



The Observer

27.07.2018

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

TEK SENG HOLDINGS BERHAD ("TEKSENG")

TEMPORARY CESSATION OF PRODUCTION ACTIVITIES OF A SUBSIDIARY

TEKSENG had on 18 July 2018 announced that TS Solartech Sdn. Bhd. ("TSST"), a 50.69% owned subsidiary of the Company, has decided to temporarily stop its entire production activities which is expected to be in the 3rd quarter of the financial year ending 31 December 2018.

[Source: TEKSENG's announcement on Bursa Malaysia's website on 18 July 2018 & 23 July 2018]

MSWG'S COMMENTS:

TSST is a major subsidiary of TEKSENG that contributed 41% of the Group revenue and 61% of the Group profit before tax for the financial year ended 31 December 2017. As such, temporary cessation of its production activities may give rise to various implications, both operational and financial, to the Group. Bursa Securities had on 23 July 2018 issued some queries to the Company on some of the probable implications from the cessation. Investors are advised to monitor the development of the implications, including the financial effects to the Group from the cessation cost, which shall be duly announced by the Company.

And also, very importantly, since TSST contributed a very significant portion of the Group revenue and profit before tax, going forward, how would the Group be able to make up for the contribution from this segment. What exactly would be the Group's plans?

APFT BERHAD ("APFT" OR "THE COMPANY")

On 18 July 2018, APFT announced that the Company had filed a Writ and Statement of Claim against its former Director, Dato' Faruk bin Othman for (inter alia)-

1. Misappropriation of funds of the Company;
2. Causing the Company to trigger PN17; and
3. Breach of the Main Market Listing Requirements.

The Company had also filed a Notice of Application to seek statutory injunction against Dato' Faruk. The interim order sought by the Company includes -

1. To bar Dato' Faruk and his representatives or nominees from participating in the management of the Company; and
2. To restrain Dato' Faruk from exercising his voting rights attached to the Company shares.

On 25 July 2018, the Company announced that it was served with an Originating Summons and Notice of Application from a shareholder, Hisham Bin Mustaffa, on 24 July 2018, seeking an, inter alia, injunction to prohibit the Company from holding the 7th AGM which is scheduled to be held on 26 July 2018.

On the same day, it was announced that the said application had been dismissed by the Court and the 7th Annual General Meeting of the Company would proceed as scheduled.

At the Company's 7th AGM:-

- All three Independent Directors (out of total five board members), including the Chairman did not seek re-election as Directors of the Company.
- Resolutions relating to re-election of two Executive Directors were not put forward for voting at the AGM pursuant to Section 196(1)(b) of the Companies Act, 2016 where a public company shall have a minimum of two (2) Directors.
- The Board of Directors had agreed to waive the Directors' fees for the period ended 31 January 2018 as well for the period from 1 February 2018 up to the next AGM, payable to the Non-Executive Directors.
- The external auditors do not wish to continue to act as the Auditors of the Company.

[Source: APFT's announcement on Bursa Malaysia's website on 18 July 2018, 25 July 2018 & 26 July 2018]

MSWG's COMMENTS

As fiduciaries, directors are held to a high standard of conduct. Misappropriation of Company's fund is a serious misconduct by a director of a Company. The Company should carry out further investigation to determine the extent of the wrongdoing, if any, the financial impact on the Company and the remedial measures taken/to be taken, as soon as possible. The shareholders should be informed of the outcome of the investigation.

The financial highlights reported in the Company's Annual Report for the 18 months period ended 31 January 2018 indicates a weak financial position for the Group. The loss before tax has increased to RM58.7 million in FY2018 from RM4.9 million in FY2012, total assets were reduced to RM27.1 million for FY2018 from RM61.4 million in FY2012 and the shareholder equity is negative RM19.3 million as at 31 January 2018.

Given the circumstances, the AGM of the Company will be an important opportunity for the shareholders to raise questions to the Board and the management on the state-of-affairs of the Company and the direction of the Company, moving forward. It would be good that at the AGM if the shareholders had not just confined themselves to asking questions only on strategic and financial matters but importantly also on governance issues.

Given the current financial position of the Company, extensive efforts should be directed on the business operations of the Company and to turn around the Company. We hope all the unwanted issues could be resolved as soon as possible before the situation worsens.

IHH HEALTHCARE BERHAD (“IHH” OR “THE COMPANY”)

Participation in Fortis

As stated in the document attached to the announcement by the Company on 13 July 2018, one of the Independent Directors who is also the Chairman of the Audit & Risk Management Committee of the Company voted against the Proposals. She was not comfortable with the structure of the Proposals after taking into consideration the risk factors relating to the Proposals and the qualified opinion issued by Fortis’s external auditors, Deloitte Haskins & Sells LLP, in the audited financial statements of Fortis for the year ended 31 March 2018, which was released on 7 July 2018.

[Source: IHH’s announcement on Bursa Malaysia’s website on 13 July 2018]

MSWG’s COMMENTS

This represents an interesting case where an independent director who helms an important position as Chairman of the Audit & Risk Management Committee has voted against a Proposal tabled for Board’s approval. This is an example of an independent director acting independently, without fear or favour, in speaking and voting. Independent directors should not fall into the trap of group-think.

Credit should be given to the Chairman and the Board for creating an environment that encourages differing opinions and for disclosing the differing opinion from a board member in their announcement.

In this case, the independent director has highlighted her concerns specifically on the structure of the Proposals and the qualified opinion issued by the external auditors. We trust that the Board would have taken cognisance of the differing opinion and would have had a robust discussion in the light of the differing opinion.

MSWG encourages boards to nurture the offering of differing perspectives and opinions by directors. This in turn will lead to robust discussions and deliberations which will eventually lead to better decisions.

MSWG’S AGM WEEKLY WATCH 30 JULY - 3 AUGUST 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
31.07.18 (Tue) 10.00 am	AMMB Holdings Bhd	Sime Darby Convention Centre, Kuala Lumpur
Some of the points of interest to be raised:		
Company	Points/Issues to Be Raised	
AMMB Holdings Bhd (AGM)	1) We refer to page 29 of the “Segmental Analysis” of the Annual Report and note that the Retail and Wholesale Banking segments were impacted by higher impairment costs, lower recoveries and higher expenses during the FY 2018 resulting in lower profit after tax by 12.9% and 5.5% in each segment respectively. Given the current economic scenario, what would be the expected targets for the wholesale banking and retail segment in FY 2019?	

	<p>2) On page 28 of the Annual Report, we note that under the “Performance Scorecard” key financial indicators for the 4-year (FY15 - FY 18) for ROE and PATMI were on a declining trend with the CTI increasing over the period.</p> <p>When is the Group expected to show an upward trend for the profitability ratios and what is the target CTI ratio?</p>
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MSWG’S WATCHLIST

VERSATILE CREATIVE BERHAD (“VCB” OR “THE COMPANY”)

The Company has on 3 July 2018 announced that they have discovered financial irregularities arising from unauthorised payments to third parties between August 2017 and June 2018.

Following the discovery, the Board has appointed Crowe Malaysia to carry out a forensics audit. On 2 July 2018, Dato’ Lee Kwee Hiang, the Chairman of the Company, also lodged a police report. The Managing Director and the Chief Financial Officer of the Company have been suspended pending investigation by the forensics auditor.

The investigation and forensics audit which commenced on 03.07.2018 is expected to be completed within 3 weeks from the commencement date.

The financial impact of the said financial irregularities can only be ascertained upon completion of the forensics audit.

On 24 July 2018, the Company announced that the Company has yet to receive the report on the forensics audit from Crowe Malaysia as the investigation is still in progress.

The Board will announce the findings of the forensics audit as soon as it is available.

On 26 July 2018, the Board announced that the Company is unable to release its Annual Report (AR) 2018 together with the Audited Financial Statements for the financial year ended 31 March 2018 by 31 July 2018 to Bursa Securities due to unforeseen delays in the finalization of the AR pending the conclusion of the forensic audit. The Company targets to issue and submit its Outstanding AR to Bursa Securities not later than 5 market days from 31 July 2018, i.e. by 7 August 2018. Failing which, the trading of the Company’s share will be suspended on 8 August 2018.

[Source: VCB’s announcement on Bursa Malaysia’s website on 3 July 2018, 6 July 2018, 24 July 2018 & 26 July 2018]

MSWG’S VIGILANCE

Upliftment of PN17/GN3

CN Asia Corporation Bhd - effective from 9.00 a.m., Tuesday, 24 July 2018.

LOCAL NEWS AND DEVELOPMENTS

Govt won’t discourage innovation in fintech startups by over-regulating, says deputy minister
<https://www.theedgemarkets.com/article/govt-wont-discourage-innovation-fintech-startups-overregulating-says-deputy-minister>

Palm hits one-week low on expectations of output rise

<https://www.theedgemarkets.com/article/palm-hits-oneweek-low-expectations-output-rise>

IDEAS: Malaysia needs to be ready for the property bubble to burst

<https://www.theedgemarkets.com/article/ideas-malaysia-needs-be-ready-property-bubble-burst-0>

Malaysia becoming a sustainable responsible investment hub – RAM Ratings

<https://www.theedgemarkets.com/article/malaysia-becoming-sustainable-responsible-investment-hub-%E2%80%94-ram-ratings>

MARC projects corporate bond issuances of up to RM100b for 2018

<https://www.theedgemarkets.com/article/marc-projects-corporate-bond-issuances-rm100b-2018>

Malaysia's FDI flows fall 13% in 2017

<https://www.theedgemarkets.com/article/malaysias-fdi-flows-fall-13-2017-0>

Palm oil targets 2,123 ringgit

<https://www.theedgemarkets.com/article/palm-oil-targets-2123-ringgit>

Malaysia's GDP may have grown faster in Q2

<https://www.thestar.com.my/business/business-news/2018/07/25/malaysias-gdp-may-have-grown-faster-in-q2/#hzvageZPOsy07Kyd.99>

Direct investment abroad down 25% to RM24.9b in 2017

<https://www.thestar.com.my/business/business-news/2018/07/24/direct-investment-abroad-down-25pct-to-rm24pt9b-in-2017/#J0jpcpKULqdFtvW4.99>

GLOBAL NEWS AND DEVELOPMENTS

New biodiesel recipe can cut Indonesia's fuel imports – Industry minister

<https://www.theedgemarkets.com/article/new-biodiesel-recipe-can-cut-indonesias-fuel-imports-%E2%80%94-industry-minister>

Dollar, euro swing in narrow ranges ahead of Trump-Juncker meet

<https://www.theedgemarkets.com/article/dollar-euro-swing-narrow-ranges-ahead-trumpjuncker-meet>

Swelling Deficits Are Southeast Asia's Next Test for Stability

<https://www.theedgemarkets.com/article/swelling-deficits-are-southeast-asias-next-test-stability>

China's Markets Embrace Risk as Traders Bet Big on Stimulus

<https://www.theedgemarkets.com/article/chinas-markets-embrace-risk-traders-bet-big-stimulus>

Britain to tighten foreign takeover rules amid China worries

<https://www.theedgemarkets.com/article/britain-tighten-foreign-takeover-rules-amid-china-worries>

IMF says dollar over-valued, Chinese yuan in line with fundamentals

<https://www.theedgemarkets.com/article/imf-says-dollar-overvalued-chinese-yuan-line-fundamentals>

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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 Tek Seng Holdings Bhd, APFT Bhd and Versatile Creative Bhd.*
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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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