

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

22 April 2016

## MARKET AND REGULATORY UPDATE

### ***SC INVITES PUBLIC FEEDBACK ON DRAFT MALAYSIAN CODE ON CORPORATE GOVERNANCE 2016***

The Securities Commission Malaysia (SC) released the proposed draft Malaysian Code on Corporate Governance 2016 (MCCG 2016) for public consultation on 18 April 2016.

The first Malaysian Code on Corporate Governance (Code) was introduced in the year 2000. The Code was revised twice in 2007 and 2012 to ensure that its principles and recommendations were aligned with business practices and market development.

Recognising the need for regular enhancement to corporate governance practices, the MCCG 2016 adopts a different approach from previous Codes. The new approach aims to encourage progression and emphasises on conduct and outcomes from corporate governance practices.

The MCCG 2016 streams corporate governance practices into two categories - Core and Core+. Companies are expected to disclose their adherence to the Core practices on an 'apply or explain an alternative' basis, which encourages greater thought process in undertaking the practices, and in making disclosures.

While Core+ practices are voluntary, companies are strongly encouraged to adopt them and disclose in the annual report how these practices are being undertaken or implemented.

Interested parties and the public are invited to submit their comments and feedback online at [www.sc.com.my/mccg2016](http://www.sc.com.my/mccg2016) before the closing date of 8 June 2016. Kindly contact [feedbackcg@seccom.com.my](mailto:feedbackcg@seccom.com.my) if there are any queries in relation to this consultation paper.

*[Source: Media release on SC's website on 18 April 2016]*

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## MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

### ***KIAN JOO CAN FACTORY BERHAD ("KIAN JOO")***

The Board of Directors of Kian Joo announced that Kian Joo and Aspire have mutually agreed to terminate the BSA and its ancillary agreements.

Kian Joo had engaged with Aspire to seek better price for the Proposed Disposal in view of the improved performance of Kian Joo Group over the past two financial years. However, Kian Joo and Aspire could not come to an agreement on the price. The conditions precedent in the BSA were not completely fulfilled as Kian Joo had taken more than a year to resolve the legal suit taken by a former Director in relation to the BSA and since then, the valuation of the Company had been different from that of March 2014.

The termination of the BSA and its ancillary agreements will not have any impact on the earnings per share and the net asset per share of Kian Joo Group.

*[Source: Kian Joo's announcement on Bursa Malaysia's website on 15 April 2016]*

**MSWG'S COMMENTS:**

We believed the termination of the Proposed Disposal would not have any impact on Kian Joo and the Group's financial performance has improved over the past two years.

The market seemed to react positively to the announcement as evidenced in Kian Joo's share price moving up by almost 4.5% after the termination of the Proposed Disposal. This indicates that investors are not in favour to accept the Proposed Disposal as the offer price is deemed as undervaluing Kian Joo. Kian Joo had not been paying dividends since the announcement of the Proposed Disposals until the recent announcement of 2 sen dividend payment for FYE 2015.

***CIMB GROUP HOLDINGS BERHAD ("CIMB")***

Dato' Sri Nazir Razak announced during the 59th Annual General Meeting of CIMB Group Holdings Berhad that he will take a voluntary leave of absence from his positions as Chairman of CIMB and Director of CIMB Bank, with effect from close of business day on 18 April 2016 until the completion of the on-going Board review on the banking activities relating to his personal account, first reported by the Wall Street Journal on 31 March 2016.

The Board review has commenced on 5 April 2016 and the review is expected to complete in a few weeks' time. The Board has also appointed an external audit firm Messrs. Ernst & Young to assist with the review.

*[Source: CIMB's announcement on Bursa Malaysia's website on 18 April 2016]*

**MSWG'S COMMENTS:**

We welcome the move by Dato' Sri Nazir to take voluntary leave of absence from his positions as Chairman of CIMB and Director of CIMB Bank while the investigation is being carried out.

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**MSWG'S WATCHLIST**

***PUNCAK NIAGA HOLDINGS BERHAD ("PUNCAK NIAGA") / TRIPLC BERHAD ("TRIPLC")***

The Board of Directors of Puncak wishes to announce that the Company had on 18 April 2016 entered into a Heads of Agreement ("HOA") with TRIplc to facilitate discussions and negotiations for a potential

acquisition by Puncak of the businesses of TRIplc. TRIplc is a public company listed on the Main Market of Bursa Malaysia. TRIplc and its subsidiaries are involved in property construction and related activities, property management, provision of project management services and property management, property investment and provision of facilities management services.

*[Source: Puncak Niaga's announcement on Bursa Malaysia's website on 18 April 2016]*

#### **LION CORPORATION BERHAD ("LION CORPORATION")**

The Malaysia Competition Commission ("MyCC") issued its proposed decision in which MyCC is of the view that Megasteel Sdn Bhd ("Megasteel") has breached the provision of section 10(1) of the Competition Act, 2010 in that Megasteel has abused its dominant position by charging or imposing a price for its hot rolled coil that amounts to a margin squeeze that produces anti-competitive effects in the cold rolled coil market ("Proposed Decision"). Under the Proposed Decision, a financial penalty of RM4,500,000.00 is to be imposed by MyCC on Megasteel.

The Board of Directors announced that pursuant to a notice of finding of non-infringement from MyCC dated 15 April 2016, MyCC had determined that there is no infringement by Megasteel of section 10(1) of the Competition Act, 2010 as stipulated in the Proposed Decision. In arriving at the non-infringement finding, MyCC had concluded that Megasteel did not abuse its dominant position nor practice margin squeeze in the relevant domestic markets. The above final decision was made after careful reassessment of the case with more detailed information obtained through written and oral representations submitted by Megasteel as well as further analysis made by MyCC.

*[Source: Lion Corporation's announcement on Bursa Malaysia's website on 15 April 2016]*

#### **MALAYSIA AIRLINES BHD ("MAB")**

MAB's Chief Executive Officer (CEO) and Managing Director Christoph Mueller will leave in September 2016 and will serve a six-month notice period until September to facilitate an orderly transition, but will remain as its Non-Executive Director. Mueller said the airline had been restructured and repositioned to regain its leading position in customer experience and to continue to connect Malaysia with the world. He is confident that MAB is now on the right track to succeed in its next phase of growth under a new CEO.

The MAB Board of Directors has acknowledged Mueller's plan to leave ahead of time, which is due to his changing personal circumstances, and has commenced a search for a new CEO internally and externally for potential candidates. MAB had also appointed its Chief Operations Officer, Peter Bellew as its executive director with immediate effect.

*[Source: MAS' media release on Bernama's website on 19 April 2016]*

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#### **LOCAL NEWS AND DEVELOPMENTS**

KWAP in tie-up with Can-One

<http://www.thestar.com.my/business/business-news/2016/04/18/kwap-in-tieup-with-canone/>

QL springs surprise move

<http://www.thestar.com.my/business/business-news/2016/04/16/ql-springs-surprise-move/>

CLIQ will not intervene in judicial review as not cost effective

<http://www.theedgemarkets.com/my/article/cliq-will-not-intervene-judicial-review-not-cost-effective?type=Corporate>

Malaysia's exports to US surges, defies general trend

<http://www.themalaymailonline.com/money/article/malysias-exports-to-us-surged-defies-general-trend>

MSM CEO Sheikh Awab passes away

<http://www.thestar.com.my/business/business-news/2016/04/15/msm-ceo-sheikh-awab-passes-away/>

Karyon unit penalised over product tariff code

<http://www.thestar.com.my/business/business-news/2016/04/14/karyon-unit-penalised-over-product-tariff-code/>

AirAsia share placement gets Bursa approval

<http://www.theedgemarkets.com/my/article/airasia-share-placement-gets-bursa-approval?type=Corporate>

Petronas to slash capex for Canadian LNG project

<http://www.theedgemarkets.com/my/article/petronas-slash-capex-canadian-lng-project?type=Corporate>

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## GLOBAL NEWS AND DEVELOPMENTS

Oil Plunges After Output Talks Fail Amid Saudi Demands Over Iran

<http://www.bloomberg.com/news/articles/2016-04-17/oil-freeze-talks-end-in-failure-amid-saudi-demands-over-iran>

US industrial production fell 0.6% in March vs. 0.1% drop expected

<http://www.cnbc.com/2016/04/15/us-industrial-production-march-2016.html>

Impact of U.K. Exit on Jobs Could Ripple Across EU

<http://www.wsj.com/articles/impact-of-u-k-exit-on-jobs-could-ripple-across-eu-1460917981>

Tax avoidance a global risk, says Lagarde

<http://next.ft.com/content/9ce6c362-0262-11e6-af1d-c47326021344>

Quake Death Toll Rises in Japan While Economic Impact Spreads

<http://www.bloomberg.com/news/articles/2016-04-18/quake-death-toll-rises-in-japan-while-economic-impact-spreads>

How To Find Out If Your Employer Actually Cares About CSR

<http://www.forbes.com/sites/jakehayman/2016/04/13/how-to-find-out-if-your-employer-actually-cares-about-csr/#37c1d487262e>

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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 TRIpIc Berhad and Malaysia Airlines Bhd.*

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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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