



The Observer

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MESSAGE FROM THE CEO

CG Watch - Malaysia Leapfrogs to 4th Place from 7th Place

On 5 December 2018, the Asian Corporate Governance Association (ACGA) published its CG Watch 2018 Report. This Report, amongst others, looks at the Transparency, Accountability and Fairness of the capital markets of the countries under their coverage.

Malaysia was ranked 4th compared to its previous ranking of 7th (in the CG Watch 2016 published in September 2016) in a list of 12 countries. Ahead of Malaysia were Australia, Hong Kong and Singapore - in that order. Australia obtained 71% (in the rankings). Hong Kong, Singapore and Malaysia got 60%, 59% and 58% respectively. This means just 2% separates Malaysia from achieving 2nd place. If we do the right things, (and not do the wrong things), we should be able to better our 4th place ranking in two years- time when the next CG Watch report will be published.

Just to add perspective and depth to the rankings, the 12th ranked country, Indonesia, got 34%.

In 2018, MSWG was interviewed by the ACGA team on the state-of-affairs in relation to CG in the Malaysian capital market. MSWG was also interviewed on the role we played in the capital market ecosystem. The ACGA team appreciated the relevance and importance of MSWG as a key player in the Malaysian capital market ecosystem. And this is reflected in the CG Watch 2018 Report, which mentions MSWG in both its Executive Summary and the more detailed Malaysia-country report.

Under the Market Themes section of the Report (for Malaysia), it is mentioned that “A new Institutional Investor Committee is formed with the Minority Shareholder Watchdog Group - a regional first”. MSWG is indeed a regional first, both in terms of structure and operations, which promotes minority shareholder activism and advocates good corporate governance amongst the public listed companies.

Under the country-level report for Malaysia, there is the following narrative:

“MSWG is a leading local governance advocate”

“Watching CG, a distinctive part of the investor community in Malaysia is the Minority Shareholders Watch Group (MSWG). MSWG is primarily funded by the Capital Market Development Fund, a government agency. It produces research and analysis on Malaysian companies, including the local assessment for the ASEAN CG Scorecard. It sends questions to companies ahead of their AGMs and often presents these to the meeting. And the group acts as the secretariat for the IIC.

From a regional perspective, MSWG’s role is unusual in its breadth and depth: company analysis, advocacy on behalf of retail shareholders, and collaboration with institutional investors. Its newsletters provide a helpful summary of events in the market and it has the tough role of facilitating the adoption of the Malaysian Code for Institutional Investors. There is no other organisation quite like it, although the Korea Corporate Governance Service performs some similar functions. It is a shame that MSWG cannot be fully funded by domestic investors.”

MSWG is thankful of this recognition for the work that we have done over the years and especially thankful to the Capital Market Development Fund that continues to fund our activities.

We at MSWG, believe that we have, in our own small way, contributed to the improvement in Malaysia's ranking from 7th place to the 4th place in the CG Watch 2018 Report.

The improvement and recognition will spur us to scale greater heights in promoting good corporate governance practices for a much better and competitive capital market.

MSWG'S AGM WEEKLY WATCH 17 December - 21 December 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
17.12.18 (Mon) 10.00 am	Hiap Teck Venture Bhd (AGM)	Setia City Convention Centre, Setia Alam, Seksyen U13, Shah Alam
20.12.18 (Thur) 11.00 am	Greenyield Bhd (AGM)	Hotel Bangi-Putrajaya, Off Persiaran Bandar, Bandar Baru Bangi

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Hiap Teck Venture Bhd (AGM)	As stated in the Management Discussion & Analysis, ("MDA") page 12 and page 100 of the segmental report of Annual Report 2018 :- The manufacturing segment recorded revenue of RM598.35 million in 2018 (2017: RM573.47 million). Despite the higher revenue recorded in 2018, segment profit reduced to RM55.23 million (2017: RM102.99 million). Similarly, profit for the trading segment also declined to RM20.9 million, compared to RM29.2 million last year. What are the reasons for the decline in the segment profit? What are the measures to address the decline?
Greenyield Bhd (AGM)	As stated on page 7 of AR 2018, total borrowings and gearing ratios for the Group have been rising for the past five years. At the same time, the Group's cash and cash equivalents had dropped to RM5.6 million from RM8.86 million last year. What are the reasons for the increased borrowings and the increased utilization of the cash and cash equivalents?

MSWG'S WATCHLIST

TOP GLOVE CORPORATION BHD ("TOP GLOVE" OR THE "COMPANY")

CLARIFICATION TO THE ARTICLE APPEARED IN THE EDGE MARKETS ON 10 DECEMBER 2018

The Board of Directors of Top Glove (or "the Company") wishes to clarify the following main issues as highlighted in the above Article:

1. High recruitment fees resulting in debt bondage

Top Glove's workers are recruited through approved recruitment agencies listed by the source countries. Recruitment cost is charged by the foreign agents to the workers at the source countries which Top Glove is not involved. The recruitment costs are either fixed by the government or the recruitment agent in the source countries. Top Glove does not deduct worker salaries to pay for recruitment fee on behalf of the

agent. Top Glove only pays for the processing cost in Malaysia which comprises levy, visa stamping, medical examination etc. This processing cost is borne by Top Glove of which the Company does not divert any of the cost to workers.

As the next course of action, Top Glove will engage with the embassies of the labour source countries, to request that they take urgent action on the issue of high recruitment fees mentioned above.

2. Excessive overtime

There is absolutely no forced overtime (“OT”). Measures to prevent OT in excess of the allowed 104 hours a month have been implemented on a staggered basis across all Top Glove factories between March 2018 to November 2018. By December 2018, workers will not be working in excess of the 104-hour limit as permitted by the labour law.

Top Glove has undertaken the following initiatives to reduce OT:

1. Progressively investing in more automation for factory operations to reduce the need for manual labour.
2. Introducing new changing shift patterns to allow sufficient rest time for workers.
3. Regularly conducting training to improve worker efficiency and quality of work.

3. Working / living conditions

Top Glove provides accommodation for its workers which is equipped with bathrooms, toilets and water dispensers. For the workers’ convenience, other facilities made available are mini market, sports facilities, prayer rooms, canteen, laundry, barber, currency exchange facility and ATM machine.

For the workers’ well-being, Top Glove also organizes regular recreational activities such as sports tournaments, cultural night and festive celebrations. Personal protective equipment such as helmets, specialized gloves, ear plugs, masks, goggles according to requirements of the job is provided to workers in the factory. Transportation to and from the workplace is also provided to workers.

In addition, the Company also have 5 full-time Corporate Nutritionists who look into food preparation by the canteen to ensure quality and hygiene and also workers’ health. All employees have access to an in-house clinic (with 2 medical doctors, 1 dentist and 3 nurses) and are provided with a dental kit.

Going forward, Top Glove will continuously improve the working environment of the workers as the well-being of the Company’s employees at large, continues to be Top Glove’s foremost priority.

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6002625>

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
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/>

Regulatory News

BURSA MALAYSIA ENHANCES ETF FRAMEWORK TO SPUR FURTHER GROWTH AND INNOVATION IN THE MARKET

KUALA LUMPUR, 7 DECEMBER 2018 - Bursa Malaysia Berhad (“Bursa Malaysia” or “the Exchange”) has made several enhancements to the exchange-traded fund (“ETF”) framework under the Main Market Listing Requirements and Bursa Malaysia Securities Berhad Rules and Directives (collectively “the ETF Amendments”) that will help spur further growth of the ETF industry in Malaysia.

This initiative as well as the revised Guidelines on Exchange-Traded Funds issued by the Securities Commission of Malaysia (“SC”) on 26 November 2018 form part of the efforts by the Exchange and the SC in growing the potential of the Malaysian ETF market. With the revised Guidelines on Exchange-Traded Funds, a wider variety of ETFs such as futures-based ETFs, synthetic ETFs, physical commodity ETFs and smart beta ETFs, could now be issued.

Through the ETF Amendments, the Exchange has enhanced the post listing and trading framework of ETFs with the aim of achieving the following objectives:

- Promoting greater business efficacy and reducing the cost of compliance by ETFs;
- Facilitating further growth of the ETF industry whilst enhancing investor protection and transparency; and
- Facilitating market making activities for all ETFs through the enhanced Permitted Short Selling (“PSS”) framework.

In this regard, the key ETF Amendments include the following:

- Liberalising the interim reporting frequency from quarterly to semi-annual basis;
- Enhancing the contents of ETF interim and annual reports arising from the new types of ETF products and their specific requirements to promote meaningful and value-add information to unit holders;
- Enhancing the immediate announcement requirements to promote greater transparency on specific key matters such as information pertaining to the index or benchmark tracked by the ETF and significant matters or changes affecting the ETFs;
- Introducing qualifying criteria for investors trading in leveraged and inverse ETFs; and
- Expanding the PSS framework allowing the short sell of new types of ETFs. Currently, under the PSS framework, short-selling is only applicable to equity-based ETFs.

Bursa Malaysia Chief Executive Officer, Datuk Seri Tajuddin Atan said, “The introduction of innovative ETF products is a welcome development for our ETF market, and should lead to a more vibrant ETF ecosystem. The resulting enhancements to the framework complements our ongoing market development initiatives to provide an efficient and effective ecosystem for ETFs as well as diversified product range for our investors.”

“In tandem with this, we are also focusing on investor awareness and education as we believe that this is important for the ETF industry to take off. In this regard, we have been actively educating investors on ETF for the past few years. We have successfully reached out to over 15,700 investors through 165 ETF workshops and seminars especially over these last two years. To further build on the growing demand from investors for passive investing instruments, we will intensify our nationwide roadshows and education programmes that seek to give them the ability to build a diversified portfolio that can place them in the best position for long-term financial success” Datuk Seri Tajuddin concluded.

The ETF Amendments will take effect from 2 January 2019 onwards.

For more information on the ETF Amendments, please visit Bursa Malaysia's website at:

[<http://www.bursamalaysia.com/market/regulation/rules/listing-requirements/main-market/amendments-to-listing-requirements/>]

LOCAL NEWS AND DEVELOPMENTS

UK investigates after labour rights expose at world's top glove maker

<http://www.theedgemarkets.com/article/uk-investigates-after-labour-rights-expose-worlds-top-glove-maker>

Bursa suspends Prestariang's PDT, IDSS

<https://www.theedgemarkets.com/article/bursa-suspends-prestariangs-pdt-idss>

Malaysia's Nov palm oil inventories climb to highest in nearly two decades

<https://www.theedgemarkets.com/article/malysias-nov-palm-oil-stocks-rise-105-oct-over-3-mil-tonnes>

Tabung Haji fails to recognise RM549m in impairment – PwC

<https://www.theedgemarkets.com/article/tabung-haji-fails-recognise-rm549m-impairment-%E2%80%94-pwc>

Tabung Haji to be under BNM's purview starting January

<https://www.theedgemarkets.com/article/tabung-haji-be-under-bnms-purview-starting-january>

Prestariang shares drop 35% on SKIN project cancellation

<https://www.theedgemarkets.com/article/prestariang-shares-drop-35-skin-project-cancellation>

Scientex to buy Daibochi stake for RM222.5m

<https://www.thestar.com.my/business/business-news/2018/12/11/scientex-to-buy-daibochi-stake-for-rm2225m/#ej6lTE93wJu5IKvC.99>

Scientex's Daibochi stake buy triggers MGO

<https://themalaysianreserve.com/2018/12/11/scientexs-daibochi-stake-buy-triggers-mgo/>

MASSB claiming RM36.1mil in unpaid PSC from AirAsia, AirAsia X

<https://www.nst.com.my/business/2018/12/439679/massb-claiming-rm361mil-unpaid-psc-airasia-airasia-x>

Prestariang confirms SKIN termination, says it's entitled to compensation

<https://www.theedgemarkets.com/article/prestariang-confirms-skin-termination-says-its-entitled-compensation>

GLOBAL NEWS AND DEVELOPMENTS

Oil prices on shaky ground mid global financial market worries

<https://www.thestar.com.my/business/business-news/2018/12/11/oil-drops-3-percent-pares-opec-gains-on-stock-market-weakness/#cAj0lRVxx0OLZpgK.99>

Brexit in turmoil as UK's May pulls vote to seek changes to EU divorce

<https://www.reuters.com/article/us-britain-eu/britains-may-pulls-parliamentary-vote-on-her-brexit-deal-idUSKBN1O90X7>

Sterling sinks on Brexit vote delay, Asian shares dither

<https://www.reuters.com/article/us-global-markets/sterling-sinks-on-brexit-vote-delay-asian-shares-dither-idUSKBN1OA022>

Fed seen slowing, or even stopping, rate hikes next year

<https://www.reuters.com/article/us-usa-fed/fed-seen-slowing-or-even-stopping-rate-hikes-next-year-idUSKBN1O92E9>

Sterling jumps as UK PM survives confidence vote; euro gains

<https://www.reuters.com/article/us-global-forex/sterling-jumps-as-uk-pm-survives-confidence-vote-euro-gains-idUSKBN1OB03M>

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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 corporateservices@mswg.org.my with your comments and suggestions.

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