



The Observer

20.12.2019

ANALYST'S MESSAGE

Disclosure of directors' remuneration

The remuneration of directors of public-listed companies has been a hotly-debated subject in recent years. This is mainly due to greater awareness among the investing public and several incidences of high and substantial payouts to directors especially executive directors. Shareholders and stakeholders have started to ponder over the reasonableness of company directors' level of pay, more so when the performance of the company was poor or deteriorating and/or when no dividends were paid.

Such sentiment may not be fair to directors as external events (such as the commonly quoted US-China trade war), or other economic factors which are beyond their control, may have caused the downswing in a company's performance. Having said that, like any employee of a company, directors too should be compensated for their efforts.

However, if the company's poor or deteriorating performance is not attributed to external factors and the directors are excessively rewarded, more so during the company's continuing poor performance, it will certainly irk the shareholders and stakeholders who have solid reasons to question the Board on the propriety of such excessive payments. The situation will surely be even more unpalatable to shareholders especially during these bad times when they are not even rewarded with any dividends.

Detailed remuneration disclosures help shareholders and stakeholders better understand the components of directors' remuneration as well as its appropriateness and reasonableness.

This is where Practice 7.1, 7.2 and Step Up Practice 7.3 of the Malaysian Code on Corporate Governance (MCCG) kicks in and tries to improve disclosure and shareholders' understanding on companies' remuneration frameworks.

The Practices encourage companies to disclose the remuneration of directors and senior management to enable shareholders to assess whether directors and senior management remuneration commensurate with their responsibilities, contributions and whether it is aligned with the performance, strategy and long-term objectives of the company.

Then in November 2017, the *Bursa Malaysia Listing Requirements* (LR) mandated the disclosure of detailed directors remuneration on a named basis, as stated in Appendix 9C Part A (11) of the Main Market Listing Requirements and Appendix 9C (12) ACE Market Listing Requirements.

The disclosure must include the amount in each component of the remuneration (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits in kind based on an estimated money value) for each director in the annual report.

As for financial institutions, Paragraph 5, Appendix 4 of Bank Negara Malaysia's Policy Document on Corporate Governance requires disclosure of the total amount of remuneration awards for the chief executive officer and directors for the financial year, including a breakdown of fixed and variable remuneration; deferred and non-deferred remuneration; and the different forms of remuneration used (e.g. cash, shares and share-linked instruments).

Notwithstanding the mandate which is to be complied with by all the PLCs listed on the Main Market and ACE Market of Bursa Malaysia, there are still some PLCs which have not complied.

Often, directors' remuneration is disclosed according to 'bands' without the breakdown-components and the name of the director. There was also a company that lumped the remuneration of executive and non-executive directors.

When MSWG questioned these non-compliances with the LR, some PLCs were nonchalant. Shockingly, there was a case when the company secretary of a Malacca-based PLC stated that the departure from Practice 7.1 in the MCCG is justifiable as "to be on the same page with many other public listed companies" and that PLC had conducted a "general check" on market practices.

Such a statement surely fails to take cognisance of the results from the Securities Commission's Corporate Governance Monitor 2019 that 89% (750 companies) of the 841 companies assessed have already adopted Practice 7.1, while another 91 companies departed from the Practice.

The company secretary further stated that the non-adoption of Practice 7.1 was due to the directors' security concerns and remuneration confidentiality.

However, it should be noted that the previous disclosure regime (before the amendments to the LR in November 2017), which allowed for disclosure in bands of RM50,000, already enabled a good estimate of a director's remuneration – and there were no security or confidentiality concerns then. As such, there should be no concerns with the need for greater transparency.

Suffice to say, the disclosure of directors' remuneration on a named basis may cause unease for PLCs initially. However, once every PLC puts it into practice, soon enough it will gradually be taken as a new norm.

A look at other jurisdictions

United Kingdom: Quoted companies must prepare a directors' remuneration report for each financial year of the company. The content of the remuneration report includes the total amount of salary, fees, bonuses, sums paid by way of allowances, estimated value of benefits received by each individual director of a company during the financial year. The report must also state the nature of non-cash element of a remuneration package.

(Source: Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008)

Singapore: The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of each individual director and the CEO. The company must also disclose remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.
(Source: SGX Rulebooks)

Hong Kong: The Companies Ordinance requires a company to include in the notes to its financial statements details regarding the aggregate amount of emoluments paid to or received by directors of the company and if any of such emoluments consist of a benefit otherwise than in cash as well as the nature of the benefit. Listed companies are required under the Listing Rules to disclose in its financial statements details of its directors' pay on a named basis.
(Source: (Disclosure of Information about Benefits of Directors) Regulation (Chapter 622G of the Laws of Hong Kong)

By Lim Cian Yai
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 23 – 27 December 2019

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
24.12.19 (Tue) 10.00 am	Kanger International Bhd (EGM)	The Royal Selangor Golf Club, Jalan Kelab Golf, Off Jalan Tun Razak, KL
27.12.19 (Fri) 10.30 am	SMTRACK Bhd (AGM)	Tan'Yaa Hotel by Ri-Yaz of G-02, Primera Suite, Cyber 5, Cyberjaya

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Kanger International Bhd (EGM)	<p>The Proposed Share Issuance Scheme (SIS) is expected to enlarge Kanger's share capital and number of shares by 30% at the minimal level. In addition, the number of shares to be issued will increase substantially at the maximum scenario (page 26 and 27 of the Circular). Considering this, the interest of shareholders will be affected as a result of the dilution in earnings per share (EPS).</p> <p>Why is the SIS not established at a lower quantum like 10%, to reduce the impact of dilution?</p>
SMTrack Bhd (AGM)	<p>1. The Joint Venture Agreements were terminated on 28 July 2017 by mutual consent, and the outstanding amount of approximately RM4.9 million will be settled via contra of properties. (Note 11, page 91 of AR2019)</p> <p>(a) To-date, has the outstanding amount of approximately RM4.9 million been settled?</p> <p>(b) How many properties are expected to be received by the Company in exchange for the settlement?</p>

	<p>2. The total cost incurred by the Internal Audit function of the Group for the financial year ended 31 July 2019 amounted to RM4,000 (page 24 of AR2019).</p> <p>What was the internal audit work carried out by the Internal Auditors for FYE2019 which cost RM4,000?</p>
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MSWG'S WATCHLIST

M3 TECHNOLOGIES (ASIA) BERHAD

Change of Auditors

The Board of Directors ("the Board") of M3TECH wishes to announce that the Company has on 19 December 2019, received the notice in writing given pursuant to Section 281 of the Companies Act 2016 from Messrs. ChengCo PLT ("ChengCo") on their resignation as Auditors of the Company with effect from 18 December 2019.

ChengCo were re-appointed as the Auditors of the Company at the last annual general meeting ("AGM") of the Company held on 17 June 2019 to hold office until the conclusion of the next AGM of the Company. The resignation of ChengCo is due to Audit Oversight Board prohibits them from auditing the financial statements of a public interest entity for twelve (12) months with effect from 6 August 2019.

Save for the above, the Board is not aware of any matters that need to be brought to the attention of the shareholders of the Company.

Further announcement will be made by the Company in due course once the new auditors is finalised by the Company.

This announcement is dated 19 December 2019.

Source:

https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3010696

**PERAK CORPORATION BERHAD
MONTHLY ANNOUNCEMENT ON THE STATUS OF DEFAULT IN PAYMENT PURSUANT
TO PARAGRAPH 9.19A OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD DEFAULT IN PAYMENT TO AFFIN HWANG
INVESTMENT BANK BERHAD**

With reference to the Company's announcement dated 17 October 2019 and 18 November 2019 in relation to the default in payment of the syndicated term loan facility by ATP and the monthly announcement on the status thereon respectively, on behalf of the Board of Directors of the Company, we wish to inform that there is no development on the status of the default in payment as at the date of this announcement save and except for the following:

- i. AFFIN Investment had, on 4 December 2019, appointed Datuk Duar Tuan Kiat of Messrs Ernst & Young as Receiver and Manager of the property of ATP under the powers contained in a debenture dated 10 July 2014, full particulars as disclosed in the Company's announcement dated 6 December 2019.
- ii. On 18 December 2019, PCBD received a letter dated 11 December 2019 from a legal firm, acting for AFFIN Investment, demanded the payment of RM244,015,982.89 calculated as at 11 December 2019 together with interest thereon to the date of full payment pursuant to the Corporate Guarantee dated 10 July 2014 executed by PCBD in favour of AFFIN Investment within fourteen (14) days from the date of the said letter, failing which AFFIN Investment shall be compelled to commence legal action against PCBD.

The Company will make the necessary announcement as and when there are further developments on the default in payment.

This announcement is dated 18 December 2019.

Source:

https://www.bursamalaysia.com/market_information/announcements/comp-any_announcement/announcement_details?ann_id=3010543

**PERDANA PETROLEUM BERHAD
DISCHARGED FROM PURVIEW OF THE CORPORATE DEBT RESTRUCTURING
COMMITTEE ("CDRC") OF BANK NEGARA MALAYSIA**

The Company's announcement on 4 July 2018 and 30 August 2018 ("Announcement") refers. Unless otherwise stated, all definitions and terms used herein shall have the same meaning as set out in the Announcement.

The Board of Directors of Perdana Petroleum Berhad announced that the Company has completed its debt restructuring and the Corporate Debt Restructuring Committee has via their letter dated 16 December 2019 notified that PPB and its subsidiaries are discharged from CDRC's purview with effect from 16 December 2019.

This announcement is dated 17 December 2019.

Source:https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3010223

PN17 Companies

1. APFT BERHAD
2. ASIA MEDIA GROUP BERHAD
3. BARAKAH OFFSHORE PETROLEUM BERHAD
4. BERJAYA MEDIA BERHAD
5. BERTAM ALLIANCE BERHAD
6. BRAHIM'S HOLDINGS BERHAD
7. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
8. COMINTEL CORPORATION BHD
9. DAYA MATERIALS BERHAD
10. EKA NOODLES BERHAD
11. IRE-TEX CORPORATION BERHAD
12. KINSTEEL BHD
13. LOTUS KFM BERHAD (FORMERLY KNOWN AS KUANTAN FLOUR MILLS BERHAD)
14. LONDON BISCUITS BERHAD
15. MAA GROUP BERHAD
16. MALAYSIA PACIFIC CORPORATION BERHAD
17. MULTI SPORTS HOLDINGS LTD
18. PERISAI PETROLEUM TEKNOLOGI BERHAD
19. SCOMI GROUP BERHAD
20. SEACERA GROUP BERHAD
21. SUMATEC RESOURCES BERHAD
22. TH HEAVY ENGINEERING BERHAD

GN3 Companies

1. G NEPTUNE BERHAD
2. IDIMENSION CONSOLIDATED BERHAD
3. WINTONI GROUP BERHAD

Please refer to the link below for the latest status of the companies.

https://www.bursamalaysia.com/trade/trading_resources/listing_directory/pn17_and_gn13_companies

Updates

IDIMENSION CONSOLIDATED BERHAD (“IDIMENSION” OR “COMPANY”)

We refer to the Company's announcement to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) dated 9 October 2018 whereby ICB was classified as an affected listed corporation under Rule 8.03A(2) of the ACE Market Listing Requirements and on 29 October 2018, the Company has been classified as an affected listed corporation under Guidance Note 3 (“**GN3**”) as it has triggered the prescribed criteria under paragraph 2.1(f) of GN3 as well as the Company's further announcements in relation to the Company's GN3 status.

On behalf of the Board of Directors of ICB, KAF Investment Bank Berhad wishes to announce that the Company wishes to undertake the Proposed Regularisation Plan to regularise its financial condition. The details of the terms of the Proposed Regularisation Plan are contained in the attachment attached in Bursa Malaysia website.

This announcement is dated 19 December 2019.

Source:

https://www.bursamalaysia.com/market_information/announcements/company_a/announcement/announcement_details?ann_id=3010912

APFT BERHAD

APPOINTMENT OF FINANCIAL ADVISOR FOR REGULARISATION PLAN

The Board of Directors of APFT wishes to inform that Sierac Corporate Advisers Sdn. Bhd. has been appointed as the Financial Advisor for the Regularisation Plan of the Company.

Any material development on the matter will be announced to Bursa Malaysia Securities Berhad in due course.

This announcement is dated 18 December 2019.

Source: https://www.bursamalaysia.com/market_information/announcement/s/company_announcement/announcement_details?ann_id=3010337

REGULATORY NEWS

Bursa Malaysia amends Main and Ace Market Listing Requirements in relation to anti-corruption measures

https://www.bursamalaysia.com/about_bursa/media_centre/bursa-malaysia-amends-main-and-ace-market-listing-requirements-in-relation-to-anti-corruption-measures

SC wins suit against Stone Master former deputy MD for causing RM11.54 million wrongful loss

<https://www.sc.com.my/resources/media-releases-and-announcements/sc-wins-suit-against-stone-master-former-deputy-md-for-causing-rm1154-million-wrongful-loss>

LOCAL NEWS AND DEVELOPMENTS

Malaysia to Publish Oil-Palm Concession Maps in Traceability Bid

<https://www.bloomberg.com/news/articles/2019-12-15/malaysia-to-publish-oil-palm-concession-maps-in-traceability-bid>

New RM1,200 minimum wage to take effect on Jan 1 in towns under 57 city councils

<https://www.theedgemarkets.com/article/new-rm1200-minimum-wage-take-effect-jan-1-towns-under-57-city-councils>

PNB to gradually invest more overseas

<https://www.thestar.com.my/business/business-news/2019/12/19/pnb-to-gradually-invest-more-overseas>

GLOBAL NEWS AND DEVELOPMENT

Asia-Pacific growth tipped to flatline at 3.3% beyond 2020

<https://asia.nikkei.com/Economy/Asia-Pacific-growth-tipped-to-flatline-at-3.3-beyond-2020>

Defaults in One of China's Richest Provinces Spook Investors

<https://www.bloomberg.com/news/articles/2019-12-16/defaults-in-one-of-china-s-richest-provinces-spook-investors>

Mystery firm makes surprise bid for Hyflux debt

<https://www.thestar.com.my/business/business-news/2019/12/18/mystery-firm-makes-surprise-bid-for-us13b-hyflux-debt>

StanChart exits three SE Asia coal plants worth US\$7b

<https://www.thestar.com.my/business/business-news/2019/12/18/stanchart-exits-three-se-asia-coal-plants-worth-us7b>

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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 except M3 Technologies (Asia) Berhad and APFT Berhad.

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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