



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

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MESSAGE FROM THE CEO

At several AGMs conducted recently, there were some corporate governance issues worth highlighting and discussing.

An ex-partner of the external audit firm of a PLC was elected as an independent director three months after his retirement and was also appointed as a member of the Audit Committee. He last signed the audited accounts 2 years prior to his appointment as a director.

Under Bursa Listing Requirements (LR), Practice Note 13, Para. 4.1, a person does not qualify to be an independent director if he, amongst others:

(a) had personally provided professional advisory services to the said Company within the last 2 years; or (b) is presently a partner of the firm which has provided professional advisory services within the last 2 years to the company.

Based on the LR, he may have fulfilled both the requirements (a) and (b) as Independent Director in the letter of the law.

However, from the viewpoint of good corporate governance practices, his appointment as an independent director would raise concerns as he had retired from the audit firm just three months prior to his appointment whilst the audit firm is still the PLC's external auditor. This situation could raise issues of potential conflicts. It is further exacerbated by the fact that he also sits on the Audit Committee which invariably will have to often deal and interact with the audit firm. We hope that Bursa would relook at the LR pertaining to such issues.

At another PLC's AGM, a group of shareholders accused the Group CEO of falsifying his qualification from Oxford University. He subsequently admitted the reason being that he needed the position. He was then shockingly promoted to be the Group CEO. This was clearly an integrity issue and a breach of law yet condoned by the Board. It raises issue on the recruitment process and more importantly the issue of integrity.

At other AGMs, shareholders raised concerns on increases in directors' fees although the companies performed poorly. At one specific AGM, shareholders rejected the directors' fees by a show of hands initially, however, was outvoted through poll vote subsequently.

Regards,

Rita

MSWG's QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

FELDA GLOBAL VENTURES BERHAD ("FGV")

At the recent FGV's AGM, which caught media attention, many shareholders, mostly Felda settlers were present. The shareholders were given the opportunities to raise questions and issues, which centred mainly on FGV's financial performance and its current share price.

The CEO highlighted FGV's financial performance and future plans and measures to be taken to improve the age profile of the palms by acquiring brownfield plantations and cost efficiency.

MSWG'S COMMENTS:

The questions raised and the sentiment at the AGM showed that many shareholders including MSWG were not happy with FGV's poor financial performance where the profits dropped by over 67% YOY and over 90% QOQ. Its share price dropped substantially by about 60% from RM4.45 to around RM1.68.

Among reasons given by the Board for the substantial drop in profit were weather change, floods, old oil palms and replanting exercise, volatility in the CPO price and lower other commodities' prices. MSWG and other retail shareholders were not satisfied with the justifications given and thus raised further queries as the reasons were not acceptable and did not add up .

Further, concerns were raised by MSWG on several acquisitions made in recent years since its IPO which did not yield results. However, the management mentioned that it should yield results in the longer term.

Lastly, the proposed acquisition of 37% in PT Eagle High Plantations from Rajawali Capital for USD631.5 million (RM2.37 billion) and 95% of a sugar project from Rajawali for USD37 million in Indonesia drew further concerns.

Several shareholders including EPF expressed concerns ranging from the pricing and regulatory issues.

The Board informed that due diligence would be carried out and stated that the matter ought to be discussed at the PLC's EGM.

Consequently, as the shareholders were unhappy with the results and performance of the company, the resolution on the directors' fees was rejected by show of hands. The Chairman invoked his right to call for poll vote on the resolution, which was carried with 84.33 per cent voted for and 15.6 per cent against; 0.07 per cent spoilt votes. It would be interesting to know which institutions voted against. We had hoped that investors exercised their rights to reject the fee to send a strong message to the Board

MSWG's WATCHLIST

MAA GROUP BERHAD ("MAAG")

Proposed Disposal of 75% Equity Interest Held in MAA Takaful Berhad ("Proposed Disposal")

The Board of Directors of MAAG ("Board") announced on 16 June 2015 that Bank Negara Malaysia ("BNM") had vide its letter dated 15 June 2015 stated that it has no objection in principle for MAAG and Zurich Insurance Company Ltd ("Zurich") to commence negotiations for the Proposed Disposal.

The above would not be construed as approval for the Proposed Disposal. MAAG and Zurich would be required to obtain the prior approval of the Minister of Finance, with the recommendation of BNM, pursuant to the Islamic Financial Services Act 2013, before entering into any agreement to effect the Proposed Disposal.

[Source: MAAG's announcement on Bursa Malaysia's website on 16 June 2015]

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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.*

Feedback

We welcome your feedback on our newsletter and our work. Email us at mswg.ceo@mswg.org.my with your comments and suggestions.

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