

MSWG

MINORITY SHAREHOLDER WATCH GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

15 June 2018

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

MULTI SPORTS HOLDINGS LTD (“MSPORTS”)

The Board of Directors of MSPORTS announced that Messrs. RT LLP, the company's External Auditors, have expressed an audit 'disclaimer of opinion' in the Company's latest Audited Financial Statements for the financial year ended 31 December 2017.

One main reason for the audit 'disclaimer of opinion' is that the Company's current liabilities exceed its current assets substantially. For the FYE 2017, current liabilities were RMB3.445 million while current assets were RMB26,000. The Company was not able to ascertain whether the Company could continue as a 'going concern' since the Company had minimal assets which may not be able to sustain it as a 'going concern' for the next 12 months from the date of publication of the financial statements.

In addition, the Auditors stated that they were unable to determine whether the opening balances for the subsidiaries in People Republic of China (PRC) as at 31 December 2016 are fairly stated. These matters remain unresolved since the preceding financial year and this too formed the basis for the 'disclaimer of opinion' on the financial statements for the financial year ended 31 December 2017.

[Source: MSPORTS's announcement on Bursa Malaysia's website on 8 June 2018]

MSWG'S COMMENTS:

As revealed by the audited account of MSPORTS for FYE 2017, it comes as a blatant shock to shareholders of MSPORTS to note that almost the entire assets of the MSPORTS group 'vanished' just within a short period of two years.

	31/12/2017 RMB'000	31/12/2016 RMB'000	31/12/2015 RMB'000
Cash and Bank balances	26	26	496,480
Inventories	0	0	11,238
Trade & Receivables	0	0	174,173
Non-Current Assets	0	0	307,417

Shareholders are deeply concerned that Messrs. RT LLP only discovered the financial irregularities of MSPORTS after being the Company's External Auditors for 5 years since FY 2013. Lin Huozhi, the

Executive Chairman and Lin Liying, the Executive Director cum Chief Executive Officer of MSPORTS had wholly disregarded / abdicated their responsibilities and caused MSPORTS' failure to submit the financial statements and comply with the obligations under the Main Market Listing Requirement of Bursa Malaysia. They had also ignored and did not respond to the instructions / directives of Bursa Malaysia.

This begs the question as to what extent will Messrs. RT LLP be held accountable in relation to its audits over the last 5 years for failure to detect such irregularities carried out by the management of MSPORTS. Furthermore, Messrs. RT LLP is not a Malaysian firm and hence it is not regulated by our local regulators such as Audit Oversight Board and the Malaysian Institute of Accountants.

In view of this, we suggest that in future, all listed issuers of Bursa Malaysia should have their financial accounts audited by local auditors who are regulated by our regulators.

MSWG'S AGM WEEKLY WATCH 18 - 22 JUNE 2018

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch 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
20.06.18 (Wed) 10.00 am	AirAsia Group Bhd (AGM)	CAE Kuala Lumpur, Lot PT25B, Jalan KLIA S5, Southern Support Zone, KLIA
20.06.18 (Wed) 03.00 pm	Sunway Construction Group Bhd (AGM)	Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, Subang Jaya
21.06.18 (Thur) 10.30 am	Aeon Credit Service (M) Bhd (AGM)	InterContinental Hotel, Jalan Ampang, KL
21.06.18 (Thur) 03.00 pm	Sunway Bhd (AGM)	Sunway Resort Hotel & Spa, Persiaran Lagoon, Bandar Sunway, Subang Jaya
22.06.18 (Fri) 10.00 am	Kretam Holdings Bhd (AGM)	Lot 6, Block 44, Leboh Tiga, Sandakan, Sabah
22.06.18 (Fri) 02.30 pm	Kimlun Corporation Bhd (AGM)	Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1

Some of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Sunway Construction Group Bhd (AGM)	<u>Civil/Infrastructure Construction Services (page 48 of the Annual Report 2017)</u> What is latest update on the rail works within Klang Valley namely the Mass Rapid Transit Line 2 - Package V201 (MRT V201) from Sungai Buloh to Persiaran Dagang and the Light Rail Transit Line 3 (LRT3) Package GS07-08 from Kawasan 17 to Taman Sri Andalas and the stationworks under the Civil/infrastructure construction services unit? Is there any potential for cost overruns?
Aeon Credit Service (M) Bhd	We refer Note 30(b), page 128 of the Annual Report 2018 on "credit quality and allowance for impairment losses" which stated that included in the net financing

Some of the points of interest to be raised:	
(AGM)	<p>receivables is an amount of RM192,019,000 (2017: RM151,249,000) which are under renegotiated/restructured activities. The company has impaired RM68.5 million of the RM192.0 million renegotiated/restructured receivables.</p> <p>What is the current status of the impaired receivables? Please provide the criteria used for considering receivables to be renegotiated or restructured?</p>
Sunway Bhd (AGM)	<p>What are the reasons for the increase in other expenses by approximately 36% from RM267,184,000 in FY2016 to RM364,301,000 in FY2017 (page 159 of the Annual Report 2017). Please explain.</p>
Kimlun Corporation Bhd (AGM)	<p>The increase in construction activities will have spill-over effects on the building and construction material industries, where the Group will bid for the supply of various types of pre-cast concrete products to MRT and non-MRT projects in Singapore and Malaysia (page 24 the Annual Report 2017).</p> <p>a) What is the value of the Group's current tender book?</p> <p>b) Please share with shareholders on the current bidding for any contracts and its value.</p>
AirAsia Group Bhd (AGM)	<p>1. Under Note 18 on page 313 of the Annual Report, trade receivables that are past due but not impaired amounting to approximately RM161.7 million (2016: RM75.4 million). Of this amount approximately RM58.8 million are above 365 days.</p> <p>(i) Are these trade receivables of RM58.8 million backed by bank guarantees and if so why have these bank guarantees not been exercised?</p> <p>(ii) Would it be more prudent to impair the said amount?</p>
Kretam Holdings Bhd	<p>As disclosed in Note 22 to the Financial Statements on page 133 of the Annual Report 2017, there is an amount of RM387.534 million due from subsidiaries and the allowance for impairment in respect of this amount has increased from RM83.144 million in FY2016 to RM87.134 million in FY2017.</p> <p>(a) From which subsidiaries is this amount due from and what is the nature of the amount due?</p> <p>(b) The impairment is in respect of the amount due from which subsidiaries and is the amount recoverable?</p> <p>(c) Please share on the financial performance and the outlook of the subsidiaries involved.</p>

LOCAL NEWS AND DEVELOPMENTS

Petronas warned of July 1 being the cut-off date

<https://www.thestar.com.my/business/business-news/2018/06/09/petronas-warned-of-july-1-being-the-cutoff-date/#KKv4HizsuvyPsp4z.99>

Malaysia's April factory output seen up 3.7% y-o-y

<http://www.theedgemarkets.com/article/malysias-april-factory-output-seen-37-yoy>

'M'sia economic growth seen moderating to 5.4% in 2018'

<http://www.theedgemarkets.com/article/msia-economic-growth-seen-moderating-54-2018>

Malaysia's retail market only grew 2.6pc in first quarter, says group

<https://www.malaymail.com/s/1638967/malysias-retail-market-only-grew-2.6pc-in-first-quarter>

Astro group CEO Rohana to step down on Jan 31, 2019

<http://www.thesundaily.my/news/2018/06/07/astro-group-ceo-rohana-step-down-jan-31-2019>

TM announces departure of Shazalli, Fateh Iskandar

<http://www.thesundaily.my/news/2018/06/06/tm-announces-departure-shazalli-fateh-iskandar>

A contrasting return to Bank Negara for Nor Shamsiah

<https://www.thestar.com.my/business/business-news/2018/06/11/a-contrasting-return-to-bank-negara-for-nor-shamsiah/#44RGU7gC0iQUjE2d.99>

Changes seen at Petronas board

<https://www.nst.com.my/business/2018/06/377833/changes-seen-petronas-board>

Govt said to be looking to replace CEO of Bursa Malaysia

<http://www.thesundaily.my/news/2018/06/06/govt-said-be-looking-replace-ceo-bursa-malaysia>

Bernas not closing down, only rice monopoly affected – Salahuddin

<http://www.theedgemarkets.com/article/bernas-not-closing-down-only-rice-monopoly-affected---salahuddin>

A bitter pill for Pharmaniaga to swallow

<https://www.thestar.com.my/business/business-news/2018/06/09/a-bitter-pill-for-pharmaniaga-to-swallow/#DSYtJVHgMz1uzw3f.99>

Malaysia Airlines Q1 revenue up 2%, rising fuel prices a concern

<http://www.thesundaily.my/news/2018/06/08/malaysia-airlines-q1-revenue-2-rising-fuel-prices-concern>

Petronas increases June crude price factor to US\$3.90/bbl

<http://www.theedgemarkets.com/article/petronas-increases-june-crude-price-factor-us390bbl>

BNM's international reserves down 0.8% as at May 31

<http://www.theedgemarkets.com/article/bnms-international-reserves-down-08-may-31>

FTSE4GOOD Bursa Malaysia June 2018 Semi-Annual Review

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/5701>

Putrajaya allocates RM3b subsidy for RON95, diesel for 2018, says Guan Eng

<http://www.theedgemarkets.com/article/putrajaya-allocates-rm3b-subsidy-ron95-diesel-2018-says-guan-eng>

13 Malaysian companies in Forbes Global 2000 list

<http://www.thesundaily.my/news/2018/06/07/13-malaysian-companies-forbes-global-2000-list>

Foreign holdings of Malaysian debt dropped to 9-month low in May

<http://www.theedgemarkets.com/article/foreign-holdings-malaysian-debt-dropped-9month-low-may>

Dr M says will review Singapore-Malaysia stock trading link

<https://www.malaymail.com/s/1639015/dr-m-says-will-review-singapore-malaysia-stock-trading-link>

GLOBAL NEWS AND DEVELOPMENTS

Asia stocks wobble after G7; Trump-Kim summit, central bank meetings eyed

<https://www.thestar.com.my/business/business-news/2018/06/11/asia-stocks-wobble-after-g7-trump-kim-summit-central-bank-meetings-eyed/#RMiLYbix49bKc0gV.99>

US Fed, ECB to tighten policy interest rates in tandem

<https://www.thestar.com.my/business/business-news/2018/06/11/fed-ecb-to-tighten-policy-in-tandem/#G6YhHQRu2QoGYgwm.99>

US jobless claims fall unexpectedly as labour market tightens

<https://www.malaymail.com/s/1639604/us-jobless-claims-fall-unexpectedly-as-labour-market-tightens>

US trade deficit falls to seven-month low

<https://www.malaymail.com/s/1639157/us-trade-deficit-falls-to-seven-month-low>

China's massive trade surplus shrinks, just not with the US

<http://www.theedgemarkets.com/article/chinas-massive-trade-surplus-shrinks-just-not-us>

China's export growth holds up well in May, imports rise 26pc y-o-y

<https://www.malaymail.com/s/1639871/chinas-export-growth-holds-up-well-in-may-imports-rise-26pc-y-o-y>

India hikes interest rates for first time in four years

<https://www.malaymail.com/s/1639168/india-hikes-interest-rates-for-first-time-in-four-years>

Ant Financial raises US\$14b in world's largest-ever single fundraising

<http://www.theedgemarkets.com/article/ant-financial-raises-us14b-worlds-largest-ever-single-fundraising>

German factory orders extend slide

<https://www.thestar.com.my/business/business-news/2018/06/08/german-factory-orders-extend-slide/>

Bank Indonesia says no plan for capital controls to support rupiah

<https://www.thestar.com.my/business/business-news/2018/06/07/bank-indonesia-says-no-plan-for-capital-controls-to-support-rupiah/#uXoxMWepMS2b5M3e.99>

Japan's Q1 GDP likely shrank less than initially expected

<https://www.thestar.com.my/business/business-news/2018/06/07/japans-q1-gdp-likely-shrank-less-than-initially-expected/>

China to scrap limits on foreign holdings in banks, asset management companies
<http://www.theedgemarkets.com/article/china-scrap-limits-foreign-holdings-banks-asset-management-companies>

Asian economies less vulnerable than in the past
<http://www.theedgemarkets.com/article/asian-economies-less-vulnerable-past>

ZTE vows to shake things up after securing US reprieve
<https://www.malaymail.com/s/1639907/zte-vows-to-shake-things-up-after-securing-us-reprieve>

UK to force big companies to publish worker to boss pay gap
<https://www.thestar.com.my/business/business-news/2018/06/11/uk-to-force-big-companies-to-publish-worker-to-boss-pay-gap/#03lflyiqImlPOxCe.99>

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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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