

The logo for MSWG (Minority Shareholder Watchdog Group) features the letters 'MSWG' in white on a dark blue background.

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

27 May 2017

MARKET AND REGULATORY UPDATE

MIDS RESEARCH SCHEME TO SPUR VIBRANCY OF MID AND SMALL-CAP PLCS, ENHANCING INVESTOR INTEREST

The Mid and Small Cap (MidS) Research Scheme was launched on 25 May 2017 with the aim of elevating the profile of mid and small-cap companies, and further spur the vibrancy of this potentially high growth market segment. Under this Scheme, an inaugural batch of 100 mid and small-cap public listed companies (PLCs) will receive independent analyst coverage by licensed research houses.

The MidS Research Scheme was initiated with the primary objective of creating better value recognition of mid and small-cap companies as they form an important segment of the listed equity asset class within the overall capital market.

The Scheme will commence with 22 research houses that have committed to provide research coverage for eligible PLCs. Each eligible PLC will be assigned two research houses, further improving the dissemination of the research, including to retail investors, so as to attract more investor participation in the segment. Selected PLCs underwent a screening process encompassing both qualitative and quantitative criteria, and represent a market capitalisation range of RM200 million to RM2 billion.

A Task Force chaired by the Securities Commission Malaysia (SC), comprising representatives from Bursa Malaysia Berhad (Bursa Malaysia), Kumpulan Wang Persaraan (Diperbadankan) (KWAP), Malaysian Investment Banking Association (MIBA) and Association of Stockbroking Companies Malaysia (ASCM), was established to oversee the implementation of this Scheme. The Task Force also provides strategic direction to actively promote the small and mid-cap market segment.

Apart from the Task Force's recommendations on the MidS Research Scheme, other efforts to promote the vibrancy and ensuring the success of this high growth segment have been instituted. To this end, Government-linked investment companies have committed additional allocation towards investing in mid and small-cap PLCs.

In addition, two new indices - the FTSE Bursa Malaysia MidS Cap Index and FTSE Bursa Malaysia MidS Cap Shariah Index - were introduced as part of initiatives to track performance and generate more interest for capital market products for this segment.

[Source: Media release on Bursa Malaysia's website on 25 May 2017]

MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

MALAYSIAN RESOURCES CORPORATION BERHAD ("MRCB")

The Board of Directors of MRCB announced that MRCB is proposing to undertake the following proposals:-

- (a) a renounceable rights issue of up to 2,856,719,498 new ordinary shares in MRCB ("MRCB Shares" or "Shares") ("Rights Shares") together with up to 571,343,900 free detachable warrants ("Rights Warrants"), on the basis of one (1) Rights Share for every one (1) existing MRCB Share held and one (1) free Rights Warrant for every five (5) Rights Shares subscribed for, on an entitlement date to be determined later ("Proposed Rights Issue"); and
- (b) exemption to the Employees Provident Fund Board, Gapurna Sdn Bhd and persons acting in concert with them from the obligation to undertake a mandatory offer for the remaining MRCB Shares and convertible securities not already owned by them arising from the application for excess Rights Shares under the Proposed Rights Issue as well as the subsequent exercise of the Rights Warrants into new MRCB Shares ("Proposed Exemption"),

[Source: MRCB's announcement on Bursa Malaysia's website on 17 May 2017]

MSWG'S COMMENTS:

Shareholders of MRCB were caught in surprise with the cash call of at least RM2.17 billion of which the major portion of the proceeds is for the refurbishment and upgrading of facilities located at the National Sports Complex in Bukit Jalil and for the repayment of borrowings ("Privatisation").

While we are not objecting using the proceeds to repay borrowings so to pare down the Group's gearing, we are concerned on the advances of RM975 million to the 85%-owned subsidiary of MRCB Land Sdn Bhd ("MRCB Land") for the Privatisation exercise. What is the interest rate charged on the substantial advances? Shareholders would be very concerned on the massive rights issue as it would cause a significant financial strain on them. We hope the Board of MRCB should clarify on this matter when seeking shareholders' approval for the rights issue in the EGM.

MSWG'S AGM WEEKLY WATCH 29 MAY - 2 JUNE 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
29.05.17 (Mon) 10.00 am	Naim Holdings Bhd (AGM)	Damai Beach Resort, Teluk Bandung Santubong, Kuching, Sarawak
29.05.17 (Mon) 10.30 am	Hock Heng Stone Industries Bhd (AGM)	Ornaresort Berhad, Batu 16, Jalan Gapam, Ladang Gapam, Bemban, Jasin, Melaka
29.05.17 (Mon)	Chin Teck Plantations Bhd	Suite 2B-3A-3, Block 2B, Level 3A, Plaza

12.00 pm	(EGM)	Sentral, Jalan Stesen Sentral 5, KL Sentral, KL
30.05.17 (Tue) 10.00 am	Genting Plantations Bhd (AGM)	Wisma Genting, Jalan Sultan Ismail, KL
30.05.17 (Tue) 11.00 am	Tropicana Corporation Bhd (AGM)	Tropicana Golf & Country Resort, Jalan Kelab Tropicana, PJ
30.05.17 (Tue) 10.30 am	Negri Sembilan Oil Palms Bhd (AGM)	Suite 2B-3A-3, Block 2B, Level 3A, Plaza Sentral, Jalan Stesen Sentral 5, KL Sentral, KL
30.05.17 (Tue) 02.30 pm	Bumi Armada Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, KL
31.05.17 (Wed) 10.00 am	Genting Malaysia Bhd (AGM)	Wisma Genting, Jalan Sultan Ismail, KL
31.05.17 (Wed) 10.00 am	Green Packet Bhd (AGM)	Tropicana Golf & Country Resort, Jalan Kelab Tropicana, PJ
31.05.17 (Wed) 10.00 am	Hap Seng Consolidated Bhd (AGM)	Menara Hap Seng, Jalan P. Ramlee, KL
31.05.17 (Wed) 03.00 pm	YTL Land & Development Bhd (EGM)	JW Marriott Hotel Kuala Lumpur, 183, Jalan Bukit Bintang, KL
01.06.17 (Thur) 10.00 am	Genting Bhd (AGM)	Wisma Genting, Jalan Sultan Ismail, KL
01.06.17 (Thur) 10.00 am	WCT Holdings Bhd (AGM)	Premiere Hotel, Bandar Bukit Tinggi, Jalan Langat, Klang
02.06.17 (Fri) 10.00 am	Olympia Industries Bhd (AGM)	Hotel Istana Kuala Lumpur City Centre, KL
02.06.17 (Fri) 03.00 pm	Manulife Holdings Bhd (AGM)	TPC Kuala Lumpur (formerly known as Kuala Lumpur Golf & Country Club)

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Naim Holdings Bhd (AGM)	<p>The Construction division recorded loss of RM18.8 million in FY2016 compared to loss of RM12.6 million in FY2015.</p> <p>What are the measures taken by the Group to improve the performance of this division?</p>
Tropicana Corporation Bhd (AGM)	<p>The Group has achieved total development properties sales of RM1.2 billion in FY 2016. It was stated in the Financial Highlights & Insights that with an unbilled sales of RM2.54 billion and strategic approaches to unlock the value of 1,283 acres of prime land with potential gross development value in excess of RM50.0 billion, the Group is expected to be on track to register positive earnings in FY17.</p> <p>(a) What would be the estimated GDV of projects to be launched in FY 2017?</p> <p>(b) What would be the Group's targeted sales for FY 2017?</p>

Negri Sembilan Oil Palms Bhd (AGM)	<p>Despite the price increase of fresh fruit bunch (FFB), crude palm oil (CPO) and palm kernel (PK) by 32%, 17% and 43% respectively in FY2016 compared with the year before, the plantation operation remained at loss position (exclude non-operating adjustments and impairment loss).</p> <p>(a) What was the percentage of revenue to the total revenue of the plantation operation and the sales volume of FFB, CPO and PK for FY2016 and FY2015?</p> <p>(b) What would be the price of FFB, CPO and PK for the plantation operation of the Company to achieve breakeven point?</p> <p>(c) What are the measures taken by the Board to turn around the plantation operation?</p>
Bumi Armada Bhd (AGM)	<p>The Company's two clients in Nigeria, representing its two smaller FPSOs, also face financial difficulties, resulting in irregular charter payments. Management has dedicated resources to work with its clients and advisors to resolve the issues as soon as possible.</p> <p>What was the amount owing from these two clients and could the Board provide an update on the matter?</p>
Genting Malaysia Bhd (AGM)	<p>It was stated in the Annual Report 2016 that Genting Integrated Tourism Plan ("GITP") would open progressively from 2017.</p> <p>(a) When would be the targeted date of commencement for the Twentieth Century Fox World theme park?</p> <p>(b) What were the reasons for the delay in the opening of new theme park which was scheduled to open in 2016?</p>
Genting Bhd (AGM)	<p>Please enlighten shareholders on the developments of the Group's associate, TauRx Pharmaceuticals Ptd ("TauRx").</p> <p>(i) There were several news media report that TauRx's third phase clinical trial for the Alzheimer's drug did not work well with other drugs but worked in patients who were treated with LMTX alone. Could the Board comment on the news?</p> <p>(ii) Would there be a concern that the Group's investment in TauRx be subject to the risk of impairment if LMTX fail to receive the approval of the Food and Drug Administration ("FDA")?</p>
Manulife Holdings Bhd (AGM)	<p>Digital transformation would be critical to expand further the reach to its targets/market segments. Given that the Company has stated that it is embarking and focusing on these areas to improve branding and potential business, what would be its estimated budget allocated to spearhead this challenge in the next 24 months.</p>

MSWG'S WATCHLIST

DRB-HICOM BERHAD ("DRB-HICOM")

The Board of Directors of DRB-HICOM announced that the company had on 24 May 2017 entered into the following heads of agreement with Zhejiang Geely Holding Group Co., Ltd. ("Geely"):

- (a) a binding heads of agreement ("Proton HOA"), for the proposed joint venture between the Company and Geely in respect of Proton Holdings Berhad ("Proton Holdings") which involves the subscription of new shares in Proton Holdings comprising 49.9% of the enlarged paid-up share capital by Geely ("Proposed Joint Venture"); and
- (b) a binding heads of agreement ("Lotus HOA"), for the proposed divestment by the Company of 100% of its indirect equity in Lotus Advance Technologies Sdn. Bhd. ("Lotus Advance"), through its subsidiary, Proton Holdings, to Geely and Etika Automotive (collectively referred to as the "Purchasers") ("Proposed Divestment"),

[Source: DRB-HICOM's announcement on Bursa Malaysia's website on 24 May 2017]

LOCAL NEWS AND DEVELOPMENTS

Malaysia's GDP expanded 5.6% in first quarter

<http://www.thesundaily.my/news/2017/05/19/malysias-gdp-expanded-56-first-quarter>

Ann Joo, Yinson, 21 others added to SC's syariah-compliant list

<http://www.theedgemarkets.com/article/ann-joo-yinson-21-others-added-scs-syariahcompliant-list>

SC Sues Seven Individuals for Insider Trading

https://www.sc.com.my/post_archive/sc-sues-seven-individuals-for-insider-trading/

Former Directors Jailed Six Months for Misleading Financial Disclosures to SC

https://www.sc.com.my/post_archive/former-directors-jailed-six-months-for-misleading-financial-disclosures-to-sc/

SC Charges Former Managing Director of Maxbiz for Insider Trading

https://www.sc.com.my/post_archive/sc-charges-former-managing-director-of-maxbiz-for-insider-trading/

Former Executive Chairman of Megan Media sentenced to 18 months jail for Submission of False Information

https://www.sc.com.my/post_archive/former-executive-chairman-of-megan-media-sentenced-to-18-months-jail-for-submission-of-false-information/

No decision yet on FGV LLA termination - Felda chairman

<http://www.thestar.com.my/business/business-news/2017/05/25/no-decision-yet-on-fgv-lla-termination---felda-chairman/>

BNM urges banks to lend more to new productive investments

<http://www.thestar.com.my/business/business-news/2017/05/25/bnm-urges-banks-to-lend-more-to-new-productive-investments/>

Seven Samchem shareholders seek removal of director

<http://www.thesundaily.my/news/2017/05/23/seven-samchem-shareholders-seek-removal-director>

April inflation eases to 4.4% as transport costs slide

<http://www.thesundaily.my/news/2017/05/18/april-inflation-eases-44-transport-costs-slide>

Perdana Petroleum eyes re-listing by mid-August

<http://www.thestar.com.my/business/business-news/2017/05/22/perdana-petroleum-eyes-re-listing-by-mid-august/>

Export value of rubber gloves up 26% in Q1

<http://www.thestar.com.my/business/business-news/2017/05/22/export-value-of-rubber-gloves-up-26-in-q1/>

GLOBAL NEWS AND DEVELOPMENTS

OPEC, non-OPEC extend oil output cut by nine months to fight glut

<http://www.thestar.com.my/business/business-news/2017/05/26/opec-non-opec-extend-oil-output-cut-by-nine-months-to-fight-glu/>

China's rating cut exposes firms hooked on dollar bonds

<http://www.thestar.com.my/business/business-news/2017/05/26/chinas-rating-cut-exposes-firms-hooked-on-dollar-bonds/>

Global regulators expect deal soon on bank capital rules

<http://www.thestar.com.my/business/business-news/2017/05/25/global-regulators-expect-deal-soon-on-bank-capital-rules/>

Japan April exports rise again, trade surplus with US narrows

<http://www.thestar.com.my/business/business-news/2017/05/22/japan-april-exports-rise-again/>

Buffett's Berkshire set for 2018 growth, Greg Able seen as successor

<http://www.thestar.com.my/business/business-news/2017/05/22/buffetts-berkshire-hathaway-set-for-growth-through-2018/>

US jobless claims edge up; goods trade deficit widens

<http://www.theedgemarkets.com/article/us-jobless-claims-edge-goods-trade-deficit-widens>

China's Q2 GDP growth seen at around 6.8%

<http://www.thestar.com.my/business/business-news/2017/05/20/china-q2-gdp-growth-seen-at-around-6pt8pct/>

Japan passes law to tighten regulations on high-frequency trading

<http://www.thestar.com.my/business/business-news/2017/05/19/japan-passes-law-to-tighten-regulations-on-high-frequency-trading/>

Ex-CIMB banker admits insider trades in Singapore takeovers

<http://www.thestar.com.my/business/business-news/2017/05/26/ex-cimb-banker-admits-insider-trades-in-singapore-takeovers/>

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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.*
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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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