



MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

The Observer

06.07.2018

MESSAGE FROM THE CEO

Two Observations Relating to Directors at the AGM

Yes, again, we have passed the peak of the AGM season (May-June).

I would like to share two observations on directors and Chairman at the AGM sessions.

Directors who lack the mingling sensation

Some Chairman and directors take the trouble to mingle and chit chat with minority shareholders. This really endears them to the shareholders and adds a human touch to the board who are often seen high-up on a pedestal (literally) at the AGM.

The AGM, itself, is a formal structured event and it can sometimes come across as a dehumanising event, if not managed well.

Generally, there are three windows of opportunity for the directors to mingle with shareholders, exchange pleasantries and have brief chit-chats:

1. Before the AGM
2. When (and if) the AGM is adjourned temporarily for the tabulation of the poll results
3. After the AGM

Board members especially Chairman need to humanise themselves by engaging with minority shareholders. The goodwill created and brownie-points earned can be substantial.

Boards have separate private sessions for substantial shareholders which minority shareholders cannot attend. The AGMs are, thus, an excellent opportunity to generate goodwill by engaging with minority shareholders at a personal level.

Absence of board members at the AGM

The AGM is a once-a-year opportunity for the directors to engage with shareholders.

MSWG will query the absence of directors at the AGM as the AGM dates are notified much in advance by the Company to the directors. Generally, there should be no reason why a director should be absent.

Prior commitment is not an acceptable answer. Neither is 'overseas'. If it is an 'emergency', we will like to know the nature of the emergency.

The Chairman is not the sole spokesperson for the Board.

The Guidance to the MCGG (Malaysian Code on Corporate Governance) states that the presence of all directors at the AGM will provide opportunity for shareholders to effectively engage each director.

Given that, MCGG emphasised the requirements to publish the terms of reference of each board subcommittees and their respective activities in the annual report, having the chair of board subcommittees present facilitates these conversations and allows shareholders to raise questions and concerns directly to those responsible. More so, when during the year, we see resolutions tabled on the proposed enhanced remuneration package or new appointment of directors.

Going forward, MSWG may, as deemed fit, address questions directly to some of the directors on the board. As an example, we may address questions on directors' remuneration directly to the Chair of the Remuneration Committee or the NRC (Nomination and Remuneration Committee). We may address questions relating to the financial statements directly to the Chairman of the Audit Committee. And issues of long-tenure of independent directors may be addressed to the Chair of the Nominating Committee.

As envisaged by the MCGG, shareholders will increasingly direct questions to a particular member of the Board.

Regards,

Devanesan

6 July 2018

MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

LION INDUSTRIES CORPORATION BERHAD ("LICB")

The Board of Directors of LICB ("Board") announced that the company proposes to expand into the flat steel business through the proposed acquisitions of flat steel assets with a production capacity of 3.20 million metric ton ("MT") per annum of HRC and 0.70 million MT per annum of CRC ("Flat Steel Assets"). In this regard, the company and Megasteel Sdn Bhd ("Megasteel") had on 3 July 2018 entered into a Memorandum of Understanding ("MOU") for the following:

- (a) proposed acquisition by Oriental Shield Sdn Bhd ("Oriental"), a wholly-owned subsidiary of Lunas Cemerlang Sdn Bhd ("Lunas"), which in turn is a wholly-owned subsidiary of LICB, of all encumbered fixed and floating assets (including (i) land and buildings, plant and machineries and floating assets owned by Megasteel; and (ii) 500,000 ordinary shares, representing 100% equity interest in Secomex Manufacturing (M) Sdn Bhd ("Secomex"), a wholly-owned subsidiary of Megasteel ("Proposed Acquisition of Secomex") that are charged to the secured lenders of

Megasteel (“Megasteel Secured Lenders”) (“Megasteel Encumbered Assets” or “Encumbered Assets”) from Megasteel for a purchase consideration of approximately RM537.73 million which are payable by Oriental to the Megasteel Secured Lenders (“Purchase Consideration for Encumbered Assets”) (“Proposed Acquisition of Encumbered Assets”);

(b) proposed assignment to Gelora Berkat Sdn Bhd (“Gelora”), a wholly-owned subsidiary of Lunas, of the benefits accruing to the Megasteel Secured Lenders for the under-secured portion debts (“Under-Secured Benefits”) from the Megasteel Secured Lenders under the Secured Scheme for a cash consideration of RM8.50 million (“Purchase Consideration for Under-Secured Benefits”) or equivalent to approximately RM0.02 for every RM1.00 debt (“Proposed Acquisition of Under-Secured Benefits”); and

(c) proposed acquisition by Gelora of all the unencumbered assets of Megasteel (“Megasteel Unencumbered Assets” or “Unencumbered Assets”) for a cash consideration of approximately RM24.50 million (“Purchase Consideration for Unencumbered Assets”) (“Proposed Acquisition of Unencumbered Assets”).

On the same date, Oriental has also entered into a tri-partite agreement (“Tri-partite Settlement Agreement”) with Tenaga Nasional Berhad (“TNB”) and Megasteel for the proposed supply of electricity to LICB and its subsidiaries (“LIGB Group” or “Group”) including the proposed settlement of TNB’s entire claims against Megasteel for a cash consideration of RM35.80 million (“TNB Settlement Amount”) (“Proposed TNB Settlement”).

Effects of the Proposals on Net Assets (“NA”) and NA per share and gearing

For illustrative purposes, the proforma effects of the Proposals on the NA and NA per share and gearing of the LICB Group based on the Company’s latest audited consolidated financial statements as at the financial year ended (“FYE”) 30 June 2017 are as follows:

	Audited as at FYE 30 June 2017 RM'000	After the Proposals RM'000
Share capital	1,250,536	1,250,536
Reserves	458,144	405,794 ⁽ⁱ⁾
Net assets	1,708,680	1,656,330
Number of LICB Shares ⁽ⁱⁱ⁾ ('000)	680,804	680,804
NA per share (RM)	2.51	2.43
Total borrowings	236,090	782,320 ⁽ⁱⁱⁱ⁾
Gearing (times)	0.14	0.47

Notes:

(i) After taking into consideration the recovery from the disposal of the Megasteel Unencumbered Assets by Megasteel of RM4.28 million, estimated expenses of RM27.9 million (including stamp duty of RM7.9 million), consolidation arising from the Proposed Acquisition of Encumbered Assets of RM22.86 million and the impairment loss arising from the Megasteel Unencumbered Assets of RM5.82 million.

(ii) Excluding 37,105,300 treasury shares as at 30 April 2018.

(iii) Assuming the Purchase Consideration for Encumbered Assets of RM537.73 million and Purchase Consideration for Under-Secured Benefits of RM8.50 million are funded by borrowings. However, in the event part of the said consideration are funded by internally generated funds by the LICB Group, the gearing will be reduced accordingly.

[Source: LICB’s announcement on Bursa Malaysia’s website on 3 July 2018]

MSWG'S COMMENTS:

Paragraph 9.2 (above) of LICB's announcement dated 3 July 2018 indicates that the gearing will increase drastically after the Proposal, (from 0.14 to 0.47), if the funding is by borrowings. The net assets per share will also deteriorate after the Proposal from RM2.51 to RM2.43.

Such a situation is, prima facie, not in the best interest of the minority shareholders.

MSWG is monitoring the developments and we are currently awaiting the Independent Advice before we can take a firmer view of the Proposals.

MSWG'S AGM WEEKLY WATCH 9 - 13 JULY 2018

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

The summary of points of interest is highlighted here, while the details of the questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

Date & Time	Company	Venue
10.07.18 (Tue) 10.00 am	PPB Group Bhd (EGM)	Shangri-La Hotel Kuala Lumpur
11.07.18 (Wed) 11.00 am	Alliance Bank Malaysia Bhd (AGM)	InterContinental Kuala Lumpur, Jln Ampang
12.07.18 (Thur) 10.00 am	Yinson Holding Bhd (AGM)	Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1

Some of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Alliance Bank Malaysia Berhad (AGM)	Note 44(a)(iv), "Credit Risk", on page 195 of the Annual Report states that the gross impaired loans at group level has increased to RM577.5 million in FY2018 from RM393.3 million in FY2017. The Group's gross individually assessed impaired loans have also increased to RM209.9 million from RM129.1 million during the same period. What were the reasons for the increase? What measures have been taken to address this increase?
Yinson Holding Bhd (AGM)	The project in relation to the contract from Talisman Vietnam 07/03 B.V. for the supply, operation and maintenance of a FPSO facility for the Ca Rong Do field development in Vietnam was affected by a 'force majeure' event. Please provide an update on the matter.

MSWG'S WATCHLIST

CHINA AUTOMOBILE PARTS HOLDINGS LIMITED ("CAP")

The Board of Directors of CAP announced that the company is unable to issue the Outstanding Annual Report 2017 on 30 June 2018.

As of the date of the announcement, the company is still in the midst of finalising the audited financial statement for the financial year ended 30 June 2017 which covering the period from 1 January 2016 to 30 June 2017 ("AFS 2017").

The company is compiling the additional information and documents as requested by the Auditors. Barring unforeseen circumstances, the Board expects to issue the Outstanding Annual Report on or before 31 August 2018.

[Source: CAP's announcement on Bursa Malaysia's website on 29 June 2018]

TA ENTERPRISE BERHAD ("TAEB")

The Board of Directors of TAEB ("Board") announced that the Board had on 2 July 2018, received a notice of conditional mandatory take-over offer ("Notice") from TA Securities Holdings Berhad on behalf of Datuk Tiah Thee Kian ("Offeror"), to acquire all the remaining ordinary shares in TAEB not already owned by the Offeror and persons acting in concert with him (the "Offer Shares"), for a cash consideration of RM0.66 per Offer Share ("Offer").

In accordance with the Rules on Take-Overs, Mergers and Compulsory Acquisitions, the Board will appoint an independent adviser to advise the Company and the holders of the Offer Shares on the reasonableness of the Offer. The announcement of the appointed independent adviser will be made in due course.

A copy of the Notice is attached herewith and the same will be posted to all holders of the Offer Shares within seven (7) days from the date of this announcement.

[Source: TAEB's announcement on Bursa Malaysia's website on 2 July 2018]

LOCAL NEWS AND DEVELOPMENTS

Malaysia's total trade of service up 8.6% in 2017

<http://www.thesundaily.my/news/2018/06/29/malaysias-total-trade-service-86-2017>

Malaysia manufacturing sector deteriorated at a slower pace in June

<http://www.theedgemarkets.com/article/malaysia-manufacturing-sector-deteriorated-slower-pace-june>

Malaysia may give foreign insurers more time to sell stakes

<https://www.thestar.com.my/business/business-news/2018/06/29/malaysia-may-give-insurers-more-time-to-sell-stakes/#us0lAS9HkBUgLz7v.99>

MB Perak rejects proposed payment of PCB directors' fees and benefits

<https://www.nst.com.my/business/2018/06/385016/mb-perak-rejects-proposed-payment-pcb-directors-fees-and-benefits>

Up to Nazir if he wants to resign early, says Daim

<https://www.malaymail.com/s/1647553/up-to-nazir-if-he-wants-to-resign-early-says-daim>

PNB confirms Wahid Omar to leave PNB, Zeti to be new chairman

<http://www.theedgemarkets.com/article/pnb-confirms-wahid-omar-leave-pnb-zeti-be-new-chairman>

Mohd Sidek steps down as Petronas chairman

<https://www.thestar.com.my/business/business-news/2018/06/28/mohd-sidek-steps-down-as-petronas-chairman/#L4f1reM1PqSBbsH6.99>

Astro is not a GLC; says Rohana's resignation is unrelated to spate of departures from GLCs

<http://www.theedgemarkets.com/article/astro-not-glc-says-rohanas-resignation-unrelated-spate-departures-glcs>

1MDB sacks Arul Kanda

<http://www.theedgemarkets.com/article/1mdb-sacks-arul-kanda>

PH Government GLC chiefs to be truly professional, not highly-paid – Dr M

<http://www.theedgemarkets.com/article/ph-government-glc-chiefs-be-truly-professional-not-highlypaid---dr-m>

TNB announces shuffle in management team

<https://www.nst.com.my/business/2018/06/385257/tnb-announces-shuffle-management-team>

Palm oil sustainability group suspends Nestle on failure to submit report

<https://www.thestar.com.my/business/business-news/2018/06/29/palm-oil-sustainability-group-suspends-nestle-on-failure-to-submit-report/#S7WIPyZ8KcOUKmO3.99>

Companies to pay more for electricity from July 1

<https://www.thestar.com.my/business/business-news/2018/06/29/companies-to-pay-more-for-electricity-from-july-1/#HzbEHrRDpCYo1Cd4.99>

Hong Leong MSIG Takaful to exit general business

<https://www.thestar.com.my/business/business-news/2018/07/01/hong-leong-msig-takaful-to-exit-general-business/#WYVMtTrrXmKzk7MW.99>

Growth and corporate governance

<https://www.thestar.com.my/business/business-news/2018/06/30/growth-and-corporate-governance/>

EPF introduces flexible voluntary contribution from July 1

<http://www.theedgemarkets.com/article/epf-introduces-flexible-voluntary-contribution-july-1>

PM says substantial reduction of govt debt in next few months

<https://www.thestar.com.my/business/business-news/2018/06/28/pm-says-substantial-reduction-og-govt-debt-in-next-few-months/#RooLwCLx0hDIQYAH.99>

Jactim calls on government to review BNM limit on forex proceeds

<http://www.theedgemarkets.com/article/jactim-calls-government-review-bnm-limit-forex-proceeds>

Kuala Lumpur and Jakarta to counter anti-palm oil campaigns in Europe

<https://www.nst.com.my/business/2018/06/385586/kuala-lumpur-and-jakarta-counter-anti-palm-oil-campaigns-europe>

Renamed 'FGV' to distance group from Felda's woes

<http://www.thesundaily.my/news/2018/06/28/renamed-fgv-distance-group-feldas-woes>

SSM wants KPMG to clarify status of 1MDB audit reports

<http://www.thesundaily.my/news/2018/06/27/ssm-wants-kpmg-clarify-status-1mdb-audit-reports>

Take over offer for GSB Group falls through

<http://www.thesundaily.my/news/2018/06/29/take-over-offer-gsb-group-falls-through>

BNM: Financial markets faced selling pressure in May

<https://www.malaymail.com/s/1646917/bnm-financial-markets-faced-selling-pressure-in-may>

GLOBAL NEWS AND DEVELOPMENTS

China June official services PMI rises to 55.0

<https://www.malaymail.com/s/1647147/china-june-official-services-pmi-rises-to-55.0>

US first-quarter GDP growth revised down to 2.0pc

<https://www.malaymail.com/s/1646622/us-first-quarter-gdp-growth-revised-down-to-2.0pc>

U.S. manufacturers, steel makers battle over tariff relief

<http://www.theedgemarkets.com/article/us-manufacturers-steel-makers-battle-over-tariff-relief>

German data, not politics key for trade war watchers

<https://www.malaymail.com/s/1647087/german-data-not-politics-key-for-trade-war-watchers>

Euro zone inflation rises past ECB target on energy, food costs

<https://www.malaymail.com/s/1646971/euro-zone-inflation-rises-past-ecb-target-on-energy-food-costs>

Sterling rises before British GDP data release

<https://www.malaymail.com/s/1646969/sterling-rises-before-british-gdp-data-release>

Japan's jobless rate hits 26-year low

<https://www.nst.com.my/business/2018/06/385387/japans-jobless-rate-hits-26-year-low>

Japan's retail sales miss expectations as cautious consumers hold back

<https://www.nst.com.my/business/2018/06/384977/japans-retail-sales-miss-expectations-cautious-consumers-hold-back>

Yuan seen sliding to 2008 low as China policy shifts

<https://www.thestar.com.my/business/business-news/2018/06/30/yuan-seen-sliding-to-2008-low-as-china-policy-shifts/#4X8AqF8PPL2FGZJq.99>

Indonesia raises its reverse repo rate to 5.25% from 4.75%

<https://www.thestar.com.my/business/business-news/2018/06/30/indonesia-raises-its-reverse-repo-rate-to-525-from-475/#zvFbF7sM3wBbMExQ.99>

Trump says Saudi king agreed to raise oil production up to 2 million barrels

<https://www.malaymail.com/s/1647299/trump-says-saudi-king-agreed-to-raise-oil-production-up-to-2-million-barrel>

China blue chips hit 13-month low as trade fears falling yuan spook investors

<https://www.thestar.com.my/business/business-news/2018/06/27/china-blue-chips-hit-13-month-low-as-trade-fears-falling-yuan-spook-investors/#WfAUgorhOoOE2kWA.99>

Saudi economy starts to recover, set to accelerate as oil output rises

<https://www.thestar.com.my/business/business-news/2018/07/01/saudi-economy-starts-to-recover-set-to-accelerate-as-oil-output-rises/#qICe2tYZYHwYUrSl.99>

Bitcoin back above US\$6,000 to give respite to investors

<https://www.thestar.com.my/business/business-news/2018/07/02/bitcoin-back-above-us6000-to-give-respite-to-investors/#yOfk60duFcFzB2Wh.99>

Questioning Singapore's corporate governance standards

<http://www.theedgemarkets.com/article/questioning-singapores-corporate-governance-standards>

China opens up more of its economy to foreign investors

<http://www.theedgemarkets.com/article/china-opens-more-its-economy-foreign-investors>

China lends US\$1b to Pakistan to boost plummeting FX reserves, say sources

<https://www.malaymail.com/s/1647430/china-lends-us1b-to-pakistan-to-boost-plummeting-fx-reserves-say-sources>

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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 China Automobile Parts Holdings Limited.*

Feedback

We welcome your feedback on our newsletter and our work. Email us at corporateservices@mswg.org.my with your comments and suggestions.

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