

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

13 May 2016

MESSAGE FROM THE CEO

I would like to draw attention to the new code on corporate governance that is going to be issued by the SC which is now under public consultation period up to 8 June 2016. The gist of the new code is that it will be an 'apply or explain' approach compared to the previous 'comply or explain' one. This means that principles of the proposed code need to be applied by companies and explained how it has been applied. Where it deviates from the practice, the alternative practice needs to be explained. This is so long as the intended outcome of each practice is achieved, thus the proposed approach provides a degree of flexibility to listed companies.

There are two broad areas covered according to 'core' and 'core plus' practices. The 'core' practices are for best practices applied to all companies, whereas the 'core plus' practices are for companies that aspire for higher standards of CG. This is in line with the concept of 'one size does not fit all'. We hope that the capital market players would participate in the public consultation and provide their views.

Separately, in the midst of AGM season, we see bottomline of companies' generally declining amidst a depressed market both locally and globally. We hope our listed companies would continue upholding high quality meetings within the broader objective of greater transparency despite facing such economic headwinds.

Continuing our AGM updates, we would like to highlight that appears there is a worrying trend where companies were seeking blanket approvals for directors' remuneration. We urge the regulators to review the ability of companies to deny shareholders a chance to vote on directors' remuneration yearly.

Regards,

Rita

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

SAPURAKENCANA PETROLEUM BERHAD ("SKPB")

As announced in the Bursa Malaysia's website by SKPB, Seadrill Limited has ceased to be the substantial shareholder of SKPB upon the disposal of 490,329,691 SKPB shares on 29 April 2016.

[Source: SKPB's announcement on Bursa Malaysia's website on 9 May 2016]

MSWG'S COMMENTS:

In less than 3 years of the completion of acquiring the rig businesses from Seadrill Limited ("SL") which at that time was valued at an exorbitant price of RM8.2 billion that translates into RM2.70 per SKPB share as compared to the current market price of RM1.61, SKPB recorded a huge impairment loss of RM1.1 billion in the latest quarterly result. We believe the impairment is related to the acquired rig assets. This was not disclosed in the latest quarterly result.

The substantial disposal by SL rendered it no more a substantial shareholder of SKPB. We are concerned that whether SKPB can continue in the rig field efficiently considering the pull out by SL would mean an expertise gap in this area.

LYSAGHT GALVANIZED STEEL BERHAD ("LGSB")

The Board of Directors announced that the company was notified on 6 May 2016 that Chew Bros (M) Sdn. Bhd. ("CBMSB") had acquired 51.63% of the immediate holding company Lysaght (Malaysia) Sdn. Bhd ("LMSB"). As such, CBMSB is now the ultimate holding company of LGSB.

[Source: LGSB's announcement on Bursa Malaysia's website on 9 May 2016]

MSWG'S COMMENTS:

We have received request to comment on the acquisition by CBMSB and whether the MGO rules apply.

It appears that CBMSB has obtained control of LMSB (51.63%), which owns 55.14% of the listed entity LGSB, which is one of the conditions of the Take-Over Code.

However, it's not ascertainable whether the conditions of the acquisition of a company through an upstream entity has been met, i.e. (i) on the value of the parameters and trigger points as contained in PN9, 4.2(b) of the Code or (ii) on the control factor in the LGSB's board as contained in PN9, 4.2(c) of the Code.

In this regard, the SC will need to determine whether or not the MGO has been triggered.

REGULATOR'S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Bursa Malaysia	KAF-Seagroatt & Campell Berhad	Variance of 36.3% in profit after taxation and minority interest between unaudited quarterly results and audited financial statements.
2	Bursa Malaysia	Ire-Tex Corporation Berhad	Variance of 320.4% in profit after taxation and minority interest between unaudited quarterly results and audited financial statements.

LOCAL NEWS AND DEVELOPMENTS

Regulation too needs transparency

<http://www.thestar.com.my/business/business-news/2016/05/07/regulation-too-needs-transparency/>

Bank Negara international reserves down 0.21% to US\$97b as at April 29, 2016

<http://www.theedgemarkets.com/my/article/bank-negara-international-reserves-down-021-us97b-april-29-2016?type=Corporate>

Koon in the spotlight over untimely disclosures

<http://www.thestar.com.my/business/business-news/2016/05/07/koon-in-the-spotlight-over-untimely-disclosures/>

Exports rebound by 1pct in Q1: MITI

<http://www.nst.com.my/news/2016/05/143875/exports-rebound-1pct-q1-miti>

Last day for R&A, Wintoni to submit FY15 annual reports

<http://www.thesundaily.my/news/1794458>

MISC not in talks to acquire THHE businesses

<http://www.thesundaily.my/news/1789539>

BAT Malaysia managing director Stefano Clini resigns

<http://www.theedgemarkets.com/my/article/bat-malaysia-managing-director-stefano-clini-resigns?type=Corporate>

High Court says no to CLIQ management team's judicial review request

<http://www.theedgemarkets.com/my/article/high-court-says-no-cliq-management-teams-judicial-review-request?type=Corporate>

Megasteel gets three-month restraining order against creditors

<http://www.theedgemarkets.com/my/article/megasteel-gets-three-month-restraining-order-against-creditors?type=Corporate>

Confidence in China-based firms sinks further

<http://www.theedgemarkets.com/my/article/confidence-china-based-firms-sinks-further?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

China's Nonmanufacturing PMI Fell in April

<http://www.wsj.com/articles/chinas-nonmanufacturing-pmi-fell-in-april-1462066453>

Exclusive: Shift in Saudi oil thinking deepens OPEC split

<http://www.reuters.com/article/us-saudi-oil-opec-idUSKCN0XW203>

US trade deficit shrinks as goods imports hit five-year low

<http://www.cnn.com/2016/05/04/us-trade-deficit-shrinks-as-goods-imports-hit-five-year-low.html>

Global Economy Week Ahead: Job Churn, Brazil Unrest, U.S. Shoppers

<http://www.wsj.com/articles/global-economy-week-ahead-job-churn-brazil-unrest-u-s-shoppers-1462734003>

Oil up on Canada wildfire, dollar; big weekly loss for Brent

<http://www.reuters.com/article/us-global-oil-idUSKCN0XX055>

When Capital Generates Social Impact And Financial Returns

<http://www.forbes.com/sites/christopherskroupa/2016/05/03/when-capital-generates-social-impact-financial-returns/#2fd273932120>

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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 Lysaght Galvanized Steel Berhad, KAF-Seagroatt & Campell Berhad and Ire-Tex Corporation Berhad.*

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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