

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

15 July 2017

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

AXIS INCORPORATION BHD ("AXIS")

The Kuala Lumpur Sessions Court convicted and jailed two former executive directors of Axis Incorporation Bhd (Axis) for furnishing false statements to Bursa Malaysia.

Lee Han Boon and Saipuddin Lim Abdullah both pleaded guilty for furnishing false information to the stock exchange in relation to Axis' revenue of RM91.13 million. Out of that amount, RM51.5 million was false for the fourth quarter ended 31 March 2008. Lee and Saipuddin also respectively faced four other counts of the same offence in relation to Axis' consolidated income statement for all four quarters in its financial year ended 2007.

Lee, 36, a former substantial shareholder and executive director of Axis was sentenced to seven months imprisonment and fined RM200,000. Saipuddin, 58, also a former substantial shareholder and executive director of Axis was sentenced to 12 months imprisonment.

The trial against Lee and Saipuddin started in 2015. It will continue against two other individuals, Koh Tee Jin and Lee Koon Huat, who were charged and jointly tried with Lee and Saipuddin for the same offences.

[Source: Media release on SC's website on 10 July 2017]

MSWG'S COMMENTS:

The judgements on the two former directors of Axis by the court were long overdue for a case of fraud that happened in year 2007, almost 10 years ago from now. We wish to highlight that Axis was suffered substantial asset written-off due to the missing of several official documents and records belong to the company, and the same incidence of missing documents happened recently on a listed company, i.e. Wintoni Group Berhad, which is now undergoing the process of delisting from Bursa Malaysia and liquidating. We hope that this case will serve as a stern warning so that it can restrain directors from intentionally destroying the evidence in order to prevent the investigation on frauds committed by the directors.

MSWG'S WATCHLIST

KUB MALAYSIA BERHAD (“KUB”)

The Independent Adviser (“IA”), Kenanga Investment Bank, in their Circular to the holders of offer shares in KUB dated 10 July 2017, expressed their views that the mandatory general offer of RM0.35 per offer share was not fair and not reasonable. Thus, the IA in their Independent Advice Circular had advised the entitled shareholders to reject the offer. The Board of Directors of KUB, save for the interested Directors, concurred with the views and had recommended that shareholders reject the offer.

[Source: KUB’s announcement on Bursa Malaysia’s website on 10 July 2017]

GENTING MALAYSIA BERHAD (“GENM”)

The Board of Directors of GENM refers to the announcement dated 1 April 2016, whereby the Group has subscribed to the promissory notes issued by the Mashpee Wampanoag Tribe (“Tribe”) to finance the pre-development expenses of an integrated gaming resort in Taunton, Massachusetts, United States of America (“U.S.”).

In September 2015, the U.S. Federal Government (i.e. U.S. Department of Interior (“DOI”)) issued a Record of Decision (“ROD”) (i.e. Category 2 ROD) to take the Tribe’s aboriginal lands into trust, in Taunton and Mashpee which enabled the Tribe to pursue the development of the integrated gaming resort on its initial trust land in Taunton (“Project”).

In July 2016, a judge of the U.S. District Court in Massachusetts ruled against the DOI, but allowed the Tribe’s lands to remain in trust while the DOI and the Tribe decide how they wanted to move forward. The Tribe chose to appeal the case to the U.S. Court of Appeals for the First Circuit.

The U.S. Department of Justice, on behalf of the DOI, decided on 27 April 2017 not to join the Tribe in appealing the U.S. District Court’s decision on the Category 2 ROD, but the DOI is continuing to evaluate its ability to keep the Tribe’s lands in trust under a different legal category.

On 30 June 2017, the DOI set a timeline of 31 August 2017 for the Tribe and the Plaintiffs to submit materials to facilitate the additional analysis and until 30 October 2017 to reply to the opposing submissions. Meanwhile, the Tribe’s lands remain in trust unless ordered by a court to take it out of trust.

As disclosed in the Group’s 2016 Annual Report, the recoverability of the promissory notes is dependent on the resolution of this legal case.

The total amount invested in the interest bearing promissory notes (including accrued interest) as at 30 June 2017 amounts to US\$347.4 million (or the equivalent of approximately RM1.49 billion).

The Group will work with the Tribe to review all options available for its investment in the promissory notes, and assess its recoverability and impact to the Group’s consolidated earnings and net assets for the financial year ending 31 December 2017. The Group is supportive of the Tribe’s endeavour to protect its land base and their associated development rights.

[Source: GENM’s announcement on Bursa Malaysia’s website on 7 July 2017]

WCT HOLDINGS BERHAD (“WCT”)

WCT announced that the company’s Middle East Regional Office in Doha, Qatar had on 8 July 2017 received from the Court of Arbitration of the International Chamber of Commerce (ICC) a Request for Arbitration dated 22 June 2017 (Arbitration) filed by Trans Gulf International Electro-Mechanical WLL (First Claimant), Powermech Engineering WLL (Second Claimant) and Trans Gulf International Electro-Mechanical WLL - Powermech Engineering WLL JV (Third Claimant) [collectively referred to as “the Claimant”], naming WCT Berhad (WCTB), a wholly owned subsidiary of the Company, as the Respondent.

The Claimant is claiming from WCTB a total estimate sum of QAR 181,573,741.00 (equivalent to RM214,119,018.00) being alleged sums due pursuant to and under the Subcontract and further unquantified sums for legal costs, arbitration costs, and charges (collectively referred to as “the Claims”).

The Company will take the necessary legal actions to defend and to oppose the Claims.

[Source: WCT’s announcement on SC’s website on 10 July 2017]

LOCAL NEWS AND DEVELOPMENTS

Malaysian palm oil price falls from 7-week peak on rising production outlook

<http://www.thestar.com.my/business/business-news/2017/07/12/palm-falls-from-seven-week-peak-on-rising-production-outlook/>

Institutional investors can exercise rights in addressing governance issues

<http://www.thestar.com.my/business/business-news/2017/07/12/institutional-investors-can-exercise-rights-in-addressing-governance-issues/>

Defence Ministry claiming RM147.7m damages from Boustead Heavy joint-venture firm

<http://www.thesundaily.my/news/2017/07/12/defence-ministry-claiming-rm1477m-damages-boustead-heavy-joint-venture-firm>

Manufacturing sector’s output value rises to RM1.14 trillion

<http://www.thestar.com.my/business/business-news/2017/07/10/manufacturing-sectors-output-value-rises-to-rm1pt14-trillion/>

May exports grow 32pct due to strong demand for goods, palm oil, crude oil

<https://www.nst.com.my/business/2017/07/255242/may-exports-grow-32pct-due-strong-demand-goods-palm-oil-crude-oil>

Malaysia’s fiscal deficit widens for Jan-May period

<http://www.theedgemarkets.com/article/malysias-fiscal-deficit-widens-janmay-period>

SC and Bursa: Trading operates as per normal on Monday

<http://www.thesundaily.my/news/2017/07/11/no-disruptions-stock-trading-say-regulators>

Takeover offers for KUB and Wang-Zheng ‘not fair and not reasonable’

<http://www.theedgemarkets.com/article/takeover-offers-kub-and-wangzheng-not-fair-and-not-reasonable>

Perisai given till end-July to submit draft circular on settlement deal

<http://www.thesundaily.my/news/2017/07/11/perisai-given-till-end-july-submit-draft-circular-settlement-deal>

MARC downgrades Alam Maritim sukuk rating on missed payment

<http://www.thesundaily.my/news/2017/07/09/marc-downgrades-alam-maritim-sukuk-rating-missed-payment>

Kuantan Flour Mills given extension till Sept 30 to submit restructuring plan

<http://www.thesundaily.my/news/2017/07/11/kuantan-flour-mills-given-extension-till-sept-30-submit-restructuring-plan>

BNM reserves at US\$98.9b on June 30

<http://www.thesundaily.my/news/2017/07/07/bnm-reserves-us989b-june-30>

Scomi takes Prasarana to court - again - over KL monorail contract

<http://www.thesundaily.my/news/2017/07/07/scomi-takes-prasarana-court-%E2%80%93-again-%E2%80%93-over-kl-monorail-contract>

China-based firms again in the spotlight

<http://www.theedgemarkets.com/article/chinabased-firms-again-spotlight>

GLOBAL NEWS AND DEVELOPMENTS

US job growth seen accelerating; unemployment rate steady

<http://www.thestar.com.my/business/business-news/2017/07/07/us-job-growth-seen-accelerating/>

US wholesale inventories post largest gain in five months

<http://www.theedgemarkets.com/article/us-wholesale-inventories-post-largest-gain-five-months>

Regulator: China has no intention of devaluing currency

<http://www.thestar.com.my/business/business-news/2017/07/10/regulator-china-has-no-intention-of-devaluing-currency/>

China June data to show steady growth, debt crackdown dims outlook

<http://www.thestar.com.my/business/business-news/2017/07/06/china-june-data-to-show-steady-growth/>

Irish consumer sentiment surges in June to post-Brexit vote high

<http://www.theedgemarkets.com/article/irish-consumer-sentiment-surges-june-postbrexit-vote-high>

Singapore seen dodging recession with April-June GDP expanding

<http://www.themalaymailonline.com/money/article/singapore-seen-dodging-recession-with-april-june-gdp-expanding>

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 except Axis Incorporation Bhd.*
-

Feedback

We welcome your feedback on our newsletter and our work. Email us at mswg.ceo@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./