



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

08 September 2017

## VOICE OF MSWG

### BURSA MALAYSIA CONSULTATION PAPER NO. 3/2017: MORE OVERSIGHT, MORE TRANSPARENCY

Bursa Malaysia is seeking public feedback on several proposed amendments to its Listing Requirements (LR) for both Main and ACE Market-listed companies.

The intention is to further align these protocols with the new Malaysian Code on Corporate Governance (MCCG) that had been issued by the Securities Commission (SC) in April 2017.

At the time, the SC had amended the CG rulebook to include within the MCCG a slew of fresh measures such as the Comprehend, Apply and Report (CARE) approach, shifting the onus from “comply or explain” to “apply or explain an alternative”, and the adoption of a differentiated and proportionate approach for listed issuers with differing size and complexity.

There was also greater emphasis on focus and clarity on intended outcomes rather than box-ticking and the introduction of ‘Step Up’ practices to encourage companies to go further in achieving corporate excellence.

It was therefore inevitable that Bursa had to embark on a review of the LR to reflect these changes.

While superficially appearing quite onerous, the objective is quite simple.

Bursa wants to improve the quality of CG disclosures, promote transparency (by requiring a separate CG report) and offer shareholders a better understanding of the company's CG practices via an overview of how it applies the CG practices as set out in the MCCG during the financial year.

Crucially, the proposals also include enhancements of the audit committee's oversight over internal audit functions.

At this juncture, these moves appear to be further steps in the right direction where the development of CG is concerned.

### DANGLING CARROTS

Interestingly -- and we are not sure if this a first in Asia -- the exchange has also dangled a carrot to the most CG-compliant listed companies.

That incentive is what Bursa calls a Green Lane Policy (“GLP”) incentive, aimed at the top 30 listed companies, and awarded based on their good standard of corporate governance conduct and disclosure practices.

Bursa says the GLP grants certain privileges such as faster issuance of circulars to shareholders -- ie, a more efficient time-to-market for their corporate proposals, which in turn feeds into better disclosure, which should result in enhanced shareholder value over the long term.

Under the GLP, Bursa will no-longer pre-vet circulars barring more complex proposals like major disposals, privatisation, related party transactions and transactions which involve mineral, oil and gas assets (so called “Complex Circulars”).

And like most commercial terms, we like the fact that there will be regular post-implementation reviews, which may yet expand the eligibility criteria to allow a broader pool of listed companies, but without compromising the regulatory objectives.

### **DEFINITELY DIVERSITY, NOT MAYBE**

The issue of board diversity is a long-standing one, but Prime Minister Datuk Seri Najib Razak has upped the ante a notch by claiming that he will 'name and shame' non-compliant corporates, and might even withhold government contracts to meet his objective of having 30% females on corporate boards by 2020.

Without naming names, he mentioned that there were still 'unfortunately ... 17 'top 100' PLCs that have no women at all on their board.'

The unfortunate truth is -- and we say 'unfortunate', because Malaysia began the journey to board diversity on a voluntary basis, but for whatever reason (or reasons), have failed to meet these targets.

It appears now we might need a firm, top-down approach -- hence the PM's remarks.

Still, Malaysia isn't alone in failing to meet its targets -- Germany, France, Belgium, Iceland and Italy are several OECD nations that have decided to introduce mandatory quotas, following their own failures to meet the same goals.

Contrast the US, which has neither voluntary nor mandatory targets, and the results (or lack thereof) are stark.

Female board representation at the S&P 500 has not increased significantly over the past decade and, at 18.7%, pales in comparison to the figures in most of Europe.

*MSWG TEAM*

*8 September 2017*

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## MARKET AND REGULATORY UPDATE

### **BURSA MALAYSIA LAUNCHES GREEN LANE INCENTIVE TO TOP 30 COMPANIES FOR GOOD CORPORATE GOVERNANCE AND DISCLOSURE PRACTICES**

Bursa Malaysia has implemented its Green Lane Policy (“GLP”) incentive to the top 30 listed companies based on their good standard of corporate governance conduct and disclosure practices.

The GLP grants certain privileges to these listed companies including faster issuance of circulars to shareholders. The GLP is aimed at recognising and rewarding these companies by facilitating a more efficient time-to-market for their corporate proposals.

Under the GLP, the Exchange will no-longer pre-vet circulars issued by these listed companies except for those involving more complex proposals such as major disposal or privatisation, related party transactions and transactions which involve mineral, oil and gas assets (“Complex Circulars”). This means that these listed companies may issue such circulars to their shareholders as soon as they are ready without having to wait for the Exchange to review the same. Further, the Exchange will fast-track the processing of Complex Circulars (which are still required to be reviewed by the Exchange) submitted by these listed companies.

Under the existing framework, irrespective of a listed company’s risk profile or the complexity of a circular, all circulars to shareholders (excluding “exempt circulars” as defined in Practice Note 18 of the Bursa Malaysia Listing Requirements (“LR”) and those which are stipulated under Paragraph 9.30(2) of the LR) must not be issued until the Exchange has confirmed in writing that it has no further comments on the document.

For the initial phase of the GLP, the Exchange has selected and identified the eligible listed companies from the constituents of the FBMKLCI, after considering, among others, the corporate governance related conduct of the listed companies and their board of directors. The list of eligible listed companies will be reviewed from time to time to ensure their continued eligibility to be on the list.

Moving forward, Bursa Malaysia will undertake a post-implementation review of the effectiveness of the GLP. The Exchange may expand the eligibility criteria to allow a broader pool of listed companies, with the necessary measures and controls to ensure that the Exchange continues to be facilitative of listed companies’ needs without compromising the regulatory objectives.

*[Source: Media release on Bursa Malaysia’s website on 29 August 2017]*

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## MSWG’S AGM WEEKLY WATCH 11 SEPTEMBER 2017 - 15 SEPTEMBER 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
13.09.17 (Wed) 10.00 am	Enra Group Bhd (AGM)	TPC Kuala Lumpur (formerly known as KLGCC), Off Jalan Bukit Kiara, KL
13.09.17 (Wed) 10.00 am	Land & General Bhd (AGM)	the Sri Damansara Club, Persiaran Perdana, Bandar Sri Damansara, KL
14.09.17 (Thur)	Asiamet Education Group Bhd	MiGHT Building, 3517, Jalan Teknokrat 5,

09.00 am	(CCM)	Cyberjaya
14.09.17 (Thur) 10.00 am	Asiamet Education Group Bhd (EGM)	MiGHT Building, 3517, Jalan Teknokrat 5, Cyberjaya

<b>The points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>
Enra Group Bhd (AGM)	<p>The Group is in the preliminary stages of evaluating opportunities to upgrade and expand Enra Kimia's facilities to support its growing business and ensure security of business, including the potential construction of a new warehouse.</p> <p>(i) What is the growth potential of Enra Kimia and how would the Company stay competitive?</p> <p>(ii) What would be the expected cost of the new warehouse?</p>
Land & General Bhd (AGM)	<p>It was stated in the Management Discussion and Analysis that the Group saw an increase in booking and take-up rate compared to the previous year.</p> <p>(i) What was the average take-up rate for the properties sold in FY2017?</p> <p>(ii) What was the total unbilled sales as at 31 March 2017?</p>
Asiamet Education Group Bhd (EGM)	<p>In the Independent Advice Letter from Mercury Securities Sdn Bhd, the basis and justification for the Purchase Consideration and the Issue Price was based on the DCF valuation model that derived a range of fair values for the CESB Group's business of between RM158.21 million and RM177.70 million.</p> <p>(i) Could the Board elaborate why the Purchase Consideration that was within the range, representing a premium of 4.92% to the low range and a discount of 6.58% to the high range was justifiable?</p> <p>(ii) How would the Board explain the rationale for the Issue Price of the Consideration Shares to be at RM0.20 per AEGB Share (but not detrimental to non-interested shareholders' interest) which was lower than the proforma consolidated NA per AEGB Share of RM0.30 as at 31 December 2016 (after adjustment for the resale in the open market of 33,829,900 AEGB Shares held as treasury shares in January 2017)?</p> <p>(iii) How does the Board consider and evaluate the basis and justification for SESB and its PACs to obtain statutory control over AEGB at a price representing a discount of 33.33% to the said proforma consolidated NA per AEGB Share instead of a premium for the statutory control that would benefit minority shareholders?</p> <p>(iv) Who are the placees identified for the SESB Placement given that it has to be completed by mid-October 2017?</p>

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## **MSWG'S WATCHLIST**

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

MUH announced that the solicitor was unable to conclude the internal investigation on the suspended Director as the suspended Director refused to cooperate and attend any interview with the solicitor.

The purpose of the internal investigation was to seek clarification from Mr Tan Chew Hua on the matters highlighted in the Special Audit Report dated 25 February 2016 and auditors' qualified opinion in the audited financial statements for the financial year ended 30 June 2016.

In view thereof, the Board of Directors ("Board") of MUH was advised by the solicitor that the Board has the liberty to continue the suspension until the suspension is set aside by a court order, or is prohibited by a court order.

Accordingly, the Board has resolved to further extend the suspension of Mr Tan Chew Hua until such date where the suspension is set aside by a court order, or is prohibited by a court order.

*[Source: MUH's announcement on Bursa Malaysia's website on 30 August 2017]*

### ***MULTI SPORTS HOLDINGS LTD ("MSPORTS")***

The Board of Directors of Multi Sports Holdings Ltd ("the Board") expects to issue the outstanding Annual Report on or before 9 October 2017 and Quarterly Results dated 30 June 2016, 30 September 2016, 31 December 2016, 31 March 2017 and 30 June 2017 (collectively referred to as the "Outstanding Financial Statements") to Bursa Malaysia on or before 28 February 2018. The Board will make further announcement to Bursa Securities on the development of the above matter in due course.

In addition, a trading suspension will be imposed on the securities of the company. However, as the company's securities have been suspended from trading since 10 May 2016, the trading suspension of Msports will continue until further notice.

*[Source: Msports' announcements on Bursa Malaysia's website on 5 September 2017]*

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

Xingquan has failed to submit its Quarterly Report for financial period ended 30 June 2017 to Bursa Malaysia for public release within the stipulated timeframe pursuant to Paragraph 9.22(1) of Bursa Malaysia' Main Market Listing Requirements ("LR"). Pursuant to Paragraph 9.28(5) of the LR, a trading suspension will be imposed on the securities of the company. However, as the company's securities have been suspended from trading since 8 June 2017, the trading suspension of XINGQUAN will continue until further notice.

*[Source: Xingquan's announcements on Bursa Malaysia's website on 5 September 2017]*

## **CHINA AUTOMOBILE PARTS HOLDINGS LIMITED (“CAP”)**

Bursa Malaysia had on 10 July 2017 issued a notice to show cause to CAP on the commencement of trading suspension, pursuant to paragraph 16.02(1)(e) of the Main Market Listing Requirements (“LR”), for failing to reissue the company’s audited financial statements for the financial year ended 31 December 2015 (“AFS 2015”) within 1 month from 5 June 2017.

Further to that and pursuant to paragraph 2.23(1) of the LR, CAP is required to reissue the AFS 2015 within 6 months from 5 July 2017 i.e. on or before 4 January 2018, failing which Bursa Securities shall commence de-listing procedures against CAP.

In addition, as the company's shares have been suspended from trading since 8 June 2017, the trading suspension of CAP will continue until further notice.

*[Source: CAP’s announcements on Bursa Malaysia’s website on 14 July 2017 & 5 September 2017]*

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## **LOCAL NEWS AND DEVELOPMENTS**

July producer price index up 7.1%

<http://www.thestar.com.my/business/business-news/2017/08/30/july-industrial-production-up-7pct/>

Malaysian manufacturing shows signs of recovery in August

<http://www.thesundaily.my/news/2017/09/04/malaysian-manufacturing-shows-signs-of-recovery-august>

Malaysia's Petronas says not interested in equity stake in Daewoo E&C

<http://www.thestar.com.my/business/business-news/2017/09/02/malaysias-petronas-says-not-interested-in-equity-stake-in-daewoo-ec/>

'Late Bank Negara governor shocked to learn of RM9 billion forex trading losses'

<https://www.nst.com.my/business/2017/08/274468/late-bank-negara-governor-shocked-learn-rm9-billion-forex-trading-losses>

Court declares in SC’s favour in Iris manipulation case

[https://www.sc.com.my/post\\_archive/court-declares-in-scs-favour-in-iris-manipulation-case/](https://www.sc.com.my/post_archive/court-declares-in-scs-favour-in-iris-manipulation-case/)

LEAP market may be a tough sell for Malaysia's biggest funds

<http://www.thesundaily.my/news/2017/09/04/leap-market-may-be-tough-sell-malaysias-biggest-funds>

IPIC says 1MDB has paid rest of money due by today

<http://www.thesundaily.my/news/2017/08/30/ipic-says-1mdb-has-paid-rest-money-due-today>

PM Najib solicits Budget 2018 ideas

<http://www.theedgemarkets.com/article/pm-najib-solicits-budget-2018-ideas>

Eligibility Criteria for Companies to Apply to the Corporate Debt Restructuring Committee

[http://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press&ac=4498&lang=en](http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4498&lang=en)

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## GLOBAL NEWS AND DEVELOPMENTS

China bans initial coin offerings as illegal fundraising

<http://www.themalaymailonline.com/money/article/china-bans-initial-coin-offerings-as-illegal-fundraising#jkcRoilpoah60uID.97>

China's factories seen posting another solid month of growth in August

<http://www.theedgemarkets.com/article/chinas-factories-seen-posting-another-solid-month-growth-august>

US economy grew 3% in second quarter: Commerce Dept

<http://www.thestar.com.my/business/business-news/2017/08/30/us-economy-grew-3pc-in-second-quarter---commerce-dept/>

Japan July jobless rate flat at 2.8 pct

<https://www.nst.com.my/business/2017/08/273924/japan-july-jobless-rate-flat-28-pct>

Wall Street edges up as rate-hike bets in check after jobs data

<http://www.themalaymailonline.com/money/article/wall-street-edges-up-as-rate-hike-bets-in-check-after-jobs-data1#H44lwYd0r0zk3c4.97>

Most Asean markets fall on caution after N.Korea's nuclear test

<http://www.thestar.com.my/business/business-news/2017/09/04/most-asean-markets-fall-on-caution-after-n-korea-nuclear-test/>

BRICS must promote free trade, open world economy, says Xi

<http://www.thesundaily.my/news/2017/09/03/brics-must-promote-free-trade-open-world-economy-says-xi>

Moody's says G-20 GDP growth to exceed 3%, warns of geopolitical risks

<http://www.thestar.com.my/business/business-news/2017/08/30/moodys-says-g20-gdp-growth-to-exceed-3pct/>

US crude prices rise on returning refineries, but gasoline slumps to pre-Harvey levels

<http://www.theedgemarkets.com/article/us-crude-prices-rise-returning-refineries-gasoline-slumps-preharvey-levels>

Monsoon rains bring India's financial capital to a standstill

<http://www.theedgemarkets.com/article/monsoon-rains-bring-indias-financial-capital-standstill>

China raises midpoint for sixth straight day to fresh 14-month high

<http://www.themalaymailonline.com/money/article/china-raises-midpoint-for-5th-straight-day-to-fresh-14-month-high#BO3A4Vt2K5cyJomP.97>

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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 China Automobile Parts Holdings Limited.*
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**Feedback**

We welcome your feedback on our newsletter and our work. Email us at [watchdog@mswg.org.my](mailto:watchdog@mswg.org.my) with your comments and suggestions.

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