



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

12 August 2016

## MESSAGE FROM THE CEO

The month of October will witness the National Budget being announced for the year ahead, and this time, while the usual priorities remain, there will, in addition, be more moving parts to the equation.

While we expect the domestic growth factors to take precedent, we believe considerations involving the livelihoods of the Rakyat would also be equally focused upon by the government. Having said that, we do recognise that this balancing act can be a daunting exercise. To achieve fiscal parity by 2020 under present environment and circumstances could be a great challenge.

The government has already said it won't raise GST rates to bolster income and together with the reducing revenue from the energy and commodity markets, the tackling of income and cost pressures would be extremely difficult

As a consequence to the above factors, we believe there would be a further round of cuts in interest rates, combined with another set of reductions in bank statutory reserve requirements to bolster consumption and thereby increase the absolute value of GST income.

With the ringgit stabilising and foreign capital trickling back as well as yields on the benchmark 10-year Malaysian government bonds being attractive resulted in a slight increase in the foreign-exchange reserves.

We also expect to see more activities in promoting sustainability including environmentally friendly efforts.

Meanwhile, projects such as the LRT and MRT, the Petronas Refinery and Petrochemical Integrated Development (RAPID) Complex in Pengerang, Johor and the Pan Borneo Highway are not only still ongoing, but will support continued and increased growth in the future.

Separately, during the week the sufficiency of retirement savings for EPF members were being discussed. This is in line with the anticipated ageing Malaysian society which could prove burdensome for the future generations. Policy makers need to address this immediately. The way forward could possibly be through tweaking EPF's current retirement schemes. For example, the employers' contribution can remain as is and managed by the EPF to provide the basic retirement needs. However, the employees' contribution we believe, could be freed-up to allow for options into annuity-based insurance schemes as well as health insurance schemes for members to consider. This can be done through the insurance providers.

For example such schemes could commence from the age of about 30 years up to age 55 to enable the pool of monies collected to be enough in somewhere to support additional retirement needs of the members. We believe an effective mechanism can be worked out between EPF and the insurance providers.

Regards,

Rita

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## **MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS**

### ***IOI CORPORATION BERHAD ("IOI CORP")***

IOI Corp had on 5 August 2016 make an announcement that the Company had received the letter from RSPO informing that the RSPO Board of Governors has endorsed the recommendation made by the Complaints Panel (CP) to lift the suspension of RSPO certifications for the entire IOI Group. The lifting will be effective from 8 August 2016. IOI Group has to submit its quarterly progress report as mandated by the CP. At the end of a 12-month period, the CP shall again commission an independent ground verification by a team of experts, following which a review of the complaint will be undertaken by the CP.

*[Source: IOI Corp's announcement on Bursa Malaysia's website on 5 August 2016]*

### **MSWG'S COMMENTS:**

We noted that the Company has taken proactive actions in addressing the complaints that had led to the suspension of its RSPO certification. Now the suspension has been lifted. We hope the Company would continue its commitment to sustainability and ensure that similar suspension would not happen in future.

### ***MALAYSIAN PACKAGING INDUSTRY BERHAD ("MAYPAK")***

The Board of Directors ("Board") of Maypack announced they had been notified by Taisei Lamick Co. Limited ("TLC") vide a notice dated 29 July 2016 ("Press Notice") that it had, on even date, entered into a conditional sale and purchase agreement ("SPA") with Toyo Seikan Co., Ltd ("TSCL"), the major shareholder of the company, to acquire TSCL's entire equity interest in Maypak, representing approximately 54.95% of the total issued and paid-up share capital of Maypak for a total cash consideration of RM3,835,358, which is equivalent to approximately RM0.166 per ordinary share of RM1.00 each in Maypak ("Maypak Share(s)") ("Proposed Acquisition").

The Proposed Acquisition is conditional upon the conditions precedent stipulated in the SPA, which includes, amongst others, the approval by the Board of both TLC and TSCL for the Proposed Acquisition. The conditions precedent set out in the SPA are required to be met within two (2) months from 29 July 2016, being the date of the SPA or such other date as may be agreed in writing between both parties.

Upon completion of the Proposed Acquisition, TLC will emerge as the new major shareholder of the Company, holding approximately 54.95% of the equity interest in Maypak. As a result thereof, TLC will trigger Section 218(2) of the Capital Markets & Services Act, 2007 and Section 9(1), Part III of the Malaysian Code on Take-Overs and Mergers, 2010 (“Code”) and is thereby required to extend a mandatory take-over offer to acquire all the remaining Maypak Shares not already owned by TLC after the Proposed Acquisition (“Proposed MGO”).

In accordance with Section 11(8) of the Code, TLC will serve the notice of the Proposed MGO to the Board of Maypak upon the SPA becoming unconditional.

*[Source: Maypak’s announcement on Bursa Malaysia’s website on 29 July 2016]*

#### **MSWG’S COMMENTS:**

The sale transaction of RM0.166 per share to TLC is at a substantial discount to the latest net assets value (NAV) per share of RM0.55 and the market price of RM0.45 as at 28 July 2016 prior to the release of the announcement. We view offer price was below its NAV and market price. Since the announcement, the market price of Maypack plunged by more than 10% to RM0.39, therefore it is pertinent that the Board to provide and explain the merits and benefits expected to be derived from the sale to TLC.

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#### **MSWG’S WATCHLIST**

##### ***DRB-HICOM BERHAD (“DRB-HICOM”)***

DRB-HICOM had on the announcement dated 8 August 2016 rebutted the article entitled “DRB-HICOM may sell up to 100% of PROTON” which appeared in The Edge of 8 August 2016 and other media reports relating to the same subject matter. DRB-Hicom would remain highly committed to hold a substantial and strategic stake in PROTON and is confident of and is currently assisting PROTON in its turnaround programme. DRB-Hicom also highlighted that as part of the requirement of the RM1.5 billion loan granted by the Government, PROTON is currently undertaking a Request For Proposal (RFP) exercise seeking a partner to PROTON who can provide a strategic, operational and cultural fit on a permanent basis with the intention to grow its automotive business. This exercise is expected to be completed in the first quarter of 2017 and its implementation is being overseen by the Task Force Committee formed by the Government to monitor the turnaround of PROTON.

*[Source: DRB-Hicom’s announcement on Bursa Malaysia’s website on 8 August 2016]*

##### ***SONA PETROLEUM BERHAD (“SONA PETROLEUM”)***

The Board of Directors of Sona Petroleum announced that the company had on 9 August 2016 presented a petition (“Petition”) to the High Court of Malaya at Kuala Lumpur (Commercial Division) (“High Court”) pursuant to Section 218(1)(h) of the Companies Act 1965 (“Act”) to among others, wind up the Company and to appoint liquidators. Accordingly, in accordance with Section 219 (2) of the Act, the winding up proceedings of the Company have commenced on 9 August 2016.

For this purpose, the company has nominated Mr. Lim San Peen and Datuk Mohd Anwar Bin Yahya of PricewaterhouseCoopers Advisory Services Sdn. Bhd. as joint and/or several liquidators of the company, subject to the approval of the High Court.

Thereafter, the company will take steps to comply with the Companies (Winding-Up) Rules 1972, including to advertise and gazette the Petition. Further updates will be provided as soon as the High Court has fixed a hearing date for the Petition.

*[Source: Sona Petroleum's announcement on Bursa Malaysia's website on 9 August 2016]*

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## LOCAL NEWS AND DEVELOPMENTS

EPF allocates RM100b for Simpanan Shariah for 2017

<http://www.nst.com.my/news/2016/08/163834/epf-allocates-rm100b-simpanan-shariah-2017>

Bank Negara international reserves at RM391.1b on July 29

<http://www.thesundaily.my/news/1928085>

European Commission Recognised SC's Audit Oversight Board Requirements

[http://www.sc.com.my/post\\_archive/european-commission-recognised-scs-audit-oversight-board-requirements/](http://www.sc.com.my/post_archive/european-commission-recognised-scs-audit-oversight-board-requirements/)

June exports up 3.4% on-year, surprises survey

<http://www.thestar.com.my/business/business-news/2016/08/05/june-exports-up-on-year-exceeds-survey/>

TH Heavy gets another winding-up petition over RM3.6m claim

<http://www.theedgemarkets.com/my/article/th-heavy-gets-another-winding-petition-over-rm36m-claim>

PCCC wants BNM to ease lending measures affecting property sector

<http://www.thestar.com.my/business/business-news/2016/08/05/pccc-wants-bnm-to-ease-lending-measures-affecting-property-sector/>

India court proceedings won't impact listed entities, say Maxis, Astro

<http://www.thestar.com.my/business/business-news/2016/08/04/india-court-proceedings-wont-impact-listed-entities-say-maxis-and-astro/>

FGV confirms no longer eyeing stake in Eagle High

<http://www.theedgemarkets.com/my/article/fgv-confirms-no-longer-eyeing-stake-eagle-high?type=Corporate>

Hive off insurance units and focus on bancassurance?

<http://www.theedgemarkets.com/my/article/hive-insurance-units-and-focus-bancassurance?type=Corporate>

Director fails in bid to get receiver appointed for Scan Associates

<http://www.theedgemarkets.com/my/article/director-fails-bid-get-receiver-appointed-scan-associates?type=Corporate>

BNM: 'Complex structure not an excuse'

<http://www.theedgemarkets.com/my/article/%E2%80%98complex-structure-not-excuse%E2%80%99?type=Corporate>

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## GLOBAL NEWS AND DEVELOPMENTS

Amid criticism, World Bank adopts new social, environmental framework

<http://www.nst.com.my/news/2016/08/163168/amid-criticism-world-bank-adopts-new-social-environmental-framework>

China's July exports, imports fall more than expected

<http://www.theedgemarkets.com/my/article/chinas-july-exports-imports-fall-more-expected?type=Corporate>

US trade deficit rises to 10-month high in June

<http://www.theedgemarkets.com/my/article/us-trade-deficit-rises-10-month-high-june?type=Corporate>

Philippine central bank fines Rizal Bank over Bangladesh cyber heist failings

<http://www.thestar.com.my/tech/tech-news/2016/08/05/philippine-central-bank-fines-rizal-bank-over-bangladesh-cyber-heist-failings/>

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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 Malaysian Packaging Industry Berhad.*
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### Feedback

We welcome your feedback on our newsletter and our work. Email us at [mswg.ceo@mswg.org.my](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

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