

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

05 March 2016

MESSAGE FROM THE CEO

The oil rout is really starting to take its toll. As the media have reported, 29 tycoons have so far lost a combined RM12.68 bil since the price of oil began its collapse since about a year ago.

Just to recap, a Forbes report in Q4 2015 stated that “a great depression” in the oil market had claimed more than 200,000 jobs worldwide with 2% casualties from Malaysia. The reduction of the crude oil price had indeed hit the labour market in this sector in Malaysia. With the additional job cuts in the financial sectors last year and early this year, we are facing some very challenging times ahead.

Coming back to Petronas’s recent results, it is confirmed that the reduction in crude oil prices had indeed taken a toll in this industry. Its revenue declined by 25% y-o-y and its PBT declined by 53% y-o-y. It is expected to shed-off up to RM50 billion CAPEX and OPEX in the next 4 years.

In Petronas’s case, the CEO had stated that a groupwide transformation is expected to take place to facilitate higher efficiency levels and robustness in the organisation from 1 April 2016. We believe that this is expected to spur the necessary transformation in the longer term.

Developments on the enforcement front that is worth mentioning is the Sessions Court sentencing of Repco Low to five years’ jail and a fine of RM5 million for manipulating Repco shares.

We believe that this action is important for the integrity and proper functioning of capital market, and a message sent that whoever committed a serious offence need to know the long arm of the law will catch up with them.

Regards,

Rita

MARKET AND REGULATORY UPDATE

MSWG-INSTITUTIONAL INVESTOR COUNCIL (IIC) CORPORATE GOVERNANCE WEEK 2016

“STEWARDSHIP MATTERS - FOR LONG TERM SUSTAINABILITY” - 30 MARCH TO 1 APRIL 2016 (10 CPE POINTS)

MSWG will be holding a three-day Governance programme, from 30th & 31st March and 1st April 2016. The Programme will be held at the Renaissance Hotel Kuala Lumpur.

The primary objective of the MSWG-IIC Corporate Governance event is to share with the participants the current trends and practices in key governance areas, against the backdrop of various megatrends currently shaping the future and businesses globally. The sessions provide the underlying basics, theoretical and practical aspects in key governance areas of investor stewardship, ESG and sustainability, corporate governance in public listed companies and managing stakeholders' expectations.

The details of the programme are as follows:

Date: 30th & 31st March and 1st April 2016

REGISTRATION FEE: RM2,500 PER PARTICIPANT (inclusive of 6% GST)

Discount: 30% discount for MSWG Subscribers

Group Discount: Special 10% discount for 3 participants & above

Venue: Ballroom A & B at the Renaissance Hotel Kuala Lumpur

Please refer to Appendix I below for more programme details.

Register click the web link below to secure your seat at this event!!

<http://www.mswg.org.my/seminar.php?id=10>

MARKET AND REGULATORY UPDATE

PETRONAS PERSEVERES THROUGH A DIFFICULT 2015, TAKES STRONG STEPS TO FACE TOUGHER TIMES AHEAD

Petroleum Nasional Berhad (PETRONAS) wrapped up an extremely difficult 2015 with lower revenue and profit after tax (PAT) amidst a depressed oil price environment and net impairment on assets.

PETRONAS recorded a revenue of RM248 billion, a 25 per cent decline compared to the same period in 2014. Its PAT and PAT excluding identified items were logged at RM21 billion and RM40 billion respectively, 56 per cent and 42 per cent lower than 2014.

The company anticipates its financial performance for 2016 to continue to be affected by the prolonged volatility in oil prices and is intensifying efforts to cushion the impact to remain competitive and sustainable.

With Brent price averaging USD52 per barrel and despite the current industry downturn, PETRONAS in 2015 achieved notable operational milestones in both its upstream and downstream businesses.

Datuk Wan Zulkiflee, the President and Group Chief Executive Officer of PETRONAS, in his speech anticipated that the next two years would continue to be challenging. He also added that the company's cash flow from operations is unlikely to be able to cover the remaining CAPEX and its RM16 billion dividend commitment to the Government.

Forecasting the oil prices to remain low in 2016, PETRONAS has taken its cost-optimisation measures to another level to counter adverse impact to its business.

He added that the company had also completed a review of its business operating model to facilitate higher efficiency levels and robustness in the organisation, resulting in a new organisation structure which would take effect on 1 April.

[Source: Media release on Petronas's website on 29 February 2016]

FINANCIAL RESULTS OF BANKS WITH FINANCIAL YEAR DEC 2015

No	Bank's Name'	Revenue (RM Million) FY 2015	Revenue (RM Million) FY 2014	Revenue (RM Million) Variance	Profit Before Tax (RM Million) FY 2015	Profit Before Tax (RM Million) FY 2014	Profit Before Tax (RM Million) Variance	Loan Lost Provision Ratio (%) FY 2015	Cost To Income Ratio (%) FY 2015
1	Affin Holdings Berhad	1,802	1,820	(18)	514	801	(287)	64.0	60.2
2	Bimb Holdings Berhad	3,311	2,967	344	834	815	19	174.6	52.5
3	Cimb Group Holdings Berhad	15,396	14,146	1,250	3,914	4,276	(362)	84.7	55.6
4	Malayan Banking Berhad	40,556	35,715	4,841	9,152	9,112	40	72.0	48.2
5	Malaysia Building Society Berhad	3,050	2,613	437	355	933	(578)	92.2	22.7
6	Public Bank Berhad	19,182	16,860	2,322	6,491	5,814	677	120.8	30.5
7	Rhb Capital Berhad	10,827	10,413	414	2,107	2,735	(628)	83.3	61.3

MSWG'S COMMENTS:

The majority of banks with financial year December 2015 generally reported higher revenue but lower profit before tax or stagnating, except Public Bank, as compared to the previous year on the back of slowing economic environment brought by slower loan growth, high loan loss provisions and lower interest margins. In line with this, many banks have introduced voluntary separation schemes to reduce around 5,400 head counts during the year.

We believe year 2016 will be another generally challenging year and banks would need to tighten their belts by ensuring their cost income ratios are well managed.

SUBSIDIARIES OF PUBLIC LISTED STEEL COMPANIES VISITED AND AUDITED BY ROYAL MALAYSIAN CUSTOMS DEPARTMENT ("RMCD")

As the announcements released by several listed companies as below, there were several steel companies, including subsidiaries of several other public listed companies, being inspected and audited by RMCD. For the purpose of the audit, RMCD has taken custody of certain documents including accounting and shipping records for further audit and investigation. Some of the bank accounts of these subsidiaries of the public listed companies have also been temporarily frozen by RMCD.

MSWG'S COMMENTS:

According to the announcement released in Bursa Malaysia's website, several public listed companies affected by the above were as below:

- (1) Ann Joo Resources Berhad;
- (2) Amalgamated Industrial Steel Berhad;
- (3) Hiap Teck Venture Berhad;
- (4) Prestar Resources Berhad;
- (5) Southern Steel Berhad; and
- (6) Wah Seong Corporation Berhad.

For capital market integrity, we would like to see more information and status in relation to these investigations to be released to the public as soon as possible.

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

FELDA GLOBAL VENTURE HOLDINGS BERHAD ("FGV")

The Board of Directors of FGVHB is pleased to announce that its wholly-owned subsidiary, Felda Global Ventures Downstream Sdn Bhd ("FGVD") has on 26 February 2016 entered into two (2) conditional sale

and purchase agreements for the acquisition of 81,566,106 issued and paid-up ordinary shares of Zhong Ling Nutri-Oil Holdings Limited.

[Source: Announcement on Bursa Malaysia's website on 26 February 2016 and 3 March 2016]

MSWG'S COMMENTS:

As regards the acquisition, MSWG's concerns, among others, are as follow:

- The purchase consideration was based on the audited accounts for FYE 31 December 2013 as the results for FYE 2014 and FYE 2015 were not published. Thus, it would be more appropriate for FGV to use the latest results considering the market would be softer generally and thus its price.
- The total purchase consideration of RM975.25 would translate to a Price-to-Book (PBR) of 3.09 based on the target company's audited accounts for FYE 2013. This is relatively high in view of current slowdown in the economy of both China and Malaysia.
- FGV would be compensated with additional shares in the event that the audited Net Profit of the target company is less than the estimated amount. The additional shares that would then transfer to FGV may move the highest ratio under Paragraph 10.02(g) of Chapter 10 of Bursa Malaysia Main Market Listing Requirement beyond the percentage where shareholders' approval is required.
- The current level is about 24% just short of the 25% necessary for shareholders' approval. Thus, we are concerned with an eventuality that the additional shares transferred to FGV would mean that the trigger level would be surpassed and shareholders' approval needed.

LOCAL NEWS AND DEVELOPMENTS

Investments fall in 2015, manufacturing still healthy: MIDA

<http://www.nst.com.my/news/2016/02/130250/investments-fall-2015-manufacturing-still-healthy-mida>

SC turns down CLIQ Energy request for more time

<http://www.thestar.com.my/business/business-news/2016/02/24/sc-turns-down-cliq-energy-request-for-more-time/>

Low Thiam Hock jailed five years, fined RM5 million over Repco share manipulation

http://www.sc.com.my/post_archive/low-thiam-hock-jailed-five-years-fined-rm5-million-over-repco-share-manipulation/

New admission into Guidance Note 3 - Wintoni Group Berhad

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/4005>

PUC Founder dips 11% following managing director's demise

<http://www.theedgemarkets.com/my/article/puc-founder-dips-11-following-managing-director%E2%80%99s-demise>

January inflation jumps to 3.5%

<http://www.thestar.com.my/business/business-news/2016/02/25/january-inflation-jumps-to-35/>

GLOBAL NEWS AND DEVELOPMENTS

China central bank cuts reserve requirement ratio

<http://www.reuters.com/article/us-china-economy-rrr-instantview-idUSKCNOW21A0>

US Q4 revised GDP up 1.0% vs 0.4% growth expected

<http://www.cnbc.com/2016/02/26/us-q4-2015-revised-gdp.html>

Berkshire Profit Climbs 32%, Capping Record Year for Buffett

<http://www.bloomberg.com/news/articles/2016-02-27/berkshire-profit-gains-32-to-5-48-billion-capping-record-year>

Foxconn's Deal for Sharp Now in Question

<http://www.wsj.com/articles/sharp-accepts-foxconns-6-25-billion-takeover-offer-1456367642>

G20 to say world needs to look beyond ultra-easy policy for growth

<http://www.reuters.com/article/us-g20-china-communicate-idUSKCNOW004T>

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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 Felda Global Venture Holdings Berhad.*
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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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ENDS./



MSWG-INSTITUTIONAL INVESTOR COUNCIL
GOVERNANCE WEEK 2016

30th March - 1st April 2016 | Renaissance Hotel, Kuala Lumpur

“Stewardship Matters – For Long Term Sustainability”

(10 CPE Points)

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Capital Market Development Fund

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MSWG

APPENDIX I

Day 1

30th March 2016 - Institutional Investors Stewardship

08.00 am Registration

08.55 am Welcome Address

Tan Sri Dato' Seri Dr Sulaiman Mahbob, Chairman, Minority Shareholder Watchdog Group (MSWG)

09.00 am Keynote Address

YB Senator Dato' Sri Abdul Wahid bin Omar, Minister in the Prime Minister's Department

09.20 am "Megatrends that will shape our future - Implications & Opportunities for Investors and Businesses"

Speaker:

Mr Chandran Nair, Founder and Chief Executive, Global Institute for Tomorrow

10.00 am Panel Discussion:

Moderator:

Mr PK Basu, Head of Malaysia Research & Head of ASEAN Economics, Macquarie Capital Securities (Malaysia) Sdn Bhd

Panelists:

Dato' Sri Mohd Nazri bin Tun Abdul Razak, Group Chairman, CIMB Group Holdings Berhad
Mr Chandran Nair, Founder and Chief Executive, Global Institute for Tomorrow

10.20 am Coffee Break

10.40 am "Making Investor Stewardship a Reality to Support Sustainable Capital Market"

Moderator:

Mdm Rita Benoy Bushori, Head of Secretariat, Institutional Investor Council (IIC) and Council Member

Speakers:

Ms Kerrie Waring, Executive Director, ICGN

Dr Hans Christoph-Hirt, Executive Director, Hermes Investment Management

11.30 am Plenary Session: "Investor Stewardship - The Way Forward"

Moderator:

Encik Wan Kamaruzaman Wan Ahmad, CEO, KWAP and Chairman, IIC

Panelists:

Ms Kerrie Waring, Executive Director, ICGN

Dr Hans Christoph-Hirt, Executive Director, Hermes Investment Management

Pn Sharifatu Laila Syed Ali, Group CEO, ValueCAP

12.45 pm Networking Lunch

02.15 pm "Sustainability Goes Mainstream: The Motivating Factors"

Ms Fionna Ross, Senior Analyst - Responsible Investing, Aberdeen Asset Management

03.15 pm Panel Discussion: Environmental/Economic, Social and Governance (ESG)

Moderator:

Mr Benjamin McCarron, Independent ESG Specialist

Panelists:

Dato' Mohamad Nasir bin Ab Latif, Deputy CEO (Investment), EPF

Mr Shan Kamahl Mohammad, CEO, VCAP Asset Managers

Ms Fionna Ross, Senior Analyst - Responsible Investing, Aberdeen Asset Management

04.30 pm END of DAY 1 SESSION

APPENDIX I

Day 2

31st March 2016 - Corporate Stewardship

08.30 am Registration

09.30 am Launch of MSWG-ASEAN CG Report 2015

Tan Sri Dato' Seri Dr Sulaiman Mahbob, Chairman, MSWG

09.45 am Presentation on AGM Practices of Malaysian Companies and ASEAN CG Scorecard 2015

Mdm Rita Benoy Bushon, CEO, MSWG

10.30 am Coffee Break

11.00 am Panel Discussion – "Sharing CG Experiences and Practices amongst ASEAN Countries"

Moderator:

Pri Lya Rahman, General Manager, Corporate Services, MSWG

Panelists:

Dr Bandid Nijathaworn, President & CEO, Thai Institute of Directors

Mr Ricardo Jacinto, CEO, Philippine Institute of Corporate Directors

Dr Hien Thu Nguyen, Vice Dean, School of Industrial Management, Vietnam National University of Ho Chi Minh

Dr James Simanjuntak, Member, Board of Trustees, Indonesian Institute of Corporate Directors

12.30 pm Networking Lunch

02.00 pm CEO Session I – "Challenges and Opportunities in Malaysian Family-owned Enterprises – with the Backdrop of Growth and Governance"

Moderator:

Dr Bandid Nijathaworn, President & CEO, Thai Institute of Directors

Panelists:

Tan Sri Dato' Dr Francis Yeoh Sock Ping, Managing Director, YTL Corporation Berhad

Tan Sri Dato' Seri Lee Oi Hian, CEO, Kuala Lumpur Kepong Berhad

Mr Lee Kim Meow, Managing Director, Top Glove Corporation Berhad

Mr Jeffrey Chew Sun Teong, Group CEO, Paramount Corporation Berhad

03.00 pm CEO Session II – "Corporate Governance in GLCs and Financial Institutions"

Moderator:

Dato' Dr Mohammed Azman Bin Dato' Aziz Mohammed, Chief Executive, PERKESO

Panelists:

Dato' Sulaiman Mohd Tahir, Group CEO, AmBank Group Holdings Berhad

Dato' Kamaruzzaman Bin Abu Kassim, President & Chief Executive, Johor Corporation

Dato' Sri Jamaludin Ibrahim, Managing Director/President & Group Chief Executive Officer, Axiata Group Berhad

Ms Cheah Kim Ling, INED, Public Bank Berhad

04.00 pm Stakeholders Session – "Stakeholders' Expectations"

Moderator:

Tan Sri Dato' Seri Dr Sulaiman Mahbob, Chairman, MSWG

Panelists:

Datuk Azzat Kamaludin, Senior Independent Director, Axiata Group Berhad

Dato' Shabaruddin Ibrahim, President of Institute of Internal Auditors Malaysia

Dr Anis Yusaf Yusoff, President & CEO of Malaysian Institute of Integrity

05.00 pm END of DAY 2 SESSION

APPENDIX I

Day 3

1st April 2016 - Special Investors Workshop

08.30 am Registration

09.25 am Opening Address

Mdm Rita Benoy Bushon, CEO, MSWG

09.30 am "Corporate Exercises and What Investors Should Look For"

Mr Quah Ban Aik, Head, Corporate Monitoring, MSWG

Q&A

10.15 am Coffee Break

10.45 am "Do's and Don'ts on AGM Conduct and Highlights of Corporate Governance Issues"

Pn Lya Rahman, General Manager, Corporate Services, MSWG

Q&A

11.15 am "Rights, Remedies and Liabilities of Shareholders"

Pn Sri Rusila Abd Razak, Associate, MSWG

Q&A

12.00 pm END of DAY 3 SESSION