



**MSWG**

**MINORITY SHAREHOLDER WATCHDOG GROUP**

**Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

24 July 2015

## MESSAGE FROM THE CEO

The Raya-shortened week gone by meant there were fewer developments to speak of except for the ongoing rumbles on the political front regarding 1MDB continues.

Even the news of Tenaga Nasional's non-binding bid for 1MDB's power assets met with a muted share-price response. But this was after the heavy sell-off during last month by 8% which could be attributed to the market rumblings of the purchase as well as the general negative market sentiments.

The muted response, we read as positive, because it indicates that a) political concerns may have already been factored in and b) the market is optimistic that Tenaga would only purchase the assets at a fair price.

Nonetheless, where Tenaga is concerned, we as well as most investors will be scrutinising the relevant details of its upcoming Edra proposal to ensure that its offer if there is one indeed, is fair and reasonable to minority shareholders.

Internationally, the news of Toshiba having inflated profits by \$1.2 billion for a whopping seven years has dented confidence in Japan Inc.

Clearly, it has done nothing to further Japan's profitability "renaissance", since recent soaring profit numbers now run the risk of being built on seemingly fabricated foundations, given that Toshiba's woes have come in the wake of the quite-recent Olympus financial scandal too.

Japan clearly lacks independent board members.

As a corporate governance and financial exponent, we hope the initiation of the Japan's Corporate Governance Code (adopted in June 2015) - coupled with Japan's investor stewardship code (released in February 2014) and the inclusion of a requirement that companies have at least two independent directors on the board will bring about some transformation in line with international expectations.

International rankings aside, on Malaysia, there is a prevailing mood of caution in our market as well as most of the other ASEAN markets. We need to remain focused on our core strengths, i.e. its quality of human resource and diversity to see through these uncertainties. Choose investments wisely and those that are resilient.

Regards,

Rita

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## MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

### **HARVEST COURT INDUSTRIES BHD ("HCIB")**

HCIB announced that the company proposes to establish and implement a share issuance scheme of up to fifteen percent (15%) of the Company's total issued and paid-up share capital (excluding treasury shares, if any) at any one time during the duration of the scheme ("Proposed SIS") for the eligible employees of HCIB and its subsidiaries (excluding dormant subsidiaries) who fulfil the eligibility criteria for participation in the Proposed SIS.

*[Source: HCIB's announcement on Bursa Malaysia's website on 16 July 2015]*

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

As we have read through the announcement in relation to the Proposed SIS, we noted that all directors of HCIB, including non-executive directors (NEDs), will be eligible to receive SIS shares.

MSWG is of the view that the practice of giving ESOS to NEDs (including independent directors) would give rise to issues of conflict as they are there to monitor the ESOS allocation to the employees and the executive directors. NEDs are present to oversee the governance aspects of the company and must therefore at all times remain independent. Thus, their fees ought to be an appropriate amount which would commensurate with their roles and responsibilities as well as the size and risks of the operation of the company.

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## MSWG'S WATCHLIST

### **COCOALAND HOLDINGS BERHAD ("CCHB")**

CCHB announced that it has received a letter dated 19 July 2015 from First Pacific Company Limited ("First Pacific") withdrawing its intention to acquire all the business and undertaking of CCHB due to First Pacific group's determination, after completion of the due diligence exercise, that the strategic fit offered by CCHB differs from what First Pacific had envisaged. Accordingly, the proposed disposal is aborted.

*[Source: CCHB's announcement on Bursa Malaysia's website on 20 July 2015]*

### **CHINA STATIONARY LIMITED ("CSL")**

CSL announced that that Bursa Malaysia has vide its letter dated 16 July 2015 decided to grant the company an extension of time of up to 7 September 2015 to submit the regularisation plan or the Waiver Application, to the regulatory authorities.

The extension of time granted to CSL is without prejudice to Bursa Malaysia's right to proceed to suspend the trading of the listed securities of CSL and to de-list the company in the event:

- (i) the company fails to make a regularisation plan or the Waiver Application to the regulatory authorities on or before 7 September 2015;
- (ii) the company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan or the Waiver Application; or
- (iii) the company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Malaysia shall suspend the trading of the listed securities of CSL on the next market day after five (5) market days from the date of notification of suspension by Bursa Malaysia and de-list the company, subject to the company's right to appeal against the delisting.

*[Source: CSL's announcement on Bursa Malaysia's website on 20 July 2015]*

### **A & M Realty BERHAD ("AMRB")**

AMRB had on 29 April 2015 announced a proposed final single-tier dividend of 15 sen per ordinary share of RM1.00 each in respect of the financial year ended 31 December 2014 (Proposed Dividend). However, AMRB had on 30 April 2015 made an amended announcement of the Proposed Dividend to 1.5 sen per share.

In relation to the above, Bursa Malaysia has publicly reprimanded AMRB for the subsequent alteration of the Company's dividend entitlement in contravention of paragraph 8.26(1) of the Bursa Malaysia Securities Main Market Listing Requirements ("Main LR").

The public reprimand was imposed pursuant to paragraph 16.19(1) of the Main LR after taking into consideration all facts and circumstances of the matter and upon completion of due process.

While Bursa Malaysia has not found any of AMRB's directors to have caused or permitted the breach by the company, Bursa Malaysia wishes to highlight and remind that it is the duty of the directors to maintain appropriate standards of responsibility and accountability in ensuring compliance of the Main LR.

*[Source: AMRB's announcement on Bursa Malaysia's website on 29 April 2015, 30 April 2015 and 15 July 2015]*

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## **LOCAL NEWS AND DEVELOPMENTS**

Tenaga submits proposal to buy Edra's 13 power assets from 1MDB

<http://www.thestar.com.my/Business/Business-News/2015/07/15/Tenaga-Nasional-submits-bids-to-buy-Edra-13-power-assets/?style=biz>

CIMB appoints Mohd Nasir and Lee to its board of directors

<http://www.theedgemarkets.com/my/article/cimb-appoints-mohd-nasir-and-lee-its-board-directors?type=Markets>

Inflation rises 2.5 per cent in June  
<http://www.nst.com.my/node/92258>

PN17: Kejuruteraan Samudra Timur Berhad out of Practice Note 17  
<http://www.bursamalaysia.com/corporate/media-centre/media-releases/3449>

Puncak Niaga worries about further delays in water deal  
<http://www.thestar.com.my/Business/Business-News/2015/07/17/So-near-yet-so-far/?style=biz>

Independent adviser tells BCB shareholders to reject takeover offer  
<http://www.theedgemarkets.com/my/article/independent-adviser-tells-bcb-shareholders-reject-takeover-offer?type=Markets>

Dufu finds conflict of interest in unauthorised remittance of US\$1.01m  
<http://www.theedgemarkets.com/my/article/dufu-finds-conflict-interest-unauthorised-remittance-us101m?type=Markets>

Ralph Marshall leaves Maxis board  
<http://www.theedgemarkets.com/my/article/ralph-marshall-leaves-maxis-board?type=Markets>

Scanwolf and JHM get UMA queries  
<http://www.thestar.com.my/Business/Business-News/2015/07/16/Scanwolf-and-JHM-get-UMA-queries/?style=biz>

Parkson to sell retail asset to HK unit for RM641m  
<http://www.theedgemarkets.com/my/article/parkson-sell-retail-asset-hk-unit-rm641m?type=Markets>

SC approves Ranhill's RTO  
<http://www.thestar.com.my/Business/Business-News/2015/07/16/SC-approves-Ranhills-RTO/?style=biz>

MMC Corp forks out nearly RM500m for 30% stake in NCB Holdings  
<http://www.thestar.com.my/Business/Business-News/2015/07/15/MMC-Corp-forks-out-nearly-RM500m-for-NCB-stake/?style=biz>

Malaysia's July 1-20 palm oil exports drops 15.5 pct -ITS  
<http://www.theedgemarkets.com/my/article/malaysias-july-1-20-palm-oil-exports-drops-155-pct-its?type=Markets>

Perwaja rises 3.6% after it inks framework agreement with China firm  
<http://www.theedgemarkets.com/my/article/perwaja-rises-36-after-it-inks-framework-agreement-china-firm?type=Markets>

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## GLOBAL NEWS AND DEVELOPMENTS

Gold plunges to five-year lows after early Asia rout  
<http://www.reuters.com/article/2015/07/20/us-markets-precious-idUSKCN0PU18220150720>

Oil prices dips below \$50 on ample supply, strong dollar  
<http://www.reuters.com/article/2015/07/20/us-markets-oil-idUSKCN0PU01X20150720>

U.S. Consumer Prices Rose 0.3% in June

<http://www.wsj.com/articles/u-s-consumer-prices-up-0-3-in-june-1437136314>

Toshiba Executives Face Pressure to Quit in \$1.2 Billion Scandal

<http://www.bloomberg.com/news/articles/2015-07-21/toshiba-to-correct-profit-after-executives-set-unrealistic-goals>

German economy likely grew by around 0.3 percent in second-quarter: finance ministry

<http://www.reuters.com/article/2015/07/19/us-germany-economy-idUSKCN0PTORA20150719>

Greek Banks Reopen Their Doors, but With Strict Limits Still in Place

<http://www.wsj.com/articles/greek-banks-reopen-their-doors-1437376273>

China Surprises With 7% Growth in Second Quarter

<http://www.wsj.com/articles/china-surprises-with-7-growth-in-second-quarter-1436927081>

Notorious activist investor storms back to Tokyo market

<http://www.ft.com/intl/cms/s/0/2c16668c-2dc0-11e5-8873-775ba7c2ea3d.html#axzz3gUAxZbM1>

Samsung C&T, Cheil Industries shares fluctuate ahead of merger vote result

<http://www.reuters.com/article/2015/07/17/us-samsung-c-t-m-a-cheil-industries-shar-idUSKCN0PR08E20150717>

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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 Cocoland Holdings Berhad, China Stationary Limited and A & M Realty Berhad.*

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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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