



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

23 September 2016

MESSAGE FROM THE CEO

For information of readers, we noted that there had been cumulative net foreign inflow into the local share market which stood at +RM2.38 billion year-to-date. This is in stark contrast to the -RM19.5 billion in 2015 and -RM6.9 billion in 2014.

However, key interest rate decisions in Japan's BoJ and US Federal Reserve's (Fed) rate policy continues to dictate global sentiment and funds flow.

With the Fed's decision to keep rates steady this week, it seems clear that with recent US economic data being on the soft side – most importantly the September jobs report, where payrolls were shy of expectations, we are not surprised that the Fed did not move to tighten rates.

The markets nevertheless still expect a move for this year to perhaps two rate hike (which is likely to happen at the Fed's December meeting), not the four previously expected, underlining the trepidatious nature this rate-lifting cycle is proving to be.

The same must also be said of the Bank of Japan, which not only left its own interest rate policy in negative territory last week, but also did not rule out the possibility of more cuts.

As the US and Japanese economies grapple with the uncertainties, so too will Malaysia. With our own economic slowing, there are various measures being mooted to invigorate the local economy, including the recent proposal to allow developers to offer housing loans.

While such a move could cause the desired uptick in economic activity in the short to medium term, there are however many downsides to this measure.

First, that it would be risky to offer top-up loans to borrowers unable to raise the requisite deposits to purchase a property, since these down payments are a safety net.

To allow one to borrow this sum and at the extremely costly rates of 12-18% per annum, would set into motion a time bomb that could detonate in the future. The global financial crisis of 2008 was set into motion by subprime mortgages, a similar product profile to the customers this plan is aimed at.

Secondly and just as importantly, property developers becoming lenders (with the requisite levels of capitalisation) could cause them to deviate from their core activity. This could introduce unnecessary risks to a system that already has the highest household debt in ASEAN.

Separately, with the AGM season still in full swing, it appears that the yearly conflict between ICapital (ICAP) and one of its shareholders City of London Investment Management (CLIM) is showing no sign of abating.

CLIM's claimed objections sit on two fronts: the discount of ICAP's share price to Net Asset Value (NAV), and its persistently high cash levels of over 50%, on which unitholders are paying fund management and investment research fees. These objections appear justified.

As such, CLIM is pursuing the same route as it did last year: to oppose the re-election of ICAP's directors, to ask for a return of excess cash to shareholders and to embark on a share repurchase program. We hope that ICAP shareholders would attend the AGM to hear out the Board and vote on resolutions tabled by the company.

Regards,

Rita

MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

ICAPITAL.BIZ BERHAD ("ICAP")

ICAP will hold its 12th Annual General Meeting ("AGM") on 24 September 2016 at 9 a.m. at the Kuala Lumpur Convention Centre, Kuala Lumpur. City of London Investment Management Limited ("CLIM"), which holds 15.7% of ICAP shares, had indicated that they will oppose the re-election of directors, including Madam Leong So Seh, at ICAP's AGM.

[Source: ICAP's announcement on Bursa Malaysia's website on 29 August 2016]

MSWG'S COMMENTS:

CLIM, which is the single largest substantial shareholder of ICAP, had indicated it will not vote for the re-election of Madam Leong So She. Purportedly CLIM claimed that ICAP had not responded to its letter dated 26 August 2015 citing ICAP's poor performance and the persistent wide discount to NAV. [Link: <http://www.iii.co.uk/research/LSE:CLIG/news/item/2111078/letter-icapitalbiz-berhad?context=LSE:CLIG>]

Whilst we believe CLIM has the right to raise concerns on the fund operations, we also note that these concerns had been addressed by ICAP at its AGM on 19 September 2015. Whether or not CLIM's representative attended this meeting, unfortunately, cannot be verified.

We urge all shareholders of ICAP to attend the AGM on 24 September 2016 and make an informed decision after considering all the views from both sides.

MALAYSIA PACKAGING INDUSTRY BERHAD (“MAYPAK”)

The Board of Directors of Maypak (“Board”) announced that it had been informed by Taisei Lamick Co., LTD (“TLC”) that the SPA between TLC and Toyo Seikan Co., Ltd (“TSCL”) in relation to the Proposed Acquisition has been declared as unconditional on 15 September 2016.

The Board also announced that the company had on even date received a notice of unconditional mandatory take-over offer (“Notice”) from RHB Investment Bank Berhad on behalf of the Offeror to acquire all the remaining ordinary shares of RM1.00 each in Maypak not already held by the Offeror (“Offer Shares”) at a cash offer price of RM0.65 per Offer Share (“Offer”).

In accordance with the Rules on Take-overs, Mergers and Compulsory Acquisition, the Board (save for Mr. Mitsuru Hiramuki and Mr. Akihiko Takano, who are deemed interested in the Offer) has resolved to appoint Mercury Securities Sdn Bhd as the independent adviser to advise the non-interested directors and holders of the Offer Shares in relation to the Offer.

[Source: Maypak’s announcement on Bursa Malaysia’s website on 15 September 2016]

MSWG’S COMMENTS:

TLC had on 29 July 2016 proposed to acquire 54.95% of Maypak shares from TSCL at a price of RM0.166 per Maypak share (“Proposed Acquisition”) and TLC would need to extend mandatory general offer to acquire all the remaining Maypak shares (“MGO”).

Upon the completion of the Proposed Acquisition, TSCL waived all the outstanding amounts owing by the company to TSCL of approximately RM32,770,796. Following this, the net asset per share of Maypak increased from RM0.54 to RM1.32.

Even though the latest cash offer price of RM0.65 for the MGO is higher than the offer price of RM0.166 for the Proposed Acquisition and at a premium of 13% to the market price of RM0.575 as at 14 September 2016 (a day prior to the announcement of MGO on 15 September 2016), the MGO offer price of RM0.65 is still at a significant discount up to 50.8% to the latest net asset per share of RM1.32. Hence it is now up to the offerees to assess both fairness and reasonableness of the MGO offer.

MULTI SPORTS HOLDINGS LTD (“MSPORTS”)

According to the announcement released by Msports on 21 September 2016, Bursa Malaysia was informed on 20 September 2016 on the following developments concerning Msports:

Mr Paramjit Singh Gill, being the beneficial holder of 72,198,300 ordinary shares, representing 11.898% of the issued and paid-up share capital of Msports, had on 19 September 2016 issued to its shareholders a Notice of Special General Meeting (“SGM”) pursuant to Section 74 of the Companies Act 1981 of Bermuda (“Notice of SGM”). The Special General Meeting will be held at Ballroom, Royal Selangor Club, Jalan Raja, Dataran, 50704, Kuala Lumpur, Wilayah Persekutuan, on 4 October 2016, at 3.00 p.m.

[Source: Msports’s announcement on Bursa Malaysia’s website on 21 September 2016]

MSWG'S COMMENTS:

We have stated in our previous newsletter that the SGM is to appoint five additional independent Malaysian directors to the Board of Msports. As such, we urge all shareholders of Msports, especially the minority shareholders to attend the SGM to discuss on the measures to be taken for reviewing the company's operations and to work towards lifting the company out of suspension of trading on Bursa Malaysia, and to vote on the proposed resolutions for the appointment of five new directors.

MSWG'S WATCHLIST

PARKSON HOLDINGS BERHAD ("PHB")

Parkson Retail Group Limited ("PRGL"), a 54.67% owned subsidiary of PHB announced that on 13 September 2016, PRGL and the vendor, an indirect wholly-owned subsidiary of PHB, entered into an equity transfer framework agreement ("EFA") for the disposal of the entire equity interests in a wholly-owned China subsidiary and the relevant Shareholder's Loan ("Transactions").

The Board further clarified that arising from the Transactions and on the assumption that the Transactions are completed in the financial year ending 30 June 2017:

- (a) the earnings of the Parkson Holdings Berhad Group ("Group") for the financial year ending 30 June 2017 will be higher by approximately RM300 million (28 sen per share);
- (b) on a proforma basis, the net assets of the Group based on the audited consolidated statement of the financial position as at 30 June 2015 will be higher by approximately RM300 million (29 sen per share);
- (c) there is no effect on the issued and paid-up capital and the substantial shareholders' shareholding in the Company; and
- (d) there is no material impact on the gearing of the Group.

(For the purpose of this announcement, the exchange rate of RMB1.00: RM0.61 is assumed)

[Source: PHB's announcement on Bursa Malaysia's website on 13 September 2016]

LION CORPORATION BERHAD ("LION CORP")

The Board of Directors of Lion Corp clarified in an announcement that the company had in its Interim Financial Reports for the quarters ended 31 March 2016 and 30 June 2016 reported that Megasteel Sdn Bhd ("Megasteel") had temporarily ceased operation following the announcement in January 2016 by the Ministry of International Trade and Industry that the Government had terminated the investigation for the Safeguard Petition on imported Hot Rolled Coils ("Government Decision") and this had further impacted Megasteel's operations which resulted in the retrenchment of its staff.

[Source: Lion Corp's announcement on Bursa Malaysia's website on 14 September 2016]

SONA PETROLEUM BERHAD (“SONA PETROLEUM”)

The Board of Directors of Sona Petroleum updated that Law Asia Pte Ltd’s Claim had been settled by a third party, without admission of liability on the part of Sona Petroleum.

The Board also informed that the High Court of Malaya at Kuala Lumpur had on 15 September 2016 granted an order (“Order”) to wind up the company and to appoint Lim San Peen and Datuk Mohd Anwar bin Yahya, both of PricewaterhouseCoopers Advisory Services Sdn. Bhd., as the joint and/or several liquidators of the company. The total gross amount of monies held in the cash trust account is RM543,251,582.23. Therefore, the gross distribution value is equivalent to RM0.4938 per share (excluding tax and other distribution costs).

Following the abovementioned, the trading in Sona Petroleum’s shares will be suspended with effect from 27 September 2016.

[Source: Sona Petroleum’s announcement on Bursa Malaysia’s website on 19 September 2016]

SCAN ASSOCIATES BERHAD (“SCAN ASSOCIATES”)

The Board of Directors of Scan Associates announced that the company had on 19 September 2016 submitted an application to Bursa Malaysia for the appeal against the de-listing of the securities of Scan Associates and are seeking for an extension of time of one (1) year for the submission of a regularisation plan to Bursa Malaysia.

[Source: Scan Associates’ announcement on Bursa Malaysia’s website on 19 September 2016]

LOCAL NEWS AND DEVELOPMENTS

Foreign IPOs on Bursa: did we let the black sheep in?

<http://www.theedgemarkets.com/my/article/foreign-ipos-bursa-did-we-let-black-sheep?type=Corporate>

Malaysian palm export tax to dampen demand, but output under pressure

<http://www.thestar.com.my/business/business-news/2016/09/16/malaysian-palm-export-tax-to-dampen-demand-but-output-under-pressure/>

CLIM to vote against re-election of ICAP director

<http://www.thestar.com.my/business/business-news/2016/09/16/clim-to-vote-against-reelection-of-icap-director/>

World Bank: Malaysia outperforms regional peers in 2016, but slips in logistic performance ranking

<http://www.theedgemarkets.com/my/article/world-bank-malaysia-outperforms-regional-peers-2016-slips-logistic-performance-ranking?type=Corporate>

Bursa plans Indonesia syariah stock trading link

<http://www.thestar.com.my/business/business-news/2016/09/16/bursa-plans-indonesia-syariah-stock-trading-link/>

Property launches continue to decline: Survey

<http://www.thesundaily.my/news/1971319>

Malaysia to launch world's first Islamic venture capital fund

<http://www.thesundaily.my/news/1972719>

GLOBAL NEWS AND DEVELOPMENTS

Fed meeting grabs spotlight amid volatility comeback

<http://www.theedgemarkets.com/my/article/fed-meeting-grabs-spotlight-amid-volatility-comeback?type=Corporate>

Weak US retail sales dim Fed September rate hike prospects

<http://www.theedgemarkets.com/my/article/weak-us-retail-sales-dim-fed-september-rate-hike-prospects?type=Corporate>

China Q3 business confidence index rises, survey finds

<http://www.themalaymailonline.com/money/article/china-q3-business-confidence-index-rises-survey-finds>

Japan's finance industry lobbies against deeper BOJ negative rates

<http://www.thestar.com.my/business/business-news/2016/09/16/japan-finance-industry-lobbies-against-deeper-boj-negative-rates/>

New York AG investigating Exxon's accounting practices

<http://www.thestar.com.my/business/business-news/2016/09/17/new-york-ag-investigating-exxons-accounting-practices/>

Indonesia 2016 budget deficit may swell to 2.7% of GDP

<http://www.thestar.com.my/business/business-news/2016/09/17/indonesia-2016-budget-deficit-may-swell/>

U.S. regulators announce recall of 1 million Samsung phones

<http://www.theedgemarkets.com/my/article/us-regulators-announce-recall-1-million-samsung-phones?type=Corporate>

US seeks US\$14 billion from Deutsche Bank over mortgage bonds

<http://www.nst.com.my/news/2016/09/173500/us-seeks-us14-billion-deutsche-bank-over-mortgage-bonds>

World Bank chief Kim heads for 2nd term, as no other nominees

<http://www.nst.com.my/news/2016/09/173181/world-bank-chief-kim-heads-2nd-term-no-other-nominees>

Singapore's Swiber to default on coupon payment

<http://www.thestar.com.my/business/business-news/2016/09/18/singapore-swiber-to-default-on-coupon-payment/>

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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 Malaysia Packaging Industry Berhad and Scan Associates 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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