

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

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

04 August 2017

## VOICE OF MSWG

Sime Darby's announcement of its new leadership teams at each of its three individual standalone units, i.e. Sime Darby Berhad, Sime Darby Plantation Berhad and Sime Darby Property Berhad, were positive on a number of fronts.

Firstly, timing.

By informing the market several months before their listings on Bursa at year-end, shareholders will have been given enough time to digest the news while allowing the respective managers to get used to, and to settle into their new roles.

Secondly, certainty.

The appointments remove any doubt as to who exactly will oversee Sime's Property, Plantations and Group units, with a clear reporting structure installed.

Thirdly, governance.

As a bellwether of PNB's stable of companies, Sime is sending a clear message to the market that it is serious about diversity. The names, as mentioned, indicate that Malaysians, irrespective of race and gender are equally capable of running a conglomerate the size of Sime Darby.

Equally, we hope that Sime is just as cognisant of having such experienced and capable individuals from a range of backgrounds, gender and racial composition when it comes to appointing and naming the respective board members at all three companies.

Still, such initiative, and from Sime Darby to boot, reinforces this point: that merit and ability should be the primary consideration when it comes to naming senior appointees to company management and boards.

### **MERIT, NOT FORCE**

At the recent Invest Malaysia conference the government suggested that it is willing to name and shame public listed companies (PLCs) who still have no women on their boards by 2018, in order to try and meet their own target of having women comprise 30% of listed-company boards by 2020.

Such a sense of frustration is indeed understandable, however, other measures to attract top female talent to stay on in the workforce and ascend to top roles are also worth considering.

Enforcing closing wage gaps between men and women, flexible work schedules and more generous maternity/paternity leave days could be the structural starting points if Corporate Malaysia were to be serious about redressing the gender imbalance at Board level.

### **NURTURE, NOT DISPOSE**

At the same forum, we also voiced some concern at a growing trend among institutional investors and fund managers to divest their interests in non-performing investees in situations where they are not performing to expectations.

While the decision to cut losses or to retain the said investment is comprised of a number of important factors, our point is a distinct one, and centred on the best practices and principle of good governance: no investment is perfect, nor should there be such expectations.

By signing up to the Malaysian Institutional Investors Code -- a list which keeps growing -- this means fund managers should be bringing to bear its vast resources, experience, guidance and stewardship such as to benefit their investees.

Simple divestiture is an easy fix, but there is a danger in getting used to this route. It might well end up in a situation where fund managers simply sell when in fact the more effective solution over the long term is to nurture, cultivate and manage the investee out of whatever issues they are currently facing.

The issue is if the institutional investors and fund managers truly believe in good governance, have they made sufficient effort to convince the investees of the benefits and win them over? It cannot be overemphasized that investors may also shy away from investing in companies with good financial performance but with questionable governance practices. This is where the role of institutional investors and fund managers becomes even more imperative - the dosage of good governance may provide the impetus to drive the companies to greater heights and better share price performance.

Institutional investors and fund managers should not give up so easily!

### **AGM MINUTES REMINDER!**

And lastly, a gentle reminder from us: please upload a summary of your AGM minutes as soon as possible for inclusion and assessment in our annual ASEAN CG Scorecard.

As you are aware, disclosure of meaningful minutes for AGMs forms part of the assessment, so please do so as soon as practicable, not later than two months from the date of AGM. Not to forget -disclosure of summary minutes of AGM is also a listing requirement.

*MSWG TEAM*

*4 August 2017*

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

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

MUH announced that the Board of Directors of the company has resolved to further extend the suspension of Mr. Tan Chew Hua for a period of two (2) months up to 28 September 2017 with immediate effect.

The investigation report has yet to be completed by the solicitor and therefore, the Board of Directors requires more time to conclude the matter.

*[Source: MUH's announcement on Bursa Malaysia's website on 27 July 2017]*

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

The suspension of director, Mr. Tan Chew Hua has been extended for the fourth time since 28 November 2016. We see the suspension as being overextended and obstructing a director, who is given the mandate by shareholders in the company's general meeting, in discharging his duty. We hope that the company should set a timeline to disclose the investigation report as soon as possible.

### ***CHEMICAL COMPANY OF MALAYSIA BERHAD ("CCM") / CCM DUOPHARMA BIOTECH BERHAD ("CCMDB")***

The Board of Directors of CCM announced that the company intends to undertake the following proposals:

- (i) Proposed placement of up to 10% of the issued share capital of CCM (excluding treasury shares) ("Proposed Placement");
- (ii) Proposed disposal of the following three (3) parcels of leasehold land measuring approximately 70.93 acres for a cash consideration of RM190 million to GBA Corporation Sdn Bhd ("GBA Corp"):
  - (a) Pn 112585 Lot 818 Seksyen 16 Bandar Shah Alam, Daerah Petaling, Negeri Selangor ("Lot 818") (excluding that portion of Lot 818 measuring 11,655 square metres which has been taken over by Perbadanan Kemajuan Negeri Selangor and which is to be surrendered to the relevant authority(ies);
  - (b) Hs(D) 135878, Pt 757 Sek 16, Bandar Shah Alam, Daerah Klang, Negeri Selangor ("Pt 757"); and
  - (c) Hs(D) 135879, Pt 758 Sek 16, Bandar Shah Alam, Daerah Klang, Negeri Selangor ("Pt 758"),  
  
(the aforesaid three (3) parcels of land are collectively referred to as the "Shah Alam Land") ("Proposed Disposal of Shah Alam Land")
- (iii) Proposed distribution of the entire shareholding in CCMDB ("Proposed Distribution") to the shareholders of CCM by way of a reduction of the paid-up capital of CCM pursuant to Section 116 of the Companies Act 2016 ("Proposed Distribution and Capital Reduction");

(iv) Proposed share consolidation of every 3 existing ordinary shares in CCM (“CCM Share(s)” or “Share(s)”) into 1 ordinary share in CCM (“Consolidated Share(S)”) (“Proposed Share Consolidation”).

(collectively referred to as “Proposals”)

[Source: CCM’s announcement on Bursa Malaysia’s website on 2 August 2017]

**MSWG’S COMMENTS:**

The share price of CCM has tumbled by as much as 8.2% from RM1.69 to RM1.55 and this could be due to the Proposed Placement and Proposed Share Consolidation not being well accepted by minority shareholders.

However, MSWG is of the opinion that the Proposals in overall would generally benefit all shareholders through the Proposed Disposal of Shah Alam Land and Proposed Distribution, as CCM would be able to raise more funds via Proposed Disposal to reduce its borrowings and also streamline its activities to focus on its core business in chemical and polymers sector while rewarding shareholders by unlocking the investment value in CCMD.

We also hope that the Board of Directors of CCM would diligently identify strategic investors who understand the company’s core business and growth potential for its placement exercise so that this would facilitate the company’s expansion in the chemical and polymers sectors.

**MSWG’S AGM WEEKLY WATCH 7 AUGUST 2017 - 11 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
07.08.17 (Mon) 10.00 am	Eastern & Oriental Bhd (EGM)	TPC Kuala Lumpur (formerly known as KLGCC), Off Jalan Bukit Kiara, KL
09.08.17 (Wed) 10.00 am	Sarawak Oil Palms Bhd (EGM)	Imperial Hotel, Jalan Pos, Miri, Sarawak
09.08.17 (Wed) 02.00 pm	Dayang Enterprise Holdings Bhd (EGM)	Imperial Hotel, Jalan Pos, Miri, Sarawak
11.08.17 (Fri) 10.00 am	Media Chinese International Limited (AGM)	Sin Chew Media Corporation Berhad, Cultural Hall, No. 19, Jalan Semangat, PJ

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Eastern & Oriental Bhd (EGM)	As disclosed on page 5 of the Circular, the Disposal Consideration represents a discount of RM26.77 million or 3.49% over the Estimated Value.  What was the reason for the discount on the Disposal Consideration?

<b>The points of interest to be raised:</b>	
Sarawak Oil Palms Bhd (EGM)	<p>Section 2.1.2 of the Circular to Shareholders stated that as at 22 June 2017, the latest practicable date (LPD), the Company has yet to ascertain any performance target/assessment and vesting period for the Scheme.</p> <p>As at to-date, has the performance target/assessment and the vesting period of the scheme been ascertained by the Company? If yes, could the Board share the details? Otherwise, what is the stage of progress in ascertaining these details and when would the details be expected to be finalised? Could the Board share some indicative details?</p>
Media Chinese International Limited (AGM)	<p>For the year ended 31 March 2017, turnover of the publishing and printing operations in Malaysia declined by 13% from US\$186.4 million recorded in FY2016 while digital business sales recorded a double digits growth compared with FY2016.</p> <p>(a) What was the ratio of the revenue from digital business to the revenue from traditional print media business for FY2017? Moving forward, how far would the ratio expected to move towards revenue from digital business?</p> <p>(b) Excluding all the non-operational adjustments, such as adjustment for impairment or currency translation etc, would the growth in digital business expected to be sufficiently cushion the declining revenue in traditional print media business in the next three to five years?</p>

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## **MSWG'S WATCHLIST**

### **TEKALA CORPORATION BERHAD ("TEKALA")**

Tekala announced that the proposed transfer of Tekala's listing status to WMG Holdings Berhad ("WMG") by WMG has been completed following the de-listing of Tekala Shares from the Official List of the Main Market of Bursa Malaysia, and the listing of and quotation for WMG Shares on the Official List of the Main Market of Bursa Malaysia in place of Tekala on 31 July 2017. Accordingly, the regularisation plan of Tekala has been completed on 31 July 2017.

*[Source: Tekala's announcement on Bursa Malaysia's website on 31 July 2017]*

### **XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED ("XINGQUAN")**

Xingquan announced that the company has yet to find suitable candidates to fill the vacancy of the Financial Controller and therefore the company is still unable to complete the preparation of the 3rd Quarterly Results for FYE 2017 for submission. The company continues to source for suitable candidates to fill the vacancies of the Financial Controller and Independent director and hopes to be able to fill the vacancies soonest possible.

*[Source: Xingquan's announcement on Bursa Malaysia's website on 31 July 2017]*

### ***PUBLIC BANK BERHAD (“PBB”)***

The Board of Directors of PBB announced that Tan Sri Dato’ Sri Dr. Teh Hong Piow, the Non-Executive Chairman of the Company, wishes to relinquish his position as Chairman of PBB on 1 January 2019. Tan Sri Dato’ Sri Dr. Teh Hong Piow will be bestowed the title of Chairman Emeritus on 1 January 2019 when he retires as Chairman of PBB. Tan Sri Dato’ Sri Dr. Teh Hong Piow will stay on as Adviser with effect from 1 January 2019 and provide guidance to support the continued growth of PBB and the PBB Group.

The Board of Directors further announced that Tan Sri Dato’ Sri Dr. Teh Hong Piow, who is also the Non-Executive Chairman of Public Islamic Bank Berhad and Public Investment Bank Berhad, both wholly-owned subsidiaries of PBB, will retire as Chairman of these two subsidiaries on 1 January 2018 and stand on as Non-Executive Director with effect from 1 January 2018.

The details relating to the appointment of the new Chairman of PBB will be announced at an appropriate time.

*[Source: PBB’s announcement on Bursa Malaysia’s website on 31 July 2017]*

### ***FOCUS DYNAMICS GROUP BERHAD (“FDGB”)***

The Board of Directors of FDGB announced that the company proposes to undertake the following proposals:-

- (i) proposed renounceable rights issue of up to 1,245,384,218 new irredeemable convertible preference shares in FDGB (“ICPS”) together with up to 207,564,036 free detachable warrants (“Warrants D”) on the basis of 6 ICPS together with 1 free Warrant D for every 6 existing FDGB Shares held by the entitled shareholders of the company on an entitlement date to be determined (“Entitlement Date”) (“Entitled Shareholders”) (“Proposed Rights Issue of ICPS with Warrants”); and
- (ii) proposed amendments to the Constitution / Memorandum and Articles of Association of the company (“M&A”) (“Proposed M&A Amendments”).

*[Source: FDGB’s announcement on Bursa Malaysia’s website on 28 July 2017]*

### ***IGB CORPORATION BERHAD (“IGB”) / GOLDIS BERHAD***

The Board of Directors of IGB announced that the company had received a letter from Goldis stating that Goldis has chosen to waive any rights and entitlements to any dividends which IGB may declare, make or pay to the Scheme Shareholders for the financial year ending 31 December 2017, prior to the date of sanction of the proposed acquisition by Goldis of the entire equity interest in IGB by the High Court. As a result of this waiver, the Scheme Shareholders will now be entitled to retain any such dividends.

*[Source: IGB’s announcement on Bursa Malaysia’s website on 20 July 2017]*

## **MALAYSIA PACIFIC CORPORATION BERHAD (“MPC”)**

MPC announced that Bursa Malaysia had on 21 July 2017 approved the application for an extension of time up to 31 December 2017 to make the requisite announcement and submit the company’s regularisation plan to the regulatory authorities.

*[Source: MPC’s announcement on Bursa Malaysia’s website on 21 July 2017]*

### **REGULATOR’S REPRIMAND LIST OF THE WEEK**

<b>No</b>	<b>Regulator</b>	<b>Companies</b>	<b>Reasons</b>
1	Securities Commission Malaysia (SC)	Telent Outdoor (Hong Kong) Technology Co. Ltd (Telent)	SC has reprimanded a China-based sports equipment company, i.e. Telent, and imposed a permanent moratorium on two of its directors for submitting false information. The permanent moratorium will bar the two from being a promoter and being involved in any submission for corporate proposals to SC, where they would emerge as a major shareholder of a listed company in Malaysia.  Hui Tang Tat and his father, Hui Chi Keung, are the Executive Director and Managing Director of Telent respectively. The individuals, both Hong Kong citizens, are the promoters of, and substantial shareholders in, the company. [Date: 31 July 2017]
2	Bursa Malaysia	Eksons Corporation Berhad (Eksons)	Bursa Malaysia has reprimanded Eksons in respect of the company’s announcement of its inaccurate third quarterly report for the financial period ended 31 December 2014 (QR 31 Dec 2014) on 26 February 2015. The difference of RM11.836 million for the unaudited profit attributable to owners of the parent between the QR 31 Dec 2014 announced on 26 February 2015 and amended on 28 May 2015 represented a variance of 18.5%. [Date: 24 July 2017]

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### **LOCAL NEWS AND DEVELOPMENTS**

Petronas not pulling out of Vietnam, Canada: report

<https://www.nst.com.my/business/2017/07/262501/petronas-not-pulling-out-vietnam-canada-report>

Government to stick to GDP forecast of 4%-5% for this year

<http://www.thestar.com.my/business/business-news/2017/07/28/government-to-stick-to-gdp-forecast-of-45-for-this-year/>

Bursa issues UMA query on Hengyuan

<http://www.thesundaily.my/news/2017/07/31/bursa-issues-uma-query-hengyuan>

Govt considers setting up body to regulate property industry

<http://www.thestar.com.my/business/business-news/2017/07/27/govt-considers-setting-up-body-to-regulate-property-industry/>

AG's Report: Federal govt debt increases by RM147b

<http://www.thesundaily.my/news/2017/07/31/ags-report-federal-govt-debt-increases-rm147b>

Malaysia's First Green Sukuk under SC's Sustainable Responsible Investment Sukuk Framework

[https://www.sc.com.my/post\\_archive/malaysias-first-green-sukuk-under-scs-sustainable-responsible-investment-sukuk-framework/](https://www.sc.com.my/post_archive/malaysias-first-green-sukuk-under-scs-sustainable-responsible-investment-sukuk-framework/)

PMI rebounds but manufacturers remain cautious

<http://www.theedgemarkets.com/article/pmi-rebounds-manufacturers-remain-cautious>

Malaysia's June broad money up 4.3% y/y – c.bank

<http://www.theedgemarkets.com/article/malaysias-june-broad-money-43-yy-%E2%80%94-cbank>

LEAP to enhance Bursa revenue

<http://www.theedgemarkets.com/article/leap-enhance-bursa-revenue>

SC reprimands China-based Telent, bans father-son duo for life

<http://www.theedgemarkets.com/article/sc-reprimands-chinabased-telent-bans-fatherson-duo-life>

MACC makes another arrest over FIC's Kuching hotel purchase

<http://www.theedgemarkets.com/article/macc-makes-another-arrest-over-fics-kuching-hotel-purchase>

Maxwell unit faces 14 cases in China, may cost group RM173m

<http://www.theedgemarkets.com/article/maxwell-unit-faces-14-cases-china-may-cost-group-rm173m>

Invest Malaysia 2017 reaffirms Malaysia as advanced emerging market – Bursa

<http://www.theedgemarkets.com/article/invest-malaysia-2017-reaffirms-malaysia-advanced-emerging-market-%E2%80%94-bursa>

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## GLOBAL NEWS AND DEVELOPMENTS

China July factory growth cools but construction boom fortifies economy

<http://www.thestar.com.my/business/business-news/2017/07/31/china-july-factory-growth-cools-but-construction-boom-fortifies-economy/>

China shut 42.4 million tonnes of steel capacity in the first half

<http://www.thestar.com.my/business/business-news/2017/07/31/china-shut-424-million-tonnes-of-steel-capacity-in-the-first-half/>

US Fed holds rates steady, expects portfolio cuts 'relatively soon'  
<http://www.thestar.com.my/business/business-news/2017/07/27/fed-holds-rates-steady-expects-portfolio-cuts-relatively-soon/>

US economic growth more than doubles to 2.6pc in second quarter  
<http://www.themalaymailonline.com/money/article/us-economic-growth-more-than-doubles-to-2.6pc-in-second-quarter#eOyJzOqWcXYDGLkd.97>

Low inflation to encourage India central bank to cut rates next week  
<http://www.thestar.com.my/business/business-news/2017/07/29/low-inflation-to-encourage-india-central-bank-to-cut-rates-next-week/>

Value of US deals in China sinks on rising trade tensions  
<http://www.thestar.com.my/business/business-news/2017/07/29/value-of-us-deals-in-china-sinks-on-rising-trade-tensions/>

Oil prices jump on tighter US market, Venezuela sanctions risk  
<http://www.themalaymailonline.com/money/article/oil-prices-jump-on-tighter-us-market-venezuela-sanctions-risk#wVKUz8O8Kr8FwzLR.97>

Japan industrial output increase hints at more stable growth  
<http://www.themalaymailonline.com/money/article/japan-industrial-output-increase-hints-at-more-stable-growth#rPUizP7LxAphLy1u.97>

MSCI warns Chinese companies about suspending trading of shares  
<http://www.themalaymailonline.com/money/article/msci-warns-chinese-companies-about-suspending-trading-of-shares#czg8DqITc2ExXUu7.97>

IMF says dollar overvalued; euro, yen, yuan broadly in line with fundamentals  
<http://www.themalaymailonline.com/money/article/imf-says-dollar-overvalued-euro-yen-yuan-broadly-in-line-with-fundamentals#B0VJqSUe9DMKjodP.97>

SGX clarifies secondary listing rules for dual-class shares  
<http://www.theedgemarkets.com/article/sgx-clarifies-secondary-listing-rules-dualclass-shares>

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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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