



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

23.03.2018

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

EKOVEST BERHAD (“EKOVEST”) / ISKANDAR WATERFRONT CITY BERHAD (“IWCB”)

The Independent Adviser (“IA”), BDO Capital Consultants Sdn. Bhd. (“BDO”) has expressed the view that the general offer of RM1.50 per offer share, which would be settled by a cash consideration of RM1.50 for every 1 offer share surrendered (“Cash Option”), was not fair but reasonable. However if the general offer was to be settled by a share swap of 1 new ordinary share in Ekovest for every 1 offer share surrendered (“Share Swap Option”), then the offer would be fair and reasonable.

In the Independent Advice Letter, the IA advised and recommended shareholders of IWCB to accept the offer. The Board of Directors of IWCB, save for the interested Directors, concurred with the view of the IA and recommended the shareholders to accept the offer.

[Source: IWCB's announcement on Bursa Malaysia's website on 22 March 2018]

MSWG'S COMMENTS:

The IA has opined that the **Cash Option is not fair but reasonable** whilst the **Share Exchange Option is fair and reasonable** and recommended that the Holders **Accept** the offer.

The IA stated that the holders may elect for the Cash Exchange Option or the Share Exchange Option and further stated that the Share Exchange Option is more favourable.

In regard to the IA's evaluation and recommendation, MSWG wishes to raise the following queries and comments :

- (i) Under the Cash Option, the offer of RM1.50 per offer share is at a substantial discount of 51% to the fair value of IWCB share.

Though the evaluation on the reasonableness of the offer considers matters other than the valuation of the Offer Shares, would such a significant discount to the fair value be compelling enough to negate the reasonableness of the offer despite its other supporting qualitative considerations? In short, can the offer be still viewed as reasonable?

- (ii) Under the Share Exchange Option, the fairness of the offer is evaluated using the exchange ratio which is derived based on the respective fair values of Ekovest and IWCB.

Based on valuations as per calculations, it is concluded that the offer is fair as Ekovest shares to be received have higher values compared to IWCB shares to be surrendered. However, it has not taken into consideration their respective market prices (under cash option, fairness is also determined based on comparison between offer price and market price).

Had market prices been also considered based on reality, Ekovest would have lower values as the shares have been trading below RM1.00 per share, particularly within the last few months while IWCB shares have been trading above RM1.00 per share. This point would have further supported item (iii) below on why it would be better to select the cash option instead of opting for Ekovest shares.

- (iii) MSWG does not subscribe to the IA's view that between the Cash Option and the Share Exchange Option, the latter is more favourable. Their opinion is based on the aforesaid exchange ratio which has some limitations based on the values used (as explained above). In fact, many have viewed Cash Option as more favourable as it makes more sense to take the RM1.50 cash offer and yet the Ekovest shares can be bought at below RM1.00 per share in the market. Furthermore, if more Ekovest shares are to be issued which will cause dilution, the share price will depreciate further.
- (iv) On a separate note, we are, however, just trying to understand the intention or reasons for the acceptance condition of more than 50% along with the intention to delist IWCB.

If Ekovest was determined to privatise IWCB and confident that its offer was attractive with a healthy premium to the intrinsic value of IWCB (we note that the cash offer is at a 51% discount to the fair value of IWCB), perhaps they should have set the take-over acceptance condition to be not less than 90% instead of the 50% threshold.

- (v) IWCB shareholders who opted for Share Exchange Option, may not be able or unlikely to monetise their investment immediately through the disposal of Ekovest shares, as its current market price of below RM1.00 is at a significant discount to the issue price of RM1.50 for new Ekovest shares. It is also illogical for them to do so as IWCB shares are currently trading at between RM1.30 to RM1.40 which may be the entry price for those who bought IWCB shares around this time.

Those who opted for Share Exchange Option are likely to be long-term Ekovest shareholders who see its potential, particularly with its attractive vast land bank.

MSWG'S AGM WEEKLY WATCH 26 - 30 MARCH 2018

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
27.03.18 (Tue) 11.00 am	LPI Capital Bhd (AGM/EGM)	Shangri-La Hotel Kuala Lumpur, 11 Jalan Sultan Ismail, KL
28.03.18 (Wed) 10.00 am	Bursa Malaysia Bhd (AGM/EGM)	Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, KL
28.03.18 (Wed) 03.00 pm	Eco World Development Group Bhd (AGM)	Eco Ardence Sales Gallery, PT 8, Persiaran Setia Alam, Eco Ardence, Shah Alam
29.03.18 (Thur) 10.30 am	Ekovest Bhd (EGM)	Grand Seasons Hotel, 72 Jalan Pahang, KL

The points of interest to be raised:	
Company	Points/Issues to Be Raised
LPI Capital Bhd (AGM/EGM)	<p>1. A key aspect of LPI's strategy in 2018 amid on-going liberalisation of the industry is the formation of a Digital Strategy Department in 2017.</p> <p>What are the latest measures taken since the formation to transform Lonpac's presence in the digital landscape and the benefits and savings to date?</p> <p>2. As stated on page 96 of the Annual Report, both Singapore and Cambodia remain small for the overall Group's operations.</p> <p>Could the Board share its plans and views for Singapore and Cambodia, and in particular in the Cambodia market through its interest in Campu Lonpac Insurance Plc?</p>
Bursa Malaysia Bhd (AGM/EGM)	<p>1. What is Bursa Malaysia's stand on the introduction of dual-class shares especially since your nearest competitors, Hong Kong and Singapore are introducing them?</p> <p>Will the non-introduction of dual-class shares affect your attractiveness in terms of diversity of product offerings and competitiveness?</p> <p>2. Given the ongoing debate on the potential for conflict of interest between your business functions and your regulatory role, are there plans to mitigate this potential for conflict of interest? What are the existing structures and processes to mitigate the risk of such conflict?</p> <p>3. What are the processes and structures in place to ensure that shareholders' complaints are resolved in a timely manner?</p>
Eco World Development Group Bhd	<p>1. As stated in the President's Management Discussion & Analysis on page 15 of the Annual Report, the Company had set a sales target of RM3.5 billion to be achieved by the Malaysian projects in 2018.</p>

The points of interest to be raised:	
(AGM)	<p>(i) Please provide a breakdown of the sales figure in respect of each property project in Malaysia for FY 2018.</p> <p>(ii) What would be the sales target for Eco World International Berhad (“EWI”) in FY 2018? Please provide a breakdown of the sales figure by property project.</p> <p>2. The Company recognised impaired losses of RM14.6 million arising from the assessment of the amount due from subsidiaries with the recoverable amount lower than the carrying amount as disclosed on page 142 of the Annual Report.</p> <p>(i) Which subsidiaries were these impairment losses related to?</p> <p>(ii) Is there a possibility that the impairment losses be reversed in the future and if not, why?</p>
Ekovest Bhd (EGM)	<p>As mentioned in the Circular on page 22, the gearing ratio of the Ekovest Group may increase from 2.78 times as at June 2017 to 3.06 times in the Maximum Acceptance Scenario and assuming that all the Accepting Holders elect for the Cash Option.</p> <p>(i) With such a higher level of gearing, how would the Ekovest Group ensure that it would be able to service future loan repayment obligation?</p> <p>(ii) What is the optimal gearing ratio that Ekovest aspires to achieve in the long run?</p>

MSWG’S WATCHLIST

KINSTEEL BERHAD (“KINSTEEL”)

Kinsteel announced that the Court had postponed the decision to stay the winding up order against the company and Kin Kee Marketing Sdn Bhd, a 100% owned subsidiary of the company to 3 April 2018.

[Source: Kinsteel’s announcement on Bursa Malaysia’s website on 16 March 2018]

LION DIVERSIFIED HOLDINGS BERHAD (“LION DIVERSIFIED”)

The Board of Directors of Lion Diversified announced that Bursa Malaysia had vide its letter dated 14 March 2018, informed that the company has failed to regularise its condition in accordance with paragraph 8.04(3)(a) of the Main Market Listing Requirements of Bursa Malaysia (“MMLR”) where the

Company has failed to submit its regularisation plan to Bursa Malaysia for approval within the stipulated timeframe and the company's application for a further extension of time to submit the regularisation plan had been rejected.

In these circumstances and pursuant to paragraph 8.04(5) of the MMLR, Bursa Malaysia had informed that:

1. the trading in the securities of the company will be suspended with effect from 22 March 2018; and
2. the securities of the company will be de-listed on 26 March 2018 unless an appeal against the de-listing is submitted to Bursa Malaysia on or before 21 March 2018 ("Appeal Timeframe"). Any appeal submitted after the Appeal Timeframe will not be considered by Bursa Malaysia.

In the event the company submits an appeal to Bursa Malaysia within the Appeal Timeframe, the removal of the securities of the company from the Official List of Bursa Malaysia on 26 March 2018 shall be deferred pending the decision on the company's appeal.

The Board will submit an appeal on the de-listing of the securities of the company and will announce any development in due course.

[Source: Lion Diversified's announcement on Bursa Malaysia's website on 15 March 2018]

LOCAL NEWS AND DEVELOPMENTS

Malaysian Capital Market Grew 12.6% to RM3.2 Trillion With Strong Growth Across all Segments
https://www.sc.com.my/post_archive/malaysian-capital-market-grew-12-6-to-rm3-2-trillion-with-strong-growth-across-all-segments/

Palm oil may bounce further to 2,459 ringgit
<http://www.theedgemarkets.com/article/palm-oil-may-bounce-further-2459-ringgit>

Surin Upatkoons' Pinjaya offers to privatise MWE at RM1.75/share
<http://www.theedgemarkets.com/article/surin-upatkoons-pinjaya-offers-privatise-mwe-rm175share>

Proton confident of improving audit score
<https://www.thestar.com.my/business/business-news/2018/03/16/proton-confident-of-improving-audit-score/>

SC & BNM Establish Joint Working Group to Accelerate Digitisation of Stockbroking Industry
http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4642&lang=en

Petronas mulls listing lubricants business
<https://www.thestar.com.my/business/business-news/2018/03/16/petronas-may-list-lubricants-business-in-two-years/>

Widad Business' takeover offer for Ideal Jacobs not fair, not reasonable: Adviser
<http://www.thesundaily.my/news/2018/03/15/widad-business-takeover-offer-ideal-jacobs-not-fair-not-reasonable-adviser>

Bursa to suspend YFG, Lion Diversified on March 22

<https://www.thestar.com.my/business/business-news/2018/03/14/bursa-to-suspend-yfg-lion-diversified-on-march-22/>

BDB's Board approves re-activation of exco, dissolves BCM Working Committee

<https://www.nst.com.my/business/2018/03/345930/bdbs-board-approves-re-activation-exco-dissolves-bcm-working-committee>

M'sia retail industry's 4Q sales grow 3.1% on seasonality

<http://www.theedgemarkets.com/article/msia-retail-industrys-4q-sales-grow-31-seasonality>

January jobless rate remains at a 'healthy' 3.4%

<http://www.theedgemarkets.com/article/january-jobless-rate-remains-healthy-34>

PNB funds reach RM279b, 98pc invested locally

<http://www.themalaymailonline.com/money/article/pnb-funds-reach-rm279b-98pc-invested-locally#77VLmFLZ14YSUIQj.99>

Sona Petroleum gets tax clearance for final cash distribution due April

<http://www.theedgemarkets.com/article/sona-petroleum-gets-tax-clearance-final-cash-distribution-due-april>

Perodua's market share set to surpass 41% in February

<http://www.theedgemarkets.com/article/peroduas-market-share-set-surpass-41-february-0>

No immediate plan to develop KLIA3, clarifies MAHB

<http://www.theedgemarkets.com/article/no-immediate-plan-develop-klia3-clarifies-mahb>

SPLASH warns of water cut over RM75m unpaid power bills

<http://www.theedgemarkets.com/article/splash-warns-water-cut-over-rm75m-unpaid-power-bills>

Kelantan plantation - Golden Palm Growers still looking for a buyer

<http://www.thesundaily.my/news/2018/03/14/kelantan-plantation---golden-palm-growers-still-looking-buyer>

Malaysia's halal exports hit RM43.4b in 2017

<http://www.themalaymailonline.com/money/article/malaysias-halal-exports-hit-rm43.4b-in-2017#7CwxvUPpgJcvWH5e.99>

GLOBAL NEWS AND DEVELOPMENTS

US job market tightening, inflation steadily rising

<http://www.theedgemarkets.com/article/us-job-market-tightening-inflation-steadily-rising>

China home sales growth slows amid deleveraging drive

<https://www.thestar.com.my/business/business-news/2018/03/15/china-home-sales-growth-slows-amid-deleveraging-drive/#tlhcUvL4oxb6Zmx2.99>

Japan parliament approves new BOJ leadership, says lawmaker

<http://www.themalaymailonline.com/money/article/japan-parliament-approves-new-boj-leadership-says-lawmaker#CjXHwaEoAIKlvehH.99>

Huawei eyes 5G network dominance

<https://www.thestar.com.my/business/business-news/2018/03/17/huawei-eyes-5g-network-dominance/>

Australia, Asean summit ends with rebukes against trade protectionism

<https://www.thestar.com.my/business/business-news/2018/03/18/australia-asean-summit-ends-with-rebukes-against-trade-protectionism/>

Indonesian banks will see 'more than 12pc' loan growth in 2018, says regulator

<http://www.themalaymailonline.com/money/article/indonesian-banks-will-see-more-than-12-pct-loan-growth-in-2018-says-regulat#86BV1LO4baoph0BB.99>

With Li Ka-shing out, his empire seen ripe for change of guards

<http://www.themalaymailonline.com/money/article/with-li-ka-shing-out-his-empire-seen-ripe-for-change-of-guards#Yo7GoBOAjMM70DSC.99>

UK watchdog examines unregulated firm drawing Asian investors, including Malaysians

<http://www.theedgemarkets.com/article/uk-watchdog-examines-unregulated-firm-drawing-asian-investors-including-malaysians>

Putin wins another six years at Russia's helm in landslide victory

<http://www.theedgemarkets.com/article/putin-wins-another-six-years-russias-helm-landslide-victory>

India's Oct-Dec current a/c deficit widens sharply on higher imports

<http://www.theedgemarkets.com/article/indias-octdec-current-ac-deficit-widens-sharply-higher-imports>

Fed widely tipped to raise interest rates this week

<http://www.thesundaily.my/news/2018/03/18/fed-widely-tipped-raise-interest-rates-week>

Hong Kong vs. Singapore Rivalry Gets Heated

<http://www.theedgemarkets.com/article/hong-kong-vs-singapore-rivalry-gets-heated>

China's Holdings of U.S. Treasuries Drop to Six-Month Low

<http://www.theedgemarkets.com/article/chinas-holdings-us-treasuries-drop-sixmonth-low>

U.S. pressing China to cut trade surplus by \$100 bln -White House

<http://www.theedgemarkets.com/article/us-pressing-china-cut-trade-surplus-100-bln-white-house>

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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 save for Iskandar Waterfront City Berhad.*
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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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