

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

12 November 2017

PLEASE MARK YOUR CALENDAR

***MSWG-ASEAN CORPORATE GOVERNANCE RECOGNITION 2017
AT THE MAJESTIC HOTEL, KUALA LUMPUR
ON WEDNESDAY, 6 DECEMBER 2017***

Are you ready for our event of the year! It will be our greatest pleasure to showcase the findings and results of the governance level of the public listed companies at our annual CG Event followed by an award presentation ceremony to recognise companies that have demonstrated exemplary high standards of corporate governance practices. Yang Berhormat, Datuk Seri Johari Abdul Ghani, Finance Minister II has agreed to grace the event and deliver the Keynote Address as well as present the awards to the winners.

Join us to celebrate with the winners of excellence corporate governance. It is a once-a-year opportunity for you to gain insights into their best corporate governance practices.

Three (3) more weeks to go! We look forward to your participation and support at the event.

VOICE OF MSWG

MRT TRANSPARENCY, NEW BLOOD

There were some major developments on the local transport and construction scene, with MRT Corp launching a tender process for its MRT3 Circle Line, estimated to cost some RM40 billion.

This is somewhat of a departure from its earlier Project Delivery Partner (PDP) model, where the government directly finances the project costs, via a project management consortium.

Under this new Engineering, Procurement, Construction and Commissioning (EPCC) role, the winning consortium finances the project entirely on its own, and breaks the MMC/Gamuda stronghold on such projects, where this JV was the PDP provider for both MRT1 and MRT2.

In theory and moving forward, the tender for MRT3 should be transparent, while opening new opportunities to new non-MMC/Gamuda companies to participate in the new 40km MRT 3 line, which will feature 32 km of twin-bored tunnels and 8 km of elevated viaducts.



ISLAMIC BANKING ADVANCES

Malaysia Building Society Bhd's proposed acquisition of a 100% stake in the foreign-owned Islamic lender Asian Finance Bank (AFB) for RM645 million is worthy of note for three reasons.

First, this is the first acquisition of a full-fledged Islamic bank since Hong Leong Bank's purchase of EON Bank since 2010, a long enough lull where sector consolidation is concerned.

Second, this moves MBSB a step closer to become a full Islamic financial institution after two previous failed merger attempts, with Bank Muamalat and CIMB Group/RHB Bank.

If it goes through, MBSB will be able to offer the kinds of financial services it is currently prohibited from offering as a non-bank financial institution, such as trade facilities, CASA (current and saving accounts) deposits and interbank instruments.

Thirdly, this merger will not only result in MBSB becoming Malaysia's second-largest stand-alone Islamic bank, just after Bank Islam Malaysia Berhad (BIMB), with total assets of RM48 billion and one of only three listed Shariah-compliant financial services companies, it will also advance Bank Negara's plans of creating strong stand-alone Islamic banks capable of competing with larger international rivals.

FLOOD WOES

The worst floods in Penang's history may have had minimal impact on the semiconductor, automotive, construction, property, REIT and aviation sectors: the main business segments operating on the island.

But the minimality of the damage to big business risks complacency in an era of proven examples of global warming, like erratic weather patterns, rising sea levels and volatile temperatures.

Penang, and indeed Malaysia, needs to sit up, take note and force through mitigative measures to ensure environmental resilience, as there is every possibility that such incidents will repeat themselves -- and with increasing frequency and force -- in future.

If nothing else, Malaysia must learn the lessons learnt by the costly fallout from the worst floods in neighbouring Bangkok in 50 years (twice in the last seven years), which caused the loss of many hundreds of lives and billions in losses from the supply chain disruptions that ensued.

Malaysia -- and Penang -- simply cannot allow damage of this magnitude to occur. Our heartfelt sympathy goes to the victims of the flood.

MORE CHOICES FOR THE LITTLE PEOPLE

Good news for retail investors seeking more investment choices.

The Securities Commission (SC) will by the first quarter of next year allow retail investors to buy bonds and sukuk (Islamic bonds) sold in the wholesale market, therefore opening up this previously inaccessible asset class to the man on the street.

Wisely, however, the SC will only allow retailers access to highly rated bonds so as to reduce the risk of potential losses.

MORE GOOD NEWS AT FGV

We think there are more good news at Felda Global Ventures (FGV), at least from a cost-trimming perspective.

FGV has announced a Voluntary Separation Scheme (VSS) which extends to 236 senior managers, while also announcing a 15% cut in allowances for those remaining, as part of its manpower optimisation and cost management initiatives.

In the words of Group President and CEO Datuk Zakaria Arshad, who said that this initiative has to “begin from the top”, which will enhance the confidence of shareholders and stakeholders.

These moves and statements are apt and necessary, especially after years of mismanagement and profligacy with company finances.

Going forward, what is needed is the willpower and resources to allow Datuk Zakaria to push through meaningful LONG-TERM change that is free from obstruction and interference from political interests -- precisely the key reason behind FGV's mediocre performance since its 2012 listing. FGV must have the liberty to truly operate as a business entity with its commercial objectives particularly being a public listed company entrusted to serve the interests of many stakeholders.

IIC'S COMPANY VISIT TO LOTTE CHEMICAL

On a separate note, MSWG being a member of the Institutional Investors Council (IIC) today made a company visit to Lotte Chemical Titan Holding Berhad (Lotte). Led by the IIC Chairman, the IIC representatives from KWAP, EPF, PNB, SOCSO, ValueCap and MSWG, this engagement covered various issues on risk management, governance and improvements moving forward. It was a fruitful engagement which addressed amongst others, institutional investors' concerns on earlier operational disruptions in Lotte and mitigation measures taken by Management. Moving forward, more company visits are being planned by IIC to bring up issues affecting institutional investors and also as a platform to encourage good governance in public listed companies, particularly in investee companies.

GREEN FOR GOOD

One final word, and it centres on the further narrowing of the gap between the global green movement and the financial services sector.

The ASEAN Capital Markets Forum (ACMF), which held its inaugural ASEAN Capital Market Conference in Kuala Lumpur, this week, launched the ASEAN Green Bond Standards (AGBS), developed based on International Capital Market Association (ICMA) Green Bond Principles (GBP) and intended to only be used for issuers and projects in the region.

These principles specifically exclude fossil fuel-related projects and represent voluntary international guidelines that recommend transparency and disclosure and promote integrity in the green bond market.

Befitting the launch of AGBS here in Malaysia, the inaugural issuer is Malaysia's own Permodalan Nasional Bhd (PNB), the first issuer in the region pledging to adopt the AGBS for its sukuk issuance, to finance the construction of the Warisan Merdeka Tower, the third tallest building in the world upon completion.

MSWG TEAM

10 November 2017

MSWG IN THE NEWS

MSWG URGES INSTITUTIONAL INVESTORS IN ASEAN TO ADOPT GOVERNANCE SCORECARD

<http://www.theedgemarkets.com/article/mswg-urges-institutional-investors-asean-adopt-governance-scorecard>

MSWG'S AGM WEEKLY WATCH 13 - 17 NOVEMBER 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
14.11.17 (Tue) 02.30 pm	OSK Holdings Bhd (EGM)	Swiss-Garden Hotel & Residences Kuala Lumpur
16.11.17 (Thur) 09.30 am	SP Setia Bhd (EGM)	Setia City Convention Centre, Setia Alam, Seksyen U13, Shah Alam
16.11.17 (Thur) 11.00 am	SP Setia Bhd (EGM)	Setia City Convention Centre, Setia Alam, Seksyen U13, Shah Alam
16.11.17 (Thur) 10.00 am	Padini Holdings Bhd (AGM)	The Saujana Hotel Kuala Lumpur, Jalan LTS, Shah Alam

The points of interest to be raised:	
Company	Points/Issues to Be Raised
SP Setia Bhd (EGM)	<ol style="list-style-type: none"> Based on the conditional profit sharing agreement, we noted that Seriemas will be entitled to 20% of the audited profit before taxation from the proposed mixed development on the Bangi Land, subject to a maximum of RM44.7 million. Could the Board explain the basis for determining the 20% share of profits? As stated on page C-29 of the Circular, the Proposed I&P Acquisition will enable the Group to increase its operational efficiencies by tapping into the

The points of interest to be raised:	
	<p>workforce of the I&P Group.</p> <p>Could the Board elaborate on how the said acquisition will enable the Group to increase its operational efficiencies?</p>
Padini Holdings Bhd (AGM)	<p>1. We noted on page 14 of the Annual Report, the increase in the cost of sales was due to the increase of inventories written off, inventories written down and inventory losses.</p> <p>(i) What is the nature of the inventories written off, inventories written down and inventory losses?</p> <p>(ii) Would there be further increase of inventories written off and inventories written down for the financial year ending 2018?</p> <p>2. On the group's expansion strategy, the group had incorporated a subsidiary company in Cambodia in 2017 and embarked on some plans to open Padini Concept Store and Brand Outlets stores.</p> <p>(i) What is the estimated number of stores to be opened in Cambodia for next 3 years?</p> <p>(ii) What is the estimated capital expenditure for Cambodia's investment and the local refurbishments exercise?</p>

MSWG'S WATCHLIST

MALAYSIA BUILDING SOCIETY BERHAD ("MBSB")

The Board of MBSB announced that the company had on 6 November 2017 entered into a conditional share purchase agreement with the shareholders of AFB, namely Qatar Islamic Bank, Financial Assets Bahrain W.L.L, RUSD Investment Bank Inc and Tadhamon International Islamic Bank (collectively, the "Vendors"), for the proposed acquisition by MBSB of the entire equity interest in AFB from the Vendors for an aggregate purchase consideration of RM644,952,807.66 ("Purchase Consideration"). The Purchase Consideration will be satisfied through a combination of cash amounting to RM396,894,036.26 and the issuance of 225,507,974 new ordinary shares in MBSB ("Consideration Share(s)") at an issue price of RM1.10 per Consideration Share.

[Source: MBSB's announcement on Bursa Malaysia's website on 6 November 2017]

MULTI-USAGE HOLDINGS BERHAD ("MUH")

MUH announced that the Learned High Court Judge ("LHCJ") has decided on the following:-

- (a) Allowed Enclosure 62, which is the company's application filed by Messrs Lim.Chong.Phang & Amy pursuant to Section 100 of the Securities Industry Act 1983. The LHCJ had ordered that Tan Chew Hua ("TCH") is barred from being a Director of the company with immediate effect until the disposal of the main suit. The LHCJ had also ordered that TCH is hereby restrained from participating in any management of the company.

(b) Dismissed TCH's application of Enclosure 77 to cross examine the company's Chief Executive Office, Mr Kong Kai Yuen.

For avoidance of doubt, TCH is no longer a Director of the company with immediate effect.

[Source: MUH's announcement on Bursa Malaysia's website on 6 November 2017]

REGULATOR'S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Bursa Malaysia	Multi Sports Holdings Ltd (MSPORTS)	<p>Bursa Malaysia has publicly reprimanded MSPORTS and its 5 directors for breaches of the Bursa Malaysia Securities Main Market Listing Requirements ("Main LR"). In addition, 3 directors of MSPORTS were also fined a total of RM1,656,000 as at to-date.</p> <p>MSPORTS was publicly reprimanded for committing the following breaches of the Main LR ("MSPORTS' Breaches"):-</p> <ol style="list-style-type: none"> 1. Financial Reporting Breaches 2. Corporate Governance Breaches 3. Foreign Listing Requirements Breaches 4. Disclosure Breaches 5. Non-Compliance with Bursa Malaysia Securities' Directives <p>The penalties were imposed on 5 directors of MSPORTS:</p> <ol style="list-style-type: none"> 1. Lin Huozhi (Executive Chairman) 2. Lin Liying (Executive Director cum Chief Executive Officer) 3. Ang Wei Chuan (Independent Non-Executive Director and Audit committee Chairman) 4. Bernard Tan Chin Teik (Independent Non-Executive Director and Audit committee member) 5. Wong Wang Lam (Independent Non-Executive Director and Audit committee member) <p>[Date: 3 October 2017]</p>

LOCAL NEWS AND DEVELOPMENTS

AOB Fines Auditor RM75,000 for Non-compliance with International Standards on Auditing

https://www.sc.com.my/post_archive/aob-fines-auditor-rm75000-for-non-compliance-with-international-standards-on-auditing/

Banks' total provision under MFRS 9 could rise at least 30%

<https://www.thestar.com.my/business/business-news/2017/11/07/banks-total-provision-under-mfrs-9-could-rise-at-least-30pct/>

ECF & P2P Gaining Traction; Co-Investment Fund Announced; Centralised Bond & Sukuk Information Platform Launched; Further Development in Distributed Ledger Technology

https://www.sc.com.my/post_archive/sc-continues-to-lead-digital-innovation-in-malaysias-capital-market/

Finance Ministry to set up RM50m co-investment fund for SMEs through crowdfunding

<http://www.theedgemarkets.com/article/finance-ministry-set-rm50m-coinvestment-fund-smes-through-crowdfunding>

Malaysia's September exports rise 15%, below expectations

<https://www.thestar.com.my/business/business-news/2017/11/03/malaysias-exports-rise-15pc-to-rm78-3bil/>

Malaysian CPO output likely grew 9% in October

<https://www.thestar.com.my/business/business-news/2017/11/03/malaysian-cpo-output-likely-grew-in-october/>

Felda Global Ventures announces VSS, 15% cut in allowances

<http://www.thesundaily.my/news/2017/11/05/felda-global-ventures-announces-vss-15-cut-allowances>

Kang Hoo has his say

<https://www.thestar.com.my/business/business-news/2017/11/04/kang-hoo-has-his-say/>

Dismal response to MD's takeover offer for Willowglen shares

<https://www.thestar.com.my/business/business-news/2017/11/01/poor-response-to-takeover-offer-for-willowglen-shares/>

Nexgram chairman, deputy chairman resign

<http://www.thesundaily.my/news/2017/11/06/nexgram-chairman-deputy-chairman-resign>

Ire-Tex reinitiate lawsuit against Teh Eng Huat and Khoo Hun Sniah

<http://www.theedgemarkets.com/article/iretex-reinitiate-lawsuit-against-teh-eng-huat-and-khoo-hun-sniah>

Bursa warns G Neptune of share-trade suspension

<http://www.theedgemarkets.com/article/bursa-warns-g-neptune-sharetrade-suspension>

M'sia slips a spot to 24th in World Bank's business ranking

<http://www.theedgemarkets.com/article/msia-slips-spot-24th-world-banks-business-ranking>

CIMB's Nazir Is Said to Plan \$1 Billion Southeast Asia Fund

<https://www.bloomberg.com/news/articles/2017-11-09/cimb-s-nazir-is-said-to-seek-1-billion-for-southeast-asia-fund>

GLOBAL NEWS AND DEVELOPMENTS

China's services sector sees modest growth in October: Caixin PMI
<http://www.theedgemarkets.com/article/chinas-services-sector-sees-modest-growth-october-caixin-pmi>

US unemployment rate falls to 4.1%, lowest in 17 years
<http://www.thesundaily.my/news/2017/11/04/us-unemployment-rate-falls-41-lowest-17-years>

Fed holds rates steady; 'solid' growth keeps December hike in view
<https://www.thestar.com.my/business/business-news/2017/11/02/fed-holds-rates-steady-and-solid-growth-keeps-december-hike-in-view/>

BoJ's Kuroda says has confidence in strengthening economy, price outlook
<https://www.thestar.com.my/business/business-news/2017/11/06/kuroda-says-has-confidence-in-strengthening-economy-and-price-outlook/>

Broadcom bids US\$103b for Qualcomm, open to going hostile (VIDEO)
<http://www.themalaymailonline.com/money/article/broadcom-bids-us103b-for-qualcomm-open-to-going-hostile-video#Jq1B8UKkuf2w371k.97>

Bitcoin pushes past US\$7k mark
<https://www.thestar.com.my/business/business-news/2017/11/02/bitcoin-pushes-past-us7k-mark/>

Oil hits highest levels since 2015 amid tightening markets, Saudi purge
<https://www.nst.com.my/business/2017/11/299748/oil-hits-highest-levels-2015-amid-tightening-markets-saudi-purge>

Nikkei jumps to near 26-year high as strong earnings expectations attract foreigners
<http://www.themalaymailonline.com/money/article/nikkei-jumps-to-near-26-year-high-as-strong-earnings-expectations-attract-f#yTgl8omZF2DEwLHO.97>

Key US Fed official announces early retirement
<http://www.themalaymailonline.com/money/article/key-us-fed-official-announces-early-retirement#zRieoX0fMCYxaFmK.97>

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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.*

Feedback

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

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