



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

17 February 2017

VOICE OF MSWG

MSWG welcomes the introduction of a revised auditor reporting standards which will affect audits of financial statements for periods ended on or after 15 December 2016. We believe the new standards will enhance transparency and fulfils relevant ethical responsibilities which we hope will lead to greater investor confidence.

The most significant requirements under the new standards is the inclusion of a section called “Key Audit Matters” in the Audit Report. This section requires auditors to describe matters that are significant based on their own judgement and how such matters were to be addressed in the audit. This would provide stakeholders with more in-depth information on the Company, financial as well as governance matters.

We are pleased to mention that MSWG, in collaboration with MIA and supported by Bursa will be organising a half-day programme to discuss the new era of auditor reporting on 6 March 2017 at Bursa Malaysia. We strongly encourage investors to attend this event to gain an insight of the new audit reporting standards.

It is perhaps noteworthy to mention that in the Edelman Trust Barometer 2017 covering some 28 countries, Malaysia has for the first time fallen on the “distrustful” end of the index. It was in “neutral” zone in 2016. Among other things, the Barometer gauges respondents’ trust in the government, business, media and NGOs. The “global” survey which was conducted online also showed that CEO credibility had decreased the most, dropping to an all-time low for the change from 2016 to 2017.

Without question, as we embark on another year where global pressures are combining with domestic challenges, all the key stakeholders as mentioned must do so much more to ensure that faith is returned to the system

THE MSWG TEAM

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD ("SRC")

The Board of Directors of SRC ("Board") had, on 6 February 2017, announced that the company proposes to change its name from "SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD" to "HENGYUAN REFINING COMPANY BERHAD" (Proposed Change of Name").

Malaysian Hengyuan International Ltd (MHIL), completed the purchase of 51% stake in SRC from Shell Overseas Holdings Ltd (SOHL) at an offer price of RM1.92 in December 2016. The acquisition of MHIL became unconditional on 19 December 2016. The unconditional take-over offer to acquire all the remaining 49% shares in SRC was extended to the remaining shareholders. The closing date of the offer was at 5pm on 31 January 2017. On the closing date, SRC only managed to receive acceptances of additional 0.02% of SRC's paid-up share capital.

MHIL did not make any extension to the original deadline for acceptances.

[Source: SRC's announcement on Bursa Malaysia's website on 7 February 2017]

MSWG'S COMMENTS:

The takeover offer of RM1.92 per offer share made by the offeror represents deep discounts to both the intrinsic value as well as the market price of SRC that even the Board of SRC advised shareholders to reject the offer.

As the offer is unconditional and the offeror intends to maintain the listing of SRC, minority shareholders who do not accept the offer would have to patiently monitor the transition, including the Proposed Change of Name, amid the emergence of the new controlling shareholder, Malaysia Hengyuan International Limited ("MHIL") who has the war chest to refinance SRC's debt and to carry out the required upgrade to SRC's plant.

WCT HOLDINGS BERHAD ("WCT")

The Board of Directors of WCT announced that the Board has resolved to undertake the proposed placement of up to 125,000,000 new ordinary shares of RM0.50 each in WCT ("Proposed Placement") , representing approximately 10% of the existing issued and paid-up share capital of the company (excluding treasury shares).

[Source: WCT's announcement on Bursa Malaysia's website on 18 January 2017]

MSWG'S COMMENTS:

While the Proposed Placement of WCT representing 10% of the company's share is just like another usual way of fund raising exercise by other listed company, we would like to reiterate our stand that the identity of the places and their credentials should be made known to shareholders. Listed companies should ensure placement shares are allocated to parties who are high-quality and strategic investors rather than friendly parties to the major shareholder.

MULTI-SPORTS HOLDINGS LTD (“MSHL”)

The Board of Directors of MSHL (“the Board”) announced that the company was unable to release the outstanding annual report 2016 and quarterly results dated 30 June 2016 and quarterly results dated 30 September 2016 (collectively referred to as “Outstanding Quarter Results”) on 14 February 2017.

Discussions with the company’s auditors, RT LLP, on the outstanding annual report and audit fees are ongoing. The Board in Malaysia has also just received details of alleged unreported finance transactions and litigation involving the company’s operating subsidiary in China, Jinjiang Baixing Shoe Materials Ltd, and the senior management of the company. Should the allegations be validated, such information would be material and would need to be incorporated into the outstanding annual report.

[Source: MSHL’s announcement on Bursa Malaysia’s website on 13 February 2017]

MSWG’S COMMENTS:

The latest alleged corporate scandals in MSHL dealt another blow to the shareholders’ faith in the China-based listed company. We urge our local regulators to take timely regulatory actions such as demanding a special audit on MSHL’s accounts and if wrongdoing is ascertained, to mete out the necessary penalties on the parties involved.

Given the relatively high incidence of corporate irregularities involving China-based listed companies, the regulators should also closely monitor disclosure of China-based companies, including those which show large swings in financial positions and performance.

MSWG’S WATCHLIST

KINSTEEL BHD (“KINSTEEL”)

Further to the announcement dated 27 September 2013 in relation to the approval received from Corporate Debt Restructuring Committee (“CDRC”) to assist in the mediation between Kinsteel and its subsidiaries with their lenders and the announcement dated 27 February 2015 on the execution of a debt restructuring agreement between Kinsteel, Perfect Channel Sdn Bhd and their lenders (“DRA”), Kinsteel on 13 February 2017 announced that the Company has not been able to fulfil the conditions precedent in the DRA. Following the lapse of time under the DRA, the CDRC has notified the Company of its removal from CDRC’s purview effective 7 February 2017.

[Source: Kinsteel’s announcement on Bursa Malaysia’s website on 13 February 2017]

LOCAL NEWS AND DEVELOPMENTS

December industrial output up 4.7%, higher than forecast

<http://www.thestar.com.my/business/business-news/2017/02/10/december-industrial-output-up-4pt7pct-higher-than-forecast/>

Malaysia's total trade to grow 2.7% this year

<http://www.thesundaily.my/news/2156225>

Exports to grow 2-3% in 2017, says Mustapa

<http://www.theedgemarkets.com/my/article/exports-grow-2-3-2017-says-mustapa?type=Corporate>

Proton's strategic partner to be finalised after Wednesday, says Johari

<http://www.nst.com.my/news/2017/02/211815/protons-strategic-partner-be-finalised-after-wednesday-says-johari>

Reserves up, ringgit underperforms

<http://www.thestar.com.my/business/business-news/2017/02/11/reserves-up-ringgit-underperforms/>

Feb 6 forex rules changes not an easing of restrictions – BNM

<http://www.theedgemarkets.com/my/article/feb-6-forex-rules-changes-not-easing-restrictions-%E2%80%94-bnm?type=Corporate>

Perwaja aborts regularisation scheme

<http://www.thestar.com.my/business/business-news/2017/02/09/perwaja-aborts-regularisation-scheme/>

Johari: Govt considering ceiling for oil price

<http://www.theedgemarkets.com/my/article/johari-govt-considering-ceiling-oil-price?type=Corporate>

Bursa to introduce SME market in Q2

<http://www.thestar.com.my/business/business-news/2017/02/08/bursa-to-introduce-sme-market-in-q2/>

GLOBAL NEWS AND DEVELOPMENTS

China January exports, imports easily beat expectations

<http://www.thestar.com.my/business/business-news/2017/02/10/china-january-exports-and-imports-easily-beat-expectations/>

Wall Street hits records again, boosted by Trump economy hopes

<http://www.themalaymailonline.com/money/article/wall-street-hits-records-again-boosted-by-trump-economy-hopes>

Japan Q4 GDP grows 1.0 pct annualised on exports, capex

<http://www.theedgemarkets.com/my/article/japan-q4-gdp-grows-10-pct-annualised-exports-capex?type=Corporate>

Indonesia 4Q GDP growth below 5% on cooled consumption, govt spending

<http://www.theedgemarkets.com/my/article/indonesia-4q-gdp-growth-below-5-cooled-consumption-govt-spending?type=Corporate>

A section of Facebook shareholders want Mark Zuckerberg replaced by 'independent' chairman

<https://thetechportal.com/2017/02/07/facebook-shareholders-mark-zuckerberg-replaced/>

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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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