate. A new digital framework introduced by the SC sets out the licensing requirements and rules of conduct. Among the requirements are requisite technology capabilities, risk management and cyber security resilience and appropriate management strategy & policies.

It is hoped that this will result in increasing the cost-efficiency of the fund-management and thus benefiting investors. With lower cost complemented by “risk-aversion”, private unit trusts may be a viable alternative.

AGM SEASON

As we enter into the peak season for AGMs, we wish to highlight some of the conduct of shareholders while attending AGMs. We observed the main driving factor of attendance at AGMs for a large number of shareholders was more for goodies, vouchers and food. We advise the minority shareholders to focus more on active participation in matters presented and deliberated at the AGMs and exercise their rights to vote. The opportunity for Q&A should be used to raise issues related to the company’s performance instead of complaining about the vouchers and food.

We hope that unreasonable expectation of refreshments and door gifts and the uninvited display of “talent” will be a thing of the past.

WHEN LINKS FAIL

There were several other corporate developments worthy of mention. One was the precipitous drop in share price and market value in Iskandar Waterfront City (IWC), whose shareholders have just agreed to a merger proposal with its parent, Iskandar Waterfront Holdings (IWH).

IWC's share price and market value have tripled in 2017 due to the euphoria over its share in a 60% joint-venture in Bandar Malaysia. But the subsequent retraction of the equity offer and ensuing uncertainty for shareholders is indeed most regretful.

It cannot be overemphasised how important it is to rely on fundamentals and well-managed growth when investing rather than assumptions. Although IWC still remains a key player in the property sector, albeit in Johore, investors cannot ignore the current clear warnings of oversupply.

REV ASIA'S REWARD

Rev Asia's buyout by Media Prima is interesting as it demonstrates the market's acceptance of a company that was able to strategically switch direction in response to changing business conditions. Rev Asia's beginnings were initially digital but they were too far ahead of the curve and were forced to switch to print when the dotcom crash hit in 2000.

Rev Asia again made the difficult switch back to digital as market conditions changed and today, their founders have been rewarded. Perhaps the Rev Asia example will be instructive for many of the country's establishment media companies who are too reluctant or too afraid to change.

PROCEDURES MATTER

The responsibility for timely submission of the company's annual financial statements to Bursa Malaysia rests squarely on the Board of Directors. Failure to do so, especially under the Listing Requirements of Bursa Malaysia, attracts dire consequences. Perak Corporation Bhd and Wintoni Group Bhd failed to meet the 30 April 2017 deadline, i.e. 4 months from the financial year-end.

The regulatory framework provides more than enough time to prepare the statements. However, when listed firms offer excuses like external auditors requiring more time to resolve 'substantial outstanding audit and accounting issues' (such as in the case of Perak Corp), it is obviously difficult for the market to take this positively.

Nor is the resignation of an audit firm which for Perak Corp resulted in the longer audit period by KPMG after Messrs Ernst & Young resigned. The same with Wintoni, which also blamed the delay of its annual report on more time needed for audit finalisation.

Audits are an annual affair and unless 'untoward' events occur, statements must always be up-to-date and complete, with preparatory audit work beginning well before year-end. A change in firm is never a good excuse.

THE MSWG TEAM

12 May 2017

MSWG'S AGM WEEKLY WATCH 15 - 19 MAY 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
15.05.17 (Mon) 10.00 am	Malaysian Bulk Carriers Bhd (AGM)	TPC Kuala Lumpur (Kuala Lumpur Golf & Country Club Berhad), Off Jalan Bukit Kiara
15.05.17 (Mon) 10.00 am	UMW Oil & Gas Corporation Bhd (AGM)	Menara Kembar Bank Rakyat, Jalan Rakyat, Kuala Lumpur
15.05.17 (Mon) 11.00 am	MSM Malaysia Holdings Bhd (AGM)	Menara Felda, Platinum Park, Persiaran KLCC, Kuala Lumpur
17.05.17 (Wed) 09.30 am	Amway (Malaysia) Holdings Bhd (AGM)	Amway (Malaysia) Sdn. Bhd. 28, Jalan 223, Petaling Jaya
17.05.17 (Wed) 10.00 am	BIMB Holdings Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, Kuala Lumpur
17.05.17 (Wed) 11.00 am	Malaysia Smelting Corporation Bhd (AGM)	Hotel Equatorial Penang, 1 Jalan Bukit Jambul, Bayan Lepas, Penang
18.05.17 (Thur) 09.30 am	Tomypak Holdings Bhd (AGM)	Palm Resort Golf & Country Club, Jalan Persiaran Golf, Senai, Johor
18.05.17 (Thur) 10.00 am	KKB Engineering Bhd (AGM)	Abell Hotel, No. 22, 4th Floor, Jalan Tunku Abdul Rahman, Kuching, Sarawak
18.05.17 (Thur) 10.00 am	Sarawak Plantation Bhd (AGM)	Damai Beach Resort Teluk Bandung Santubong Kuching, Sarawak
18.05.17 (Thur) 10.00 am	UEM Sunrise Bhd (fka UEM Land Bhd) (AGM)	Persada PLUS, Persimpangan Bertingkat Subang, KM15, Lebuhraya Baru Lembah Klang
18.05.17 (Thur) 10.00 am	Time dotCom Bhd (AGM)	Saujana Resort, Jalan Lapangan Terbang SAAS, Shah Alam
18.05.17 (Thur) 10.00 am	Shangri- La Hotel (Malaysia) Bhd (AGM)	Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, Kuala Lumpur
18.05.17 (Thur) 10.30 am	Paramount Corporation Bhd (AGM)	Tropicana Golf & Country Resort, Petaling Jaya
18.05.17 (Thur) 11.00 am	Petra Energy Bhd (AGM)	The Royale Chulan Damansara, Mutiara Damansara, Petaling Jaya
18.05.17 (Thur) 11.00 am	SP Setia Bhd (AGM)	Setia City Convention Centre, Setia Alam, Seksyen U13, Shah Alam
19.05.17 (Fri) 09.00 am	Evergreen Fibreboard Bhd (AGM)	Horizon Hills Golf & Country Club, Horizon Hills, Nusajaya, Johor
19.05.17 (Fri) 10.00 am	Ho Hup Construction Company Bhd (AGM)	Bukit Jalil Golf and Country Resort, Kuala Lumpur

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Malaysian Bulk Carriers Bhd (AGM)	The Group's associate' PACC Offshore Services Holdings Ltd (POSH), reported a net attributable loss of US\$371.4 million in FY2016 versus a net attributable loss of US\$131.0 million in FY2015. Excluding impairments, net attributable loss was US\$61.3 million in FY2016 versus a profit of US\$17.5 million in FY2015 mainly due

The points of interest to be raised:	
	<p>to lower charter rates and utilisation across major business segment. The Group's share of POSH results was a loss of RM325.1 million in FY2016 versus RM106.2 million in FY2015. The Group recognised an impairment of RM39.3 million in 2016 (RM495.8 million in FY2015) on its investment in POSH.</p> <p>What are the measures taken by the Board to improve the performance of this associate?</p>
UMW Oil & Gas Corporation Bhd (AGM)	<p>As stated in the Management Discussion and Analysis, the Group posted a loss before tax of RM1,181 million for the financial year ended 31 December 2016, as compared to a loss before tax of RM348 million in the preceding year. It was also reported that the losses were resulted by weak demand for the Group's drilling and oilfield services due to prolonged low oil prices as well as asset impairment amounting to RM780 million.</p> <p>(a) Is the Board expecting further asset impairment for FY2017?</p> <p>(b) What would be the outlook for FY2017?</p>
MSM Malaysia Holdings Bhd (AGM)	<p>The Sales Analysis on Page 47 showed that the sales volume for export and industries for FY2016 were lower compared with FY2015 while sales volume for domestic market had increased.</p> <p>(a) Given that one of the functions of MSM Dubai that was opened in February 2016 is to undertake sugar trading activities for Middle East & North Africa region and neighbouring Asia Pacific region, what was the reason for the drop in export sales?</p> <p>(b) Would the Board foresee significant impact on the export sales of the Company from the abolishment of EU sugar quota system by end of 2017?</p> <p>(c) Despite that the sales volume for domestic market had increased in FY2016, we noted that the domestic market share for the Company had declined from 65% in FY2015 to 60% in FY2016. What was the reason for the decline in market share?</p> <p>(d) In April 2016, the Government had halted the issuance of import permit (AP) for sugar. Would the Board see the increase in domestic and local industries sales, moving forward?</p> <p>(e) The price of refined sugar was reviewed and increased from RM2.84 to RM2.95 per kg from 1 March 2016. How has this impact the domestic and industries sugar consumption?</p>
BIMB Holdings Bhd (AGM)	<p>The banking landscape is expected to be challenging with moderate loan growth in 2017 coupled with competition for CASA and increasing pressure on net interest margin and overall higher expected credit costs and impaired assets. Given the above, please explain the impact on the Group arising from the following:</p> <p>(a) The defensive strategy the Bank is employing.</p> <p>(b) Right sizing its CASA and loan portfolio mix.</p> <p>(c) Measures taken to comply with MFRS9 and the impact on its Capital under Basel III and financial performance in 2017/2018.</p> <p>(d) Impact of Data mining/ Big Data/Digital Technology wave and "FinTech".</p> <p>(e) Group's KPIs FY 2017 and its aspirations, going forward.</p>
Tomypak Holdings Bhd (AGM)	<p>1. We noted in the Chairman's Statement that two additional printing lines and laminating equipment will be purchased progressively over the next 3 years,</p>

The points of interest to be raised:		
		<p>which will ultimately double Tomypak Group production capacity.</p> <p>(a) What would be the expected CAPEX to be incurred in the next 2 years for the purchase of additional equipments for the Group's expansion?</p> <p>(b) How would the Group finance the purchase of the additional equipments?</p> <p>(c) What would be the expected optimum level of production capacity that would enable the Group to realise its targeted global market share?</p> <p>(d) What are the current capacity utilisation rates for both plants in Tampoi and Senai?</p> <p>2. The export sales had reduced by 4.7% from RM117.1 million in FY 2015 to RM11.5 million in FY 2016.</p> <p>(a) What were the reasons for the decline of export sales since FY 2015?</p> <p>(b) What measures have been taken by the management to address the decline?</p> <p>(c) When would the Group expect to resume its growth in export sales?</p>
Sarawak (AGM)	Plantation Bhd	<p>As reported in the Management Discussion and Analysis, 63% of the total FFB processed during the year was purchased from third parties.</p> <p>(a) What was the percentage of FFB purchased from related third parties?</p> <p>(b) Could the Board share the steps taken in controlling and monitoring the quality, pricing and adequacy of the supplies?</p>
UEM Sunrise Bhd (fka UEM Land Bhd) (AGM)		<p>The Group's profit after tax and non-controlling interest dropped from RM257.2 million in FY 2015 to RM147.3 million in FY 2016 mainly due to lower contribution from other income and share of results of joint ventures.</p> <p>(a) What was the reason for the drop in the share of results of joint ventures?</p> <p>(b) What are the measures taken to improve the performance of these joint ventures?</p>
Paramount (AGM)	Corporation Bhd	<p>Paramount Property registered sales of 459 units with a Gross Development Value (GDV) of RM420 million surpassing its sales target of RM400 million set for the year.</p> <p>(a) What would be the targeted sales for 2017?</p> <p>(b) Could the Board provide the GDV of projects to be launched in 2017?</p>
Petra (AGM)	Energy Bhd	<p>For the financial year ended 31 December 2016, the Group posted revenue of RM332.1 million and a net loss of RM114.2 million.</p> <p>(a) Which segment will sustain the performance of the Group for FY2017?</p> <p>(b) What is the Group's current order book and tender book?</p> <p>(c) Could the Board provide the duration of the current contracts?</p>
Ho Hup (AGM)	Construction Company Bhd	<p>The Board viewed the Group's current prospects for the financial year 2017 from the perspective of the projects tendered by the Construction Division, the launch of projects by the Property Development Division and the quarry business operations commenced by the Building Materials Division. The segmental information reported in Note 35 to the financial statements, pages 132-133 showed</p>

The points of interest to be raised:

mixed performances and results of segment revenue and profits before taxation for the past two financial years.

- (a) What is the Group's order book of the Construction Division that will sustain its performance and earnings?
- (b) What is the total gross development value ("GDV") estimated by the Property Development Division via the launches of its proposed projects for the current financial year and the next 2-3 years?
- (c) What are the Board's expectations of the quarry business commencing in October 2016 and the expected revenue of building materials division under its existing operations?

MSWG'S WATCHLIST**CHINA AUTOMOBILE PARTS HOLDINGS LIMITED ("CAP")**

Following the announcement released by CAP on 26 April 2017 that its financial year end will be changed from 31 December 2016 to 30 June 2017, the company had on 5 May 2017 notified in its announcement that the suspension of trading in securities of CAP on 11 May 2017 would not take place.

[Source: CAP's announcement on Bursa Malaysia's website on 26 April 2017 and 5 May 2017]

LOCAL NEWS AND DEVELOPMENTS

Kang Hoo disputes termination notice

<http://www.thestar.com.my/business/business-news/2017/05/06/kang-hoo-disputes-termination-notice/>

More information please, Perak Corp

<http://www.thestar.com.my/business/business-news/2017/05/06/more-information-please-perak-corp-act-on-money-scams-should-listing-and-clearing-fees-be-raised/>

International reserves higher at US\$96.1bil as at April 28

<http://www.thestar.com.my/business/business-news/2017/05/06/international-reserves-higher-at-us961bil-as-at-april-28/>

Malaysia's March exports up 24.1% on year, imports rise 39.4%

<http://www.theedgemarkets.com/article/malysias-march-exports-241-year-imports-rise-394>

Bilateral swap arrangement between Japan and Malaysia

http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4426&lang=en

Bursa may raise listing, clearing fees

<http://www.thestar.com.my/business/business-news/2017/05/05/cimb-research-bursa-may-raise-listing-clearing-fees/>

Order against Ire-Tex major shareholder set aside amid new suit

<http://www.theedgemarkets.com/article/order-against-ire-tex-major-shareholder-set-aside-amid-new-suit>

Bank Negara removes reserve fund requirement for banks

<http://www.theedgemarkets.com/article/bank-negara-removes-reserve-fund-requirement-banks>

Cover Story: Succession concerns loom over Tiong's empire

<http://www.theedgemarkets.com/article/cover-story-succession-concerns-loom-over-tiongs-empire>

HSL appeals against failed bid to strike out suit against 4 directors

<http://www.theedgemarkets.com/article/hsl-appeals-against-failed-bid-strike-out-suit-against-4-directors>

GLOBAL NEWS AND DEVELOPMENTS

Euro rallies after Macron wins French presidency

<http://www.nst.com.my/business/2017/05/237235/euro-rallies-after-macron-wins-french-presidency>

US employment growth seen rebounding, wages increasing

<http://www.thestar.com.my/business/business-news/2017/05/05/us-employment-growth-seen-rebounding/>

China reserves rise a third month on tighter capital control

<http://www.themalaymailonline.com/money/article/china-reserves-rise-a-third-month-on-tighter-capital-control>

China insurance regulator says loopholes should be plugged

<http://www.thestar.com.my/business/business-news/2017/05/07/china-insurance-regulator-says-loopholes-should-be-plugged/>

US crude oil slides below US\$45 for first time since November

[http://www.thestar.com.my/business/business-news/2017/05/05/us-crude-oil-slides-below-us\\$45-for-first-time-since-november/](http://www.thestar.com.my/business/business-news/2017/05/05/us-crude-oil-slides-below-us$45-for-first-time-since-november/)

US House repeals Obamacare; bill faces higher hurdles in Senate

<http://www.thestar.com.my/business/business-news/2017/05/05/us-house-repeals-obamacare-bill-faces-higher-hurdles-in-senate/>

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

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

Vinodth Ramasamy, Analyst, Corporate Monitoring vinodth.ram@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 Automobile Parts Holdings Limited.*
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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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