

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

Incorporated in Malaysia * Company No. 524898-M

The Observer

03 March 2017

VOICE OF MSWG

It was a decade ago that Sime Darby embarked on a major merger corporate exercise together with Golden Hope Plantations Bhd and Kumpulan Guthrie Bhd to form Sime Darby Bhd (SDB). Unfortunately, the results have not been as expected. Although from FY 2008 to FY 2016, the net assets per share had increased from RM3.61 to RM5.10, basic earnings per share declined from 59.63 sen to 38.4 sen and ROE slipped from 18% to 7.6% for the same period.

SDB's latest announcement to pursue a "pure-play strategy" involving the creation of standalone listed entities in the plantation, property and trading & logistics sectors to "unlock sustainable value" is welcome. MSWG views this "demerger" exercise positively, especially in view of the current weak market conditions. Nevertheless, whether shareholders can expect brighter days ahead will depend on how the existing common debts and assets will be allocated across the three entities and its execution. We look forward to more details on the implementation measures and indicative timelines.

Separately, as the peak season for AGMs will soon be here, we wish to highlight two (2) AGM issues which we believe are important to shareholders. Firstly, MSWG strongly recommend companies to publish on their website quality disclosures of proceedings of AGM within two (2) months after the date of their AGM. We noted there are companies that have yet to comply with the Bursa Malaysia's Listing Requirements that require PLCs to publish a summary of key matters discussed at AGMs effective for AGMs held on or after 1 July 2016.

Secondly, Section 230 of the new Companies Act 2016 requires directors' fees and any benefits payable to directors to be approved by shareholders at the AGM. In this regard, we wish to commend Bursa Malaysia for its exemplary practice by tabling directors' fees and total remuneration paid to its non-executive directors at its coming AGM on 29 March 2017. Bursa Malaysia had also disclosed full details of fees and remunerations in its AGM notice dated 1 March 2017. We hope other companies will emulate this practice.

The 3.2% inflation rate reported for January this year is the highest in eleven months. We are concerned that such rising costs might derail the better performances already seen in the financial services, consumer and resource companies. Let us hope that the inflation rate will not worsen.

THE MSWG TEAM

MARKET AND REGULATORY UPDATE

BURSA MALAYSIA REVISED TWO FRAMEWORKS TO IMPROVE MARKET LIQUIDITY AND PRICE DISCOVERY FOR A MORE DEVELOPED CAPITAL MARKET ECOSYSTEM

Bursa Malaysia had on 27 February 2017 announced the revised Tick Rule on Regulated Short Selling (“RSS”) and the Securities Borrowing and Lending - Negotiated Transactions (“SBL-NT”) Failed Trade Proposal frameworks to further facilitate market development.

The revised Tick Rule will allow RSS orders to be executed at the best current asking price or higher. It will provide greater price flexibility to market participants in conducting RSS and enhance the price discovery process and market liquidity.

Under the SBL-NT Failed Trade Proposal’s new framework, investors are now allowed to borrow securities for the settlement of potential failed trades rather than be subjected to the buying-in process. Using this facility, investors can now mitigate the costs of genuine trade errors in the market.

The rule amendments have been approved by the Securities Commission Malaysia.

[Source: Media release on Bursa Malaysia’s website on 27 February 2017]

MSWG’S WATCHLIST

ALLIANZ MALAYSIA BERHAD (“AMB”)

AMB announced that its general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad (“AGIC”), has on 22 February 2017 received from the Malaysia Competition Commission (“MyCC”) notice of its proposed decision (“Proposed Decision”) that AGIC and all the other 21 general insurers who are members of Persatuan Insurans Am Malaysia (“PIAM”) have infringed one of the prohibitions under Part II of the Competition Act 2010 (“CA”). The Proposed Decision is in respect of MyCC’s investigation on the alleged infringement in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners’ Association Of Malaysia (“FAWOAM”) on trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by AGIC pursuant to a members’ circular issued by PIAM, which arose from Bank Negara Malaysia’s directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AMB, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty. The Proposed Decision is not final and AGIC, in consultation with its legal advisers will take all appropriate actions to defend its position that it has not infringed Section 4(2)(a) of the CA.

[Source: AMB’s announcement on Bursa Malaysia’s website on 24 February 2017]

LOCAL NEWS AND DEVELOPMENTS

Reach board changes test SPAC rules

<http://www.thestar.com.my/business/business-news/2017/02/27/reach-board-changes-test-spac-rules/>

MyCC imposes RM213.45m penalty on general insurers

<http://www.thesundaily.my/news/2175999>

Scan Associates reveals details of director's breach of duties after five months

<http://www.theedgemarkets.com/my/article/scan-associates-reveals-details-director%E2%80%99s-breach-duties-after-five-months?type=Corporate>

Malaysia's consumer price index up 3.2% in Jan

<http://www.thestar.com.my/business/business-news/2017/02/23/cpi-up-32-in-january/>

Malaysian Economic Indicators: Leading, Coincident & Lagging Indexes December 2016

https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=82&bul_id=0StsWTRMODFKZ045b0xmNUtmbDIOQT09&menu_id=YmJrMEFKT0p0WUlxBDl1bzZydW9JQT09

Bank Negara's international reserves stay at US\$95bil

<http://www.thestar.com.my/business/business-news/2017/02/22/bank-negara-international-reserves-stay-at-usd95bil/>

Bursa kick-starts research scheme

<http://www.theedgemarkets.com/my/article/bursa-kick-starts-research-scheme?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

India's Q4 economic growth seen slowing to near 3-year low

<http://www.thestar.com.my/business/business-news/2017/02/24/india-q4-economic-growth-seen-slowing-to-near-3-year-low/>

China home price growth cools for 4th straight month as govt curbs bite

<http://www.thestar.com.my/business/business-news/2017/02/22/china-home-price-growth-cools-for-4th-straight-month-as-govt-curbs-bite/>

China says no intention of using currency devaluation to its advantage

<http://www.theedgemarkets.com/my/article/china-says-no-intention-using-currency-devaluation-its-advantage?type=Corporate>

Wall St opens lower as energy, finance stocks weigh

<http://www.theedgemarkets.com/my/article/wall-st-opens-lower-energy-finance-stocks-weigh?type=Corporate>

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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.*
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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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