

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

18 March 2016

## MESSAGE FROM THE CEO

Once again the busiest AGM season of the year has started. We urge companies to exercise transparency and proper conduct in general meetings proceedings for the common benefit of all.

One of the important corporate governance principles is one-share-one-vote which can through the poll voting regime instead of voting by show of hands. We understand that poll voting is expected to be made mandatory within the year, in line with the announcement made by the SC last year.

We hope more companies will take pro-active action by introducing poll voting in the coming meetings. However, we believe that with a party holding more than 50% of the voting rights it could disenfranchise minority shareholders and rendering the voting an academic exercise. In the event poll voting is mandated, we hope regulators will ensure companies with concentrated shareholding structure provide avenue for minority shareholders' voices to be heard. Thus, we propose in such cases, both majority and minority shareholders should agree before a resolution can be approved, at least in term of numbers.

In addition, it would be good for companies to have electronic voting introduced so that the voting process can be expedited. Currently, there are less than 10 listed companies using electronic voting in their general meetings.

We also wish to reiterate that companies should publish their proceedings of meetings voluntarily, preferably within 30 days after the conclusion of the said meetings.

Details of our recommendations can be referred to in our publication on "Report of AGM Practices by Malaysian Companies" which can be accessed via MSWG's website [www.mswg.org.my](http://www.mswg.org.my).

Separately, we are concerned on one specific issue that has come to our attention, i.e. the issue on cut-off time stated in the notice issued by a company on the eligibility of a shareholder to attend the said general meeting.

Under the Companies Act 1965, there is a minimum allowance of 3 days for a registered member to be entitled to attend and vote in general meetings. However, we encountered a case where shareholders must be registered one month before the general meeting, whereas, the prevailing practice is that shareholders only need to be registered 7 days before the meeting. This incident has created confusion among shareholders as regards their right to attend, even though they are entitled shareholders. We

hope the regulators can impose standardised requirement so that there will be no ambiguity over such an issue, whether 3 days, 7 days or 30 days, whichever deemed reasonable.

Regards,

Rita

## SECTORIAL UPDATE

### FINANCIAL RESULTS (UNAUDITED) OF PROPERTY COMPANIES FOR YEAR ENDED 31 DECEMBER 2015 [MSWG'S COVERAGE ON PROPERTY COMPANIES]

No.	Companies	Mkt Cap million RM	Revenue (RM '000)			Net profit (RM '000)			EPS (Sen)			DY (%)	PE	Note
			2015	2014	Inc / (Dec) (%)	2015	2014	Inc / (Dec) (%)	2015	2014	2015			
1	A & M Realty Bhd	279.273	121,418	153,255	(21)	26,021	39,298	(34)	6.53	9.63	-	11.72		
2	Bina Darulaman Bhd	208.140	243,296	328,879	(26)	23,949	24,160	(1)	7.88	33.18	-	8.69		
3	Bertam Alliance Bhd	109.580	131,026	40,140	226	12,727	351	3,526	6.15	0.17	-	8.62	1	
4	Country Heights Holdings Bhd	257.786	126,703	275,165	(54)	(8,605)	37,329	(123)	(2.94)	13.74	-	-		
5	Damansara Realty Bhd	201.091	207,222	198,614	4	(2,919)	(4,505)	(35)	(1.42)	(1.97)	-	-		
6	Encorp Bhd	211.772	216,044	330,375	(35)	6,023	13,940	(57)	0.49	4.20	-	155.10		
7	Farlim Group (M) Bhd	68.058	46,391	24,914	86	12,956	47,157	(73)	9.05	33.56	-	5.36		
8	Gromutual Bhd	146.487	71,311	86,396	(17)	16,048	25,951	(38)	4.27	6.91	2.56	9.13		
9	I-BHD	485.670	257,390	261,114	(1)	43,050	53,438	(19)	4.05	8.78	-	12.10		
10	Ibraco Bhd	506.333	254,038	229,061	11	52,347	38,766	35	11.03	9.04	3.43	9.25		
11	IGB Corporation Bhd	3,246.320	1,167,082	1,173,815	(1)	334,585	329,080	2	15.89	16.29	4.20	14.98		
12	Iskandar Waterfront City Bhd	519.038	181,636	157,951	15	23,232	6,183	276	1.08	0.50	-	71.76		
13	KSL Holdings Bhd	1,302.000	686,108	801,026	(14)	267,640	342,317	(22)	27.28	43.85	-	4.73		
14	LBI Capital Bhd	103.792	84,300	59,995	41	15,610	10,155	54	21.70	14.70	3.62	6.36		
15	LBS Bina Group Bhd	821.641	680,400	668,265	2	70,440	67,094	5	14.08	14.06	0.04	10.58		
16	Lien Hoe Corporation Bhd	94.052	147,452	123,916	19	(7,716)	(9,360)	(18)	(5.17)	(2.73)	-	-		
17	Magna Prima Bhd	349.534	795,510	142,553	458	200,661	(15,014)	(1,436)	60.28	(4.10)	0.08	1.74	2	
18	Mah Sing Group Bhd	3,204.000	3,108,506	2,904,723	7	384,634	354,910	8	15.73	18.35	-	8.46		
19	Meda Inc Bhd	263.517	118,456	124,870	(5)	(54,660)	(2,657)	1,957	(11.69)	(0.66)	-	-		
20	Majuperak Holdings Bhd	58.536	6,316	11,606	(46)	12,542	4,020	212	6.17	1.98	-	4.78		
21	Naim Holdings Bhd	600.000	594,393	656,484	(9)	35,273	220,619	(84)	14.49	92.99	-	16.56		
22	Paramount Corporation Bhd	633.396	576,034	510,043	13	74,181	64,086	16	16.03	16.17	5.50	9.36		
23	Pasdec Holdings Bhd	60.763	160,365	210,560	(24)	(26,319)	6,171	(526)	(11.55)	2.41	-	-		
24	South Malaysia Industries Bhd	28.341	72,563	64,648	12	(3,510)	(10,006)	(65)	(1.88)	(4.57)	-	-		
25	Sunway Berhad	5,424.000	4,451,326	4,558,141	(2)	799,407	811,649	(2)	41.77	42.55	12.29	7.21		
26	Tambun Indah Land Bhd	572.893	367,651	466,841	(21)	101,945	103,335	(1)	23.92	25.20	2.22	5.64		
27	Thrive Global Bhd	114.893	58,032	44,680	30	331	5,587	(94)	0.95	2.88	-	32.11		
28	Tropicana Corporation Bhd	1,563.000	1,252,714	1,758,814	(29)	248,481	383,081	(35)	15.53	24.86	6.48	6.95		
29	UEM Sunrise Bhd	4,809.000	1,749,866	2,661,674	(34)	256,990	479,776	(46)	5.67	10.58	1.51	18.69		
30	UOA Development Bhd	3,178.000	1,643,188	1,077,849	52	488,033	356,840	37	28.32	22.89	7.18	7.38		
31	Y&G Corporation Bhd	225.304	165,626	109,403	51	29,120	15,597	87	14.50	9.74	4.42	7.79		
32	YNH Property Bhd	843.162	317,089	390,505	(19)	19,134	46,714	(59)	4.74	11.38	-	40.30		
Average									10.72	14.89	4.12	19.05		

**Note:**

1. Increase in revenue due to increased activities in property development projects (RM58m) and construction projects (RM29m) as well as land sale (RM64m).
2. Increase in revenue mainly due to completion and sales of development projects. The increase in profit was also due to overprovision of losses upon settlement of legal disputes in the construction and engineering division and overprovision of production costs for the current financial year compared to previous year.
3. Share prices were as at 9 March 2016.

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

For the financial year ended 31 December 2015, out of 32 property companies, 62% recorded a drop in net profit.

Generally, the property market had softened where market volume and market value for property transacted was down by 3.5% and 6.6%, respectively, compared to first half of 2014. [Source: *Jabatan Penilaian & Perkhidmatan Harta (JPPH)*].

According to the JPPA Report, the existing supply of residential property increased 0.7% to 4,928,883 units in H2 2015 from H1 2015. Selangor contributed 28% of the total supply while Johor and Kuala Lumpur contributed 15% and 9%, respectively, to the total supply.

The total office space increased by 352,511 s.m. to 20,131,812 s.m. from 1H 2015 to 2H 2015. Kuala Lumpur, Selangor and Putrajaya contributed 41%, 16% and 10% to the total office space, respectively.

From 1H 2015 to 2H 2015, the total retail space offered by shopping complex increased by 622,497 s.m. to 13,828,953 s.m. Selangor and Kuala Lumpur contributed 23% and 19% of the total retail space and this was followed by Johor and Pulau Pinang contributing 12% each to the total retail space.

The trend does seem to confirm softening of the property sector. Year 2016 is expected to remain challenging for the sector on back of a slower growth, increasing cost of living as well as strict lending rules. Perhaps, it is time for the authorities to relook at some of the policies and measures to boost demand in the property sector.

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### **MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS**

#### ***MULTI-USAGE HOLDINGS BERHAD ("MUH")***

As announced in the Bursa Malaysia's website by MUH, there is a notice to shareholders in relation to an Extraordinary General Meeting ("EGM") to be convened on 7 April 2016, pursuant to Section 145 of the Companies Act, 1965 to consider resolutions to remove and appoint Directors.

[Source: *MUH's announcement on Bursa Malaysia's website on 2 March 2016*]

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

We noted that the notice of the EGM stated that *"only a depositor whose name appears on the Record of Depositors on 8 March 2016 shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf"*.

It is unusual for a listed company to restrict shareholders whose name appear on the Record of Depositors one month before a general meeting, where the accepted practice of most listed companies is within 7 days before a general meeting. We urge Bursa Malaysia to standardise this period to avoid uncertainties on the number of days before a shareholder can attend general meetings.

**DRB-HICOM BERHAD (“DRB-HICOM”) / POS MALAYSIA BERHAD (“POS MALAYSIA”)**

The Board of Directors of DRB-HICOM announced that:

- (i) HICOM Holdings Berhad (“HICOM Holdings”), a wholly-owned subsidiary of DRB-HICOM, has today entered into a conditional shares sale agreement with POS Malaysia Berhad (“POS Malaysia”) for the proposed disposal of the entire issued and paid-up share capital of KL Airport Services Sdn Bhd, for a total disposal consideration of RM749.35 million; and
- (ii) HICOM Indungan Sdn Bhd and HICOM Engineering Sdn Bhd, both indirect wholly-owned subsidiaries of DRB-HICOM, have today entered into a conditional sale and purchase agreement with POS Malaysia for the proposed disposal of part of a parcel of freehold industrial land situated in Section 28, Shah Alam measuring 9.912 acres, for a disposal consideration of RM69.0 million.

(collectively referred to as “Proposed Disposals”)

The total disposal consideration of RM818.35 million in respect of the Proposed Disposals shall be satisfied via the issuance of 245,750,751 new ordinary shares of RM0.50 each in POS Malaysia (“POS Malaysia Shares”) to HICOM Holdings at an issue price of RM3.33 per POS Malaysia Share.

In conjunction with the Proposed Disposals, DRB-HICOM and persons acting in concert with it intend to seek an exemption from the Securities Commission Malaysia under Paragraph 16.1(a) of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 from the obligation to undertake a mandatory take-over offer to acquire the remaining POS Malaysia Shares not already owned by them upon the agreements for the Proposed Disposals becoming unconditional.

*[Source: DRB-HICOM’s announcement on Bursa Malaysia’s website on 14 March 2016]*

**MSWG’S COMMENTS:**

As regards the disposals, MSWG’s concerns, among others, are as follow:

- The issue price of RM3.33 for the new shares issued by POS Malaysia is at an expensive premium of 54.9% as compared to POS Malaysia’s share price of RM2.15 prior to the announcement of the disposals.
- DRB-HICOM is currently holding 32.2% shareholding of POS Malaysia, and its direct and indirect stake will increase up to 53.5% upon the completion of the disposals and assert control on POS Malaysia. Hence DRB-HICOM should offer every shareholders of POS Malaysia to takeover their shares at the price of RM3.33 per share and not be granted a waiver of MGO by the relevant authorities.

**WINTONI GROUP BERHAD (“WINTONI”)**

MSWG had begun its coverage and monitoring Wintoni amid a series of corporate governance issues and intensifying board tussle coming to light. Events such as shareholder tussles, legal suits and disposal of assets by the company, we believe had rendered the company GN3 status by Bursa Malaysia. All these events seemed to have taken a toll on the company as the share price of the company had fallen from RM0.32 a year ago to RM0.035 currently. As we are concerned about the company and the prevailing issues, we hope that Bursa Malaysia and the SC will monitor and investigate further into the company.

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## MSWG'S WATCHLIST

### **GUINNESS ANCHOR BERHAD ("GAB")**

The Board of Directors of GAB announced that the company is proposing to change its name from Guinness Anchor Berhad to Heineken Malaysia Berhad (Proposed Change of Name).

The use of the proposed name Heineken Malaysia Berhad has been approved and reserved by the Companies Commission of Malaysia (CCM) via its letter dated 15 March 2016.

The Proposed Change of Name is subject to the approval of the shareholders of the Company at a general meeting to be convened at a date to be announced later. A circular to shareholders with details of the Proposed Change of Name will be issued to the shareholders in due course.

The Proposed Change of Name, if approved by the shareholders, will take effect from the date of the Certificate of Incorporation on Change of Name to be issued by the CCM to the Company.

*[Source: GAB's announcement on Bursa Malaysia's website on 15 March 2016]*

### **TOP GLOVE CORPORATION BHD ("TOP GLOVE")**

The Board of Directors of Top Glove announced that the company proposes to undertake the following:

- 1) the secondary listing of and quotation for the entire issued and paid-up share capital of Top Glove on the Main Board of the Singapore Exchange Securities Trading Limited by way of introduction ("Proposed Secondary Listing"); and
- 2) amendments to the Articles of Association of Top Glove to facilitate the Proposed Secondary Listing.

*[Source: Top Glove's announcement on Bursa Malaysia's website on 14 March 2016]*

### **FELDA GLOBAL VENTURES HOLDINGS BERHAD ("FGV")**

With regards to the Proposed Acquisition, the Board of Directors of FGVHB announced and clarified that the terms and conditions of SPA 1 and SPA 2 were made at arm's length and in the ordinary course of commercial negotiations. As a result of the negotiations and based on Parties having commenced the application process for approvals from the regulators in April 2015, Parties agreed that the conditions precedent are to be fulfilled within 5 Business Days.

However, the application to one of the regulators was cancelled pending more information on the investment from FGVHB. To date, no subsequent application has been submitted to the said regulator.

Nevertheless, Parties are mindful of the due processes involving the regulators mentioned above and hence Parties have provided a clause in SPA 1 and SPA 2 in which Parties may mutually extend the time to fulfill the conditions precedent in relation to the Proposed Acquisition.

Under no circumstances whatsoever does the Board of Directors of FGVHB imposes an express or implied obligation on the regulators to process and approve any approvals in connection with the Proposed Acquisition within any time period agreed by the Parties in SPA 1 and SPA 2.

*[Source: FGV's announcement on Bursa Malaysia's website on 14 March 2016]*

### **BRITISH AMERICAN TOBACCO (MALAYSIA) BERHAD ("BAT")**

The Board of Directors of BAT announced that the Company will restructure its business operations in Malaysia by sourcing tobacco products for the domestic market from other British American Tobacco Group factories regionally and therefore wind down its factory operations located at Virginia Park, Jalan Universiti, 46200 Petaling Jaya, Selangor.

*[Source: BAT's announcement on Bursa Malaysia's website on 17 March 2016]*

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### **LOCAL NEWS AND DEVELOPMENTS**

Prasarana's failure to timeously pay delayed project – Scomi

<http://www.theedgemarkets.com/my/article/prasarana%E2%80%99s-failure-timeously-pay-delayed-project-%E2%80%94-scomi?type=Corporate>

Several parties express interest in Can-One's unit

<http://www.thestar.com.my/business/business-news/2016/03/15/several-parties-express-interest-in-canones-unit/>

FGV deliberating on change of CEO

<http://www.theedgemarkets.com/my/article/fgv-deliberating-change-ceo?type=Corporate>

Industrial output up 3.2% in January from a year earlier

<http://www.thesundaily.my/news/1727766>

Lack of women in top management

<http://www.thestar.com.my/business/business-news/2016/03/12/lack-of-women-in-top-management/>

Bank Negara has made recommendations on Zeti's successor

<http://www.thestar.com.my/business/business-news/2016/03/12/bank-negara-has-made-recommendations-on-zetis-successor/>

Multi-Usage to sue 'certain' directors, after special audit report

<http://www.theedgemarkets.com/my/article/multi-usage-sue-certain-directors-after-special-audit-report?type=Corporate>

ML Global out of PN17

<http://www.thestar.com.my/business/business-news/2016/03/11/ml-global-out-of-pn17/>

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## GLOBAL NEWS AND DEVELOPMENTS

ECB pulls out all the stops, cuts rates and expands QE

<http://www.cnbc.com/2016/03/10/will-super-mario-deliver-high-hopes-for-robust-ecb-easing.html>

German Industry Revved Up Unexpectedly Fast in January

<http://www.wsj.com/articles/german-industry-revved-up-unexpectedly-fast-in-january-1457442962>

Exclusive: Ethics watchdog for Norway's \$830 billion wealth fund sees increase in bans on firms

<http://www.reuters.com/article/us-norway-swf-ethics-idUSKCN0WD15Z>

The World's Most Ethical Companies 2016

<http://www.forbes.com/sites/karstenstrauss/2016/03/09/the-worlds-most-ethical-companies-2016/#4d17f9a573dc>

US weekly jobless claims total 259,000 vs 275,000 estimate

<http://www.reuters.com/article/us-usa-economy-idUSKCN0WC1N8>

Exclusive: Saudi Arabia orders 5 percent cut in contract spending

<http://www.reuters.com/article/us-saudi-contracts-austerity-exclusive-idUSKCN0WG29U>

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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](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

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