



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

19 August 2016

MARKET AND REGULATORY UPDATE

SC INTRODUCES RULE BOOK IN REVISED FRAMEWORK ON TAKEOVERS AND MERGERS

MSWG'S COMMENTS:

The Securities Commission Malaysia (SC) recently launched a rule book on the revised Takeovers and Mergers Framework that has reduced the threshold for launching takeover via Scheme of Arrangement (SoA) from minimum 50% of voting share or voting rights of the target company to a minimum 33%.

The fundamental principle of any scheme of takeover including via SoA must be transparent, fair and with sufficient time given to non-interested shareholders to consider the merits of the scheme to make informed decision.

As far as the recent amendment is concerned, only the threshold level has been changed. This would mean that the new threshold level requires approval from more disinterested shareholders for the scheme to go through compared to the previous rule. In addition, more dissenting votes are required to stop the scheme, which means that more disinterested shareholders (which normally include the minority shareholders) will be required to vote in the meeting for the scheme to be approved.

We also noted that the amendment could mean that it is easier for controlling shareholder to seek to take a company private. Nevertheless, as we have mentioned earlier, the protection accorded by the SoA would still remain as:

- (i) More disinterested shareholders need to make decision; and
- (ii) The oversight authority of the Court and the SC would still be there.

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

TENAGA NASIONAL BHD ("TNB") / TADMAX RESOURCES BERHAD ("TRB")

TNB announced that the company has received a copy of the letter from Suruhanjaya Tenaga in relation to the conditional award to TRB in consortium with TNB to develop a new 1,000MW combined cycle gas-fired power plant in Pulau Indah, Selangor.

TNB will be evaluating the offer as well as its role in the project and will make an announcement accordingly as and when there is material development on this matter.

[Source: TNB's announcement on Bursa Malaysia's website on 10 August 2016]

MSWG'S COMMENTS:

The conditional award to Tadmax for the development of a new 1,000MW gas-fired power plant without the knowledge of TNB was disconcerting to shareholders of TNB. Even though TNB later announced that it had received a letter from the Energy Commission regarding the award and mentioned it will be evaluating the project development in collaboration with Tadmax, we urge TNB to be more vigilant and transparent in the evaluation process to ensure that Tadmax would be an appropriate partner and its Pulau Indah lands be the suitable point for the project development.

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

CIMB GROUP HOLDINGS BERHAD ("CIMB Group")

The Board of CIMB Group had on 15 June 2016 announced a special interim dividend by way of distributing 1,366,988,057 existing Class B ordinary shares of par value IDR 50 each ("Dividend Shares") in PT Bank CIMB Niaga Tbk ("CIMB Niaga"), a 97.94% indirect subsidiary of CIMB Group, to entitled shareholders of the company ("Dividend-In-Specie") for the financial year ended 31 December 2016.

CIMB Group had later on 9 August 2016 announced that shareholders of CIMB Group whose names appear in the Record of Depositors on the Entitlement Date in relation to the Dividend-in-Specie, be given an option to sell their entitlements in the Dividend Shares ("Monetisation Option").

The Price per Entitlement is fixed at IDR504. IDR504 is the value per Dividend Share based on the 5-market day volume weighted average price of CIMB Niaga shares up to and including 15 June 2016, which was the date of the Initial Announcement. The Price per Entitlement represents a 49.4% discount to IDR996, which is the 5-market day volume weighted average price of CIMB Niaga shares up to and including 4 August 2016, which is the latest practicable date prior to the printing of the Notice of Election.

[Source: CIMB Group's announcements on Bursa Malaysia's website on 15 June 2016 and 9 August 2016]

MSWG'S COMMENTS:

MSWG believes that CIMB Group could have addressed the free float issue much earlier instead of waiting at the point when IDX enforcing the rule of free float. Saying this, CIMB Group had taken measures to address the issue by giving alternative options to its shareholders:

- (i) To keep the CIMB Niaga shares, which is currently trading at IDR 970, for long term gains;
- (ii) To dispose the CIMB Niaga shares at the Indonesian stock exchange through your current local brokers at the prevailing market price in IDR minus brokerage fees (this would also include potential foreign exchange gains and losses); and
- (iii) To monetise the CIMB Niaga shares by selling their entitlements in the dividend shares immediately to third parties at a price of IDR504, represents a 49.4% discount to IDR996, which

is the 5-market day volume weighted average price of CIMB Niaga shares up to and including 4 August 2016.

We noted the concerns raised by some retail shareholders such as the complicated structure of the plan making it difficult to understand the merits of the options available. Stating that, MSWG hopes that CIMB Group would address such concerns and explain the merit of each option.

As a whole, we see no compromise on the shareholder value and at the same time, CIMB Niaga would remain listed. However, MSWG believes investors should evaluate each option available to them.

MSWG'S WATCHLIST

WINTONI GROUP BERHAD ("WINTONI")

The Board of Directors of Wintoni announced that the issuance of the Annual Report has been delayed as the auditors' and directors' reports for the financial year ended 31 December 2015 ("AFS 2015") of the company has not been completed. This is mainly due to the previous break-ins that occurred at the company's premises which resulted in loss of equipments and documents. The company is currently in discussion with potential sponsors who have indicated that they may consider taking the role of Sponsor for Wintoni for the purpose of its regularisation plan subject to, amongst others, Wintoni submitting its annual report for the financial year ended 31 December 2015 to Bursa Securities. The company has also sought Bursa Securities' approval to grant a further extension of time of one (1) month up to 25 August 2016 for Wintoni to appoint a Sponsor as per Rule 8.04(3)(a)(ii) of the Listing Requirements ("Extension of Time"). The company is expected to issue the Annual Report to the shareholders within 2 weeks from 25 August 2016, i.e. 8 September 2016.

The company has also been informed by the Auditors that the draft Audited Financial Statements has been reviewed by them and the last step that is required is for the audit report to be signed off and the auditors required additional time prior to signing off on the Audited Financial Statements due to their internal compliance procedures. The company expects the Auditors to sign off on the draft Audited Financial Statements by 19 August 2016. The company will then require additional time to finalise the design and contents of the Annual Report prior to printing and sending of the Annual Report to the company's shareholders on the targeted date of 8 September 2016.

[Source: Wintoni's announcement on Bursa Malaysia's website on 11 August 2016]

PETRONAS CHEMICAL Group BERHAD ("PETCHEM")

PetChem announced that an ammonia leakage occurred on 16 August 2016 at the Petronas Chemicals Fertiliser Sabah Sdn Bhd's plant.

The leak affected five workers belonging to a contractor company who were performing maintenance work during commissioning activities of the Sabah Ammonia Urea plant. An Emergency Response Team was immediately mobilised and contained the situation.

PetChem regrets to inform that two fatalities had been reported. The other three affected workers received medical treatment at the hospital. Two have been subsequently released while one is

reported stable and under observation. The incident posed no immediate threat to the surrounding communities or environment.

Meanwhile, PetChem continues to work closely with all relevant authorities in ensuring the safety of the people in the vicinity. An investigation has been initiated and is currently ongoing.

[Source: Media release on PetChem's website on 16 August 2016]

LOCAL NEWS AND DEVELOPMENTS

Bank Negara: Economy grew by 4.0 per cent in second quarter

<http://www.nst.com.my/news/2016/08/165031/bank-negara-economy-grew-40-cent-second-quarter>

Malaysia's June industrial output up 5.3% on year

<http://www.theedgemarkets.com/my/article/malaysias-june-industrial-output-53-year?type=Corporate>

Volatility is the new norm: Bank Negara

<http://www.thesundaily.my/news/1936066>

Bursa Malaysia enables multi-currency for fixed income instruments

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/4409>

Shell Malaysia pledges RM125mil for social investment

<http://www.thestar.com.my/business/business-news/2016/08/11/shell-malaysia-pledges-rm125mil-for-social-investment/>

New corporate governance measures not imposed retrospectively, says BNM

<http://www.theedgemarkets.com/my/article/new-corporate-governance-measures-not-imposed-retrospectively-says-bnm?type=Corporate>

Cover Story:Corporate Malaysia paid lower dividends in 1Q2016

<http://www.theedgemarkets.com/my/article/cover-storycorporate-malaysia-paid-lower-dividends-1q2016?type=Corporate>

Passenger numbers at Malaysian airports up 8.5% in July

<http://www.theedgemarkets.com/my/article/passenger-numbers-malaysian-airports-85-july?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

Japan's economy stalls in April-June, casts doubts on Abe's policies(Update)

<http://www.thestar.com.my/business/business-news/2016/08/15/japans-economy-stalls-in-april-june-casts-doubts-on-abes-policies/>

China's economic activity slows in July as reforms begin to bite

<http://www.thestar.com.my/business/business-news/2016/08/12/china-economic-activity-slows-in-july-as-reforms-begin-to-bite/>

Weak U.S. retail sales, inflation data dim prospect of Fed rate hike

<http://www.thestar.com.my/business/business-news/2016/08/13/weak-us-retail-sales-inflation-data-dim-prospect-of-fed-rate-hike/>

IMF sees ECB focusing on more asset-buying as rate cuts near limit

<http://www.thestar.com.my/business/business-news/2016/08/12/imf-sees-ecb-focusing-on-more-assetbuying-as-rate-cuts-near-limit/>

Indonesia president considers cutting corporate tax rate to 17%

<http://www.thestar.com.my/business/business-news/2016/08/10/indonesia-president-considers-cutting-corporate-tax-rate/>

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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 Tadmax Resources Berhad and Wintoni Group 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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