



The Observer

05.11.2048

MESSAGE FROM THE CEO

BUDGET 2019

Another Exchange in the Making

Embedded in the Finance Minister's delivery of the Budget last Friday is a peer-to-peer (P2P) home financing exchange platform to facilitate home ownership in Malaysia. This is expected to be a private sector-driven "Property Crowdfunding" platform. The SC will regulate these exchange platforms under the peer-to-peer (P2P) financing framework.

The Edge Media Group's subsidiary, EdgeProp Sdn Bhd, has taken the initiative to launch a property portal called Fund-MyHome.com.

For the time being, it is envisaged that only institutional investors will participate in the exchange platform. Eventually, members of the public can also participate as individual investors, subject to the approval of the SC.

No Capital Gains Tax on Share Dealings

Shareholders can give a sigh of relief as there is no capital gains tax on share dealings. We had commented earlier that such a move would dampen an already damp stock exchange.

Overall

Overall, we find the Budget to be pragmatic and as least -painful-as-possible. There is a pronounced balancing of wealth between the well-to-do and the not-so-well-to-do - and rightfully so. The tax amnesty programme for those who have evaded tax is an opportunity for these tax evaders to make themselves honest again.

MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

IOI CORPORATION BHD ("IOIC")

MSWG's representatives attended IOIC's 49th Annual General Meeting on 26 October 2018 during which the remuneration of the Company's Executive Chairman ("EC") and Chief Executive Officer ("CEO") for the financial year ended 30 June 2018 ("FY2018") was vigorously debated.

For FY2018, the total remuneration of the EC and CEO amounted to a staggering RM107.7 million. The high remuneration was largely attributed to payment of performance bonus. As explained at the AGM, the performance bonus for the EC and CEO is based on 2% and 1%, respectively of the Company's profit after tax and minority interest (PATAMI).

In FY2018, there was an extraordinary gain from disposal of the Group's 70% equity interest in a subsidiary, amounting to RM1.15 billion, which was included in the Company's PATAMI. The Board is of the view that the EC and CEO, who have been working hard in growing the value of the assets and who have successfully monetised the

assets for a handsome gain, should be rewarded for their role. However, some shareholders disagree with the view of the Board.

MSWG's Comments

Should extraordinary gain from monetisation of assets be taken into consideration in determining the performance bonus of Directors? Or should performance bonus be solely based on profit from the ordinary business activities of a company?

We are of the view that extraordinary gain from monetisation of assets should not be taken into consideration in determining the performance bonus of Directors.

Below are three reasons to substantiate our view:-

1. Gains from extraordinary transactions are normally one-off and are short term in nature. Taking into consideration such extraordinary gains in determining the remuneration of Directors may result in Directors focusing on disposing assets to realise short term, one-off extraordinary gains instead of focusing on long-term efforts to enhance shareholder value.
2. Both current and past Board members should be credited for assets that generate such extraordinary gains at present time. In other words, the role of past Board members in growing such assets, from the day the investment was made, should be duly acknowledged. However, some of these Directors may have already left the company at the time when the asset is monetised. In this regard, are the existing Directors the only individuals who deserve to reap the gains from the monetisation of these assets? What about the past Directors who have contributed to the growth of the asset value?
3. Directors who harbour plans to leave the company or who are aware of a corporate exercise to privatise the company may be tempted to monetise assets belonging to the company and to reward themselves with exorbitant remuneration from gains derived from the monetisation exercise prior to leaving or before the corporate exercise is implemented. This will be detrimental to the interest of the minority shareholders in the long run.

It makes good sense to quantify the performance bonus for Executive Directors by reference to profit from the normal operations of the company. However, in determining the bonus payment for the Directors, the Nominating Committee and the Board (comprising the disinterested directors) should exercise due discretion to ensure that the payments are fair and balanced. Their decision should encourage the Board to focus on creating long-term value for the company's shareholders.

MSWG'S AGM WEEKLY WATCH 5 November - 10 November 2018

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
07.11.18 (Wed) 10.00 am	Gadang Holdings Bhd (AGM)	Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, KL
07.11.18 (Wed) 11.00 am	Tien Wah Press Holdings Bhd (EGM)	Armada Hotel, Lot 6 Lorong Utara C, Section 52, PJ
10.11.18 (Sat)	Icapital Biz Bhd	Kuala Lumpur Convention Centre, KLCC

09.00 am	(AGM)	
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Some of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Gadang Holdings Bhd (AGM)	<p>Construction (page 23 of the Annual Report 2018)</p> <p>a) The construction order book presently stands at RM1.5 billion and it will provide earnings visibility for the next two to three years. The Group still has the technical capacity and risk appetite to further participate in more high-value Government infrastructure projects.</p> <p>How much contract value does the Division intend to bid in the next few years? What sort of projects will the Group be looking at?</p> <p>b) There are strong infrastructure projects in the pipeline, such as Pan Borneo Highway packages that are yet to be awarded.</p> <p>Will Gadang be participating in the Pan Borneo Highway packages?</p>
Icapital Biz Bhd (AGM)	<p>Since 2010, the Fund has been maintaining a very high cash level with a rising trend although there has been slight decreases over the last two years. On Page 3 (footnote), it is stated that "The allegation that your Fund is always holding a high level of cash tantamounts to fake news".</p> <p>a) Please enlighten share owners why it is stated that the allegation tantamounts to fake news.</p> <p>b) What is the plan and direction in regard to maintaining the cash level and why?</p>

MSWG'S WATCHLIST

MUAR BAN LEE GROUP BERHAD ("THE COMPANY")

DISPOSAL OF 33% EQUITY INTEREST IN PT BANYUASIN NUSANTARA SEJAHTERA ("BNS") BY ITS WHOLLY-OWNED SUBSIDIARY, MUAR BAN LEE ENGINEERING SDN BHD ("MBLE") OF THE COMPANY FOR A TOTAL CONSIDERATION OF IDR16,000,000,000.00 (WHICH IS EQUIVALENT TO RM4,768,000.00) ("THE DISPOSAL")

Pursuant to the disposal, MBLE is disposing 33% equity interest in BNS for a total sale consideration of IDR16,000,000,000.00 (which is equivalent to RM4,768,000.00). From the Disposal, BNS will be ceased as the Associate Company of MBLE.

[Source: Muar Ban Lee Group Berhad's announcement on Bursa Malaysia's website on 31 October 2018]

ADVANCE SYNERGY BERHAD ("ASB")

ANNOUNCEMENT BY CAPTII LIMITED ("CAPTII"), A 58.3%-OWNED SUBSIDIARY OF ASB (HELD VIA WORLDWIDE MATRIX SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF ASB), TO THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX") ON THE INTERNAL REORGANISATION OF CAPTII GROUP OF COMPANIES ("CAPTII GROUP")

Pursuant to paragraphs 9.19 (23) and 9.19 (40) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), ASB wish to inform Bursa Securities that Captii, its subsidiary which is listed on the SGX, had on 31 October 2018 released an announcement to the SGX on the internal reorganisation of Captii Group which will involve amongst others, the following:-

1. Changing the name of Unified Communications (VAS) Sdn Bhd, a wholly-owned subsidiary of Unified Communications Pte Ltd ("UCPL"), to Postpay Technology Sdn Bhd ("PTSB").

2. Captii to incorporate a new wholly-owned subsidiary in Malaysia, Postpay Asia Sdn Bhd (“PASB”).
3. PASB to be the immediate holding company of Postpay Sdn Bhd (formerly known as Mobilization Sdn Bhd)(“PSB”) and PTSB by undertaking the following:-
 - a. Transfer of Captii’s 100% shareholding in PSB to PASB.
 - b. Transfer of UCPL’s 100% shareholding in PTSB to PASB.
4. Restructuring of the inter-company balances within the Captii Group.

[Source: ASB’s announcement on Bursa Malaysia’s website on 31 October 2018]

FSBM HOLDINGS BERHAD (“FSBM” OR “THE COMPANY”)

DELAY IN THE ANNOUNCEMENT/ISSUANCE OF ANNUAL REPORT IN RESPECT OF THE FINANCIAL YEAR ENDED 30 JUNE 2018 PURSUANT TO PARAGRAPH 9.23(1) OF THE MAIN MARKET LISTING REQUIREMENTS (“MMLR”) OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”)

The Board of Directors’ of FSBM Holdings Berhad (“FSBM” or “the Company”) announces that the Company is unable to release to Bursa Malaysia Securities Berhad (“Bursa Securities”) and shareholders its Annual Report that includes the annual audited financial statements together with the auditors’ and directors’ reports in respect of the financial year ended 30 June 2018 (“Annual Report 2018”) by 31 October 2018 which is a period not exceeding four (4) months from the close of the financial year ended 30 June 2018 (“Timeframe”) as required under Paragraph 9.23(1) of the Main Market Listing Requirements (“MMLR”) of Bursa Securities.

However, FSBM will endeavour to announce/issue its Annual Report 2018 to Bursa Securities and shareholders not later than 2 months from 31 October 2018.

The delay is due to the Company requiring additional time to resolve some outstanding issues. The Company is working closely with the External Auditors to expedite the completion of the Annual Report 2018.

[Source: FSBM’s announcement on Bursa Malaysia’s website on 31 October 2018]

MSWG’S VIGILANCE

Listing of PN17 and GN3 companies

PN17 Companies

1. AMTEK HOLDINGS BERHAD
2. APFT BERHAD
3. ASIA KNIGHT BERHAD
4. BERJAYA MEDIA BERHAD
5. BERTAM ALLIANCE BERHAD
6. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
7. DAYA MATERIALS BERHAD
8. EKA NOODLES BERHAD
9. HB GLOBAL LIMITED
10. KINSTEEL BHD
11. KUANTAN FLOUR MILLS BERHAD
12. MAA GROUP BERHAD
13. MALAYSIA PACIFIC CORPORATION BERHAD
14. MAXWELL INTERNATIONAL HOLDINGS BERHAD

15. MULTI SPORTS HOLDINGS LTD
16. PERISAI PETROLEUM TEKNOLOGI BERHAD
17. PETROL ONE RESOURCES BERHAD
18. STONE MASTER CORPORATION BERHAD
19. SUMATEC RESOURCES BERHAD
20. TH HEAVY ENGINEERING BERHAD
21. UTUSAN MELAYU (MALAYSIA) BHD
22. YFG BERHAD

GN3 Companies

1. G NEPTUNE BERHAD
2. IDIMENSION CONSOLIDATED BERHAD (29 October 2018)
3. WINTONI GROUP BERHAD

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

<http://www.bursamalaysia.com/market/listed-companies/list-of-companies/pn17-and-gn3-companies/>

LOCAL NEWS AND DEVELOPMENTS

Petronas completes its first LNG supply to world's largest LNG bunker vessel

<https://www.thestar.com.my/business/business-news/2018/11/01/petronas-completes-its-first-lng-supply-to-worlds-largest-lng-bunker-vessel/>

Malaysia jumps to 15th spot in World Bank 2019 Doing Business report

<https://www.thestar.com.my/business/business-news/2018/11/01/malaysia-jumps-to-15th-spot-in-world-bank-2019-doing-business-report/>

PM unveils four-pronged strategy to boost manufacturing

<https://www.thestar.com.my/business/business-news/2018/10/31/pm-unveils-four-pronged-strategy-to-boost-manufacturing/>

GLOBAL NEWS AND DEVELOPMENTS

October proves to be rare good month for both gold and dollar

<https://www.thestar.com.my/business/business-news/2018/11/02/october-proves-to-be-rare-good-month-for-both-gold-and-dollar>

Oil Extends Losses Near \$65 on Supply Concern And Strong Dollar

<https://www.bloomberg.com/news/articles/2018-11-01/oil-extends-losses-near-65-on-supply-concern-and-strong-dollar?srnd=markets-vp>

China Signals More Stimulus Measures Planned

<https://www.bloomberg.com/news/articles/2018-10-31/timely-measures-needed-to-counter-slowdown-china-politburo-says>

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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 for Muar Ban Lee Group Berhad, Advance Synergy Berhad, and FSBM Holdings Berhad*
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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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