

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

18 August 2017

## VOICE OF MSWG

### Listing of Dual-Class Shares

Bursa Malaysia's clarification that it has no plans to facilitate the listing of dual-class shares on Bursa Malaysia has come as a huge relief to us at the Minority Shareholder Watchdog Group (MSWG).

To do so would have been a huge disavowment of one of the central tenets of capital markets: that of one vote-one share. While other jurisdictions do allow it, notably the U.S., Brazil, Canada, France, Italy, Sweden, Switzerland, Denmark, Russia and Finland, the risks are there for all to see.

These run the gamut of abuse of management power, including prejudiced inter-company loans, mergers/acquisitions and related party transactions, all under the guise of 'owner knows best'.

Many of which, as we know, are merely different ways of looting the business for personal gain.

It is to avoid precisely these risks that in the U.S., the Council of Institutional Investors, whose members oversee more than \$23 trillion in assets under management, wants to bar non-voting shares from stock indexes -- even though American share indexes have themselves been the preferred market for companies that include Alibaba, Google and Snap.

Quite simply, Bursa has done the right thing and backed down from allowing dual-class shares, since the benefit -- if at all -- of attracting desirous companies would have been obviated over the long term by the potential offenses to market integrity and investor protection.

### Singapore Ringgit Futures: Yea or Nay?

Was Bank Negara right to chastise the Singapore Stock Exchange (SGX) and its Intercontinental Exchange (ICE) for introducing a ringgit futures contract?

It depends!

While the primary function of a Central Bank is to devise and implement monetary policies that provide consistent growth and employment while promoting the stability of the country's financial system, it is debatable whether it has the right and privilege to impose its diktat on other nations.

In a way, Malaysia's managed, non-internationalised currency has forced Bank Negara's hand.

This situation has forced participants in Malaysia's cash-based domestic market to hedge their onshore ringgit exposures on the Non-Deliverable Forwards (NDF) market, resulting in the offshore market dictating the direction of the Ringgit both on the up- as well as on the downside.

Redressing this sometimes extreme volatility has become a priority for Bank Negara in recent times, worsened by the reality that the Ringgit's value instead reflects sentiment, and not always economic fundamentals -- to the frustration of our policymakers.

That said, the ringgit remains a domestic issue -- hence the question of whether it even has the right to question another jurisdiction's decision to introduce a product that threatens policy. Especially when it comes from a financial centre that is probably only responding to market demand.

While Singapore's move was a theoretical offense to Malaysia policy in the main (and its uptake limited, given Malaysia's ongoing regional influence), the wider issue is whether the local currency remains valid in its current guise.

Or is it better served by becoming fully tradable internationally -- necessitating the required structural improvements that accompany such a status.

*MSWG TEAM*

*18 August 2017*

---

## **MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS**

### ***GOLDEN PLUS HOLDINGS BERHAD ("GPHB")***

According to the last announcement of GPHB on the website of Bursa Malaysia, the securities of GPHB had been removed from the Official List of Bursa Malaysia on 19 April 2016.

*[Source: GPHB's announcement on Bursa Malaysia's website on 14 April 2016]*

### **MSWG'S COMMENTS:**

GPHB was delisted from Bursa Malaysia as it had failed to announce / issue the company's annual audited accounts and annual report for the financial year ended 31 December 2010 and all quarterly reports, annual audited accounts due thereafter. The company had finally issued its past five (5) years annual audited accounts and annual report in August 2017 and held its AGM on 18 August 2017 at Nexus Resort & Spa Karambunai in Kota Kinabalu.

MSWG is a shareholder of GPHB and yet we did not receive any notice relating to the said AGM until a shareholder of GPHB informed us of the AGM several days before the meeting was held.

In view of the above, we are concerned whether the notice of GPHB's AGM had been properly served to all shareholders. We also noted that the venue of the AGM was different from the company's usual AGM venue in Kuala Lumpur where the company's operations and the majority of shareholders reside. The

choice of venue seems to be not convenient and appears to discourage shareholders from attending the meeting and exercise their rights at the AGM.

We urge the regulators, including Companies Commission of Malaysia and Bursa Malaysia, to closely regulate delisted companies to ensure they continue complying with all applicable rules and shareholders' interest not to be taken lightly.

---

### MSWG'S AGM WEEKLY WATCH 21 - 25 AUGUST 2017

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholder Watchdog 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](http://www.mswg.org.my).

Date & Time	Company	Venue
22.08.17 (Tue) 09.00 am	POS Malaysia Bhd (AGM)	Holiday Inn Kuala Lumpur Glenmarie, 1, Jalan Usahawan U1/8, Shah Alam
22.08.17 (Tue) 09.30 am	Hartalega Holdings Bhd (AGM)	Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, KL
22.08.17 (Tue) 03.00 pm	IJM Plantations Bhd (AGM)	Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, Subang Jaya
23.08.17 (Wed) 09.30 am	Turiya Bhd (AGM)	Menara Suruhanjaya Koperasi Malaysia, Bukit Damansara, KL
23.08.17 (Wed) 09.30 am	FIMA Corporation Bhd (AGM)	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, KL
23.08.17 (Wed) 11.00 am	Southern Acids (M) Bhd (AGM)	Setia City Convention Centre, Setia Alam, Shah Alam
23.08.17 (Wed) 03.00 pm	IJM Corporation Bhd	Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, Subang Jaya
23.08.17 (Wed) 03.00 pm	Kumpulan Fima Bhd (AGM)	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, KL
24.08.17 (Thur) 10.00 am	MNRB Holdings Bhd (AGM)	Bangunan Malaysian Re, No. 17, Lorong Dungun, Damansara Heights, KL
24.08.17 (Thur) 12.30 pm	KPJ Healthcare Bhd (EGM)	Menara KOMTAR, Johor Bahru City Centre, Johor
25.08.17 (Fri) 10.00 am	QL Resources Bhd (AGM)	Saujana Resort, Jalan Lapangan Terbang SAAS, Shah Alam
25.08.17 (Fri) 11.00 am	United Malacca Bhd (AGM)	United Malacca Berhad Building, Taman Melaka Raya, Melaka
25.08.17 (Fri) 03.00 pm	UMW Oil & Gas Bhd (EGM)	Menara Kembar Bank Rakyat, Jalan Rakyat Off Jalan Travers, KL

<b>The points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>
POS Malaysia Bhd (AGM)	<p>For FY2017, the Group's Postal Services business registered an operating loss of RM146.5 million compared to operating loss of RM98.8 million recorded in FY2016.</p> <p>(i) Does the Board expect this widening trend of operating loss to continue for FY2018?</p> <p>(ii) What are the measures taken to improve this business segment?</p> <p>(iii) In view of the higher costs of maintaining the nationwide postal network, were there any cost cutting measures undertaken to streamline the Postal Services business?</p>
Hartalega Holdings Bhd (AGM)	<p>1) As the Company's strong competitors have since diversified their portfolio after facing a setback in market share, would the Board consider diversifying its reach to upstream or other sector in order to make the Group better insulated from any possible policy impact imposed by the Malaysian authorities?</p> <p>2) Recently the Chinese regulator pledged to cut excess industrial capacity and hence this might cause interruption over China-based glovemakers' operations:</p> <p>(i) Would the Group's export to China benefit from the cut in excess capacity exercise? What is the Group's strategy in its expansion to the Chinese market?</p> <p>(ii) What would be the expected contribution to the Group's total revenue by the Group's operation in China?</p> <p>(iii) Please enlighten shareholders on the principal activities of Foshan Dynamic Limited, which is a 70% indirect owned subsidiary in China. Why was Foshan Dynamic Limited not included in the list of investment in subsidiaries on page 113 of the Annual Report 2017?</p>
IJM Plantations Bhd (AGM)	<p>Shortage of labour has been a pressing issue in the oil palm industry. It has cost some companies millions of Ringgit in lost revenue.</p> <p>(i) How critical was the labour shortage issue in the Group and was there any loss of revenue in FY2017 due to shortage of labour?</p> <p>(ii) Could the Board share the mechanisation that had been implemented and the results achieved in terms of labour ratio per hectare or the cost saved?</p> <p>(iii) What is the current percentage of foreign workers to the total workers in the Group?</p>
Turiya Bhd (AGM)	<p>As stated under the Management Discussion &amp; Analysis (MD&amp;A) on page 9 of the Annual Report, the Klang Valley office market is expected to remain subdued during 2017 and 2018 with increase in supply. What are the key measures that would be taken to address the risks of over-supply?</p>
FIMA Corporation Bhd (AGM)	<p>The Chairman's Statement reported that the Group's PBT for the FY2016/17 had decreased by 20.8% to RM61.3 million compared to RM77.3 million recorded last year. The reduction in PBT was mainly due to RM29.4 million net impairment losses incurred by its 80%-owned subsidiary, PT Nunukan Jaya Lestari ("PTNJL"),</p>

<b>The points of interest to be raised:</b>	
	<p>an Indonesian incorporated Company. The Independent Auditors' Report on page 85 of the Annual Report opined that the Group might not be able to recover the carrying amounts of the property, plant and equipment and biological assets related to the cultivation of oil palm of the affected area amounting to a recorded impairment loss of RM44.7 million.</p> <p>(i) Could the Board clarify the Independent Auditors' Report under the Key Audit Matter that the outcome of the appeal could only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group?</p> <p>(ii) What are those uncertain future events given that the PTNJL's land title Hak Guna Usaha ("HGU") was issued in 2003 but has now been deemed improperly issued due to administrative irregularities, resulting in parts of the area within the HGU to overlap with forestry areas?</p> <p>(iii) Does the Board have any contingency plans in the event that the Court of Appeal decides in favour of the State Administrative Court?</p>
Southern Acids (M) Bhd (AGM)	<p>During the year under review, the Oleochemical division registered a substantial increase in revenue by 28.6% from RM284 million in FY2016 to RM365.2 million in FY2017, due to higher average selling price and sales volume.</p> <p>What is the outlook for the division and does the Board foresee that it would be able to continue enjoying higher average selling price and sales volume in FY2018?</p>
IJM Corporation Bhd (AGM)	<p>During the financial year (FY) 2017, the Property Division focused on customizing their products to match the needs of their customers and disposing off the current inventories on hand.</p> <p>(i) Considering weak market sentiment, stringent loan requirements, increasing cost of living and economic uncertainties, what are the products, in terms of price, location, size and types, that would best match with the needs of the customers and what would be the main focus of the Property Division of the Company, moving forward?</p> <p>(ii) What is the latest take-up rate for the projects launched in FY2017?</p> <p>(iii) What was the percentage of the completed buildings in the inventories as at 31 March 2016 disposed off in FY2017?</p>
Kumpulan Fima Bhd (AGM)	<p>The Chairman's Statement reported that the contribution from Manufacturing Division remained steady while the Food and Plantation Divisions performed well and would continue as potentially growth drivers despite the challenges of tough trading conditions within the industry sector of the Bulking Division.</p> <p>(i) How would the Board strategise the Group's three (3) core objectives: (to grow profitable revenue, (ii) to generate solid returns on capital employed and (iii) cash generation that would be enabled and supported by the four (4) strategic drivers while affected by the unexpected events in its Indonesian subsidiary, PTNJL?</p> <p>(ii) Could the Board elaborate on the key priorities identified by the Manufacturing Division amid the reduction of its capital expenditure in</p>

<b>The points of interest to be raised:</b>	
	<p>FY2017 to RM1.81 million from RM7.18 million in FY2016, while faced with the pending expiry of a supply contract of a certain traveling document in the Manufacturing Division?</p> <p>(iii) How would the Board address the challenges and issues in the Food Division and its main operations in Papua New Guinea that have been adversely affected by market competition for cheaper imported products, consumer pressure against price increases, flattish demand at declined value for its canned mackerel products amid the upward trend for tuna products but with threats of sustainability in fish supply due to over-fishing and climate change?</p> <p>(iv) Why has the revenue from trading of fish declined by 28.2% from RM25.242 million to RM18.119 million in FY2017 at thin profit margins?</p>
MNRB Holdings Bhd (AGM)	<p>1. As stated in its assessment of the Takaful General business segment, the Motor and Fire De-tariffication (“MFD”) would have posed competition to the segment players. Could the Company explain the challenges facing its business portfolios and measures taken to address the expected business risks in the industry? Please elaborate on its strategy to employ selective segmentation of its business portfolio.</p> <p>2. What preparation and plans has the Company taken to address the cessation of the voluntary cessions (“VC”) when it expires in December 2019? Please elaborate on T20 programme and how it would sustain its performance post VC?</p>
QL Resources Bhd (AGM)	<p>We noted on page 22 of the Annual Report, QL has opened 14 FamilyMart stores as at 7 July 2017, all in the Klang Valley and the immediate focus was to fill the gap in the Klang Valley before venturing into other territories.</p> <p>(i) Could the Board provide the estimated number of FamilyMart stores to be opened for FY2018?</p> <p>(ii) What is the estimated timeframe to open FamilyMart stores outside of the Klang Valley?</p>
United Malacca Bhd (AGM)	<p>We noted that both the FFB yield and the OER of the Company are in declining trends for the past five years.</p> <p>(i) Besides inclement weather, were there any other factors that had caused the decline in FFB yield and OER of the Company?</p> <p>(ii) With the continuous effort to improve the yields and the OER, coupled with the implementation of various measures to mitigate the negative impact of the dry spell, would the FFB yield and the OER of the Company be expected to improve in FY 2018 and beyond?</p>
UMW Oil & Gas Bhd (EGM)	<p>As stated on Page 30 (Note 14) of the Circular, if the Shareholder Loan were to be repaid, the gearing ratio will be reduced to approximately 0.49 times.</p> <p>(i) How would the Group be able to get the additional funding to do so as under Proforma II (Page 28), full exercise of the warrants has already been assumed which will reduce the gearing ratio to only 0.56 times (before repaying the Shareholder Loan)?</p>

The points of interest to be raised:	
	(ii) What is the interest rate charged on the Shareholder Loan and how are the repayment terms over the 5-year tenure?

---

## MSWG'S WATCHLIST

### CHINA STATIONERY LIMITED ("CSL")

CSL announced that it has been made aware of information from the Government of People Republic of China's National Legal Cases Search that indicates there were several litigation cases against CSL's subsidiaries, namely Sakura (Fujian) Packaging & Stationery Co., Ltd ("Sakura Stationery"), Sakura (Fujian) Plastics Enterprise Co., Ltd ("Sakura Plastic") and Ruiyuan (Fujian) Enterprise Co., Ltd (Ruiyuan). However, the company was unable to confirm and clarify the accuracy of the litigation matters at the juncture.

The Board was advised by Mr Chan Fung @ Kwan Wing Yin that the litigation cases were in relation to his personal loans. However, the Board will appoint an independent lawyer to verify whether the litigation matters was in relation to Mr Chan Fung @ Kwan Wing Yin's personal loans or involving subsidiaries of CSL.

The company was expected to announce an update on the above matter by end of the subsequent week after this announcement.

*[Source: CSL's announcement on Bursa Malaysia's website on 10 August 2017]*

---

## LOCAL NEWS AND DEVELOPMENTS

Companies Commission should explain its stand

<http://www.thestar.com.my/business/business-news/2017/08/12/companies-commission-should-explain-its-stand/>

Puncak Niaga in trust deficit

<http://www.thestar.com.my/business/business-news/2017/08/12/puncak-niaga-in-trust-deficit/>

CPO production sees strong recovery

<http://www.thestar.com.my/business/business-news/2017/08/11/cpo-production-sees-strong-recovery/>

Bank Negara says yes to proposed STMB revamp

<http://www.thestar.com.my/business/business-news/2017/08/11/bank-negara-says-yes-to-proposed-stmb-revamp/>

Manufacturing sector's sales up 11.5% in June

<http://www.thestar.com.my/business/business-news/2017/08/10/manufacturing-sectors-sales-up-11pt5-pc-in-june/>

Wholesale, retail trade index up 7.6pct in Q2 2017



<https://www.nst.com.my/business/2017/08/266240/wholesale-retail-trade-index-76pct-q2-2017>

HCK hits all-time high, unaware of reason for share price hike

<http://www.theedgemarkets.com/article/hck-hits-alltime-high-unaware-reason-behind-price-hike>

Reach Energy's share price down after scraping private placement

<http://www.thesundaily.my/news/2017/08/10/reach-energy%E2%80%99s-share-price-down-after-scraping-private-placement>

IPIC confirms receiving funds from 1MDB

<http://www.thesundaily.my/news/2017/08/11/ipic-confirms-receiving-funds-1mdb>

Women account for 17.9% of PLC boards: Minister

<http://www.thesundaily.my/news/2017/08/09/women-account-179-plc-boards-minister>

---

## GLOBAL NEWS AND DEVELOPMENTS

Modest rise in US consumer prices may delay Fed rate hike

<http://www.theedgemarkets.com/article/modest-rise-us-consumer-prices-may-delay-fed-rate-hike>

US wholesale inflation falls in July on declining services costs

<http://www.themalaymailonline.com/money/article/us-wholesale-inflation-falls-in-july-on-declining-services-costs#qJEoyGXyE8euPqwq.97>

China industrial output slows sharply in July

<http://www.themalaymailonline.com/money/article/china-industrial-output-slows-sharply-in-july#WOe8zV6qyh7tpf5.97>

Disappointing UK manufacturing, trade cap sluggish quarter

<http://www.thestar.com.my/business/business-news/2017/08/11/disappointing-uk-manufacturing-trade-cap-sluggish-quarter/>

EU imposes import duties on some Chinese steel to counter subsidies

<http://www.thestar.com.my/business/business-news/2017/08/10/eu-imposes-import-duties-on-some-chinese-steel-to-counter-subsidies/>

Japan Q2 GDP blows past expectations on robust domestic demand

<http://www.themalaymailonline.com/money/article/japan-q2-gdp-blows-past-expectations-on-robust-domestic-demand#QIa36gmGgh4UuHj8.97>

Indonesia's Q2 current account deficit widens to 2pc of GDP

<http://www.themalaymailonline.com/money/article/indonesias-q2-current-account-deficit-widens-to-2pc-of-gdp#c6LssJ1MR9Y0aeD2.97>

---

## MSWG Analysts

Lya Rahman, General Manager, [lyarahman@mswg.org.my](mailto:lyarahman@mswg.org.my)

Rebecca Yap, Head, Corporate Monitoring [rebecca.yap@mswg.org.my](mailto:rebecca.yap@mswg.org.my)



Quah Ban Aik, Head, Corporate Monitoring [banaik.quah@mswg.org.my](mailto:banaik.quah@mswg.org.my)  
Norhisam Sidek, Manager, Corporate Monitoring [norhisam@mswg.org.my](mailto:norhisam@mswg.org.my)  
Wong Kin Wing, Manager, Corporate Monitoring, [kinwing@mswg.org.my](mailto:kinwing@mswg.org.my)  
Hoo Ley Beng, Manager, Corporate Monitoring [linnert.hoo@mswg.org.my](mailto:linnert.hoo@mswg.org.my)  
Muhammad Faris bin Mohamed Yusof, Analyst, Corporate Monitoring [farisyusof@mswg.org.my](mailto:farisyusof@mswg.org.my)

---

#### **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 Stationery Limited.*
- 

#### **Feedback**

We welcome your feedback on our newsletter and our work. Email us at [mswg.ceo@mswg.org.my](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

---

#### **DISCLAIMER**

*This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholder Watchdog Group (MSWG).*

*The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.*

*MSWG must be acknowledged for any part of this newsletter which is reproduced.*

*MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter.*

**ENDS./**