

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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Resignation of independent directors arouses interest at Seni Jaya

BY ESTHER LEE

Febrows were raised when all three independent non-executive directors at Seni Jaya Corp Bhd resigned on May 4. Also prompting questions as to what was going on at the company were the reasons given for their resignation.

The three independent directors — Lim Chee Klang, Datuk Shamsul Falak Abdul Kadir and Datuk Seri Dr Liew Lee Leong — highlighted in their resignation letter that there was an immediate concern as to whether a takeover exercise was going on without their knowledge, given that the share price of Seni Jaya has skyrocketed this year even as major shareholders have been significantly paring down their stakes.

Explanations given by the two major shareholders — Datuk Seri Anne Teo and Datin Lee Nai Yee — who are also board members have been unsatisfactory, they say. Teo and Lee are sisters-in-law, the former the executive chairman of the indoor and outdoor media service provider company and the latter a non-independent non-executive director.

The trio claimed they were kept in the dark over the proposed appointment of a new board member as well as the proposed appointment of the CEO until their signatures were required on the relevant circulars. Moreover, the proposed appointments had bypassed the nomination and remuneration committees the three preside over.

On May 6, a few days after the resignation of the three independent directors, the company announced the appointment of Julian Koh Lu Ern as an independent director and Jeff Cheah See Heong as CEO.

When contacted, Seni Jaya says the appointments were made with succession planning in mind, given that Teo has been managing the business for over 30 years since the establishment of the company. “In order to protect the best interests of all stakeholders, succession planning has been one of the main priorities for the group.

“The appointment of Cheah as the CEO is timely to take charge and steer the company to greater heights amid the current pandemic as well as to adapt to the rapid changes in the advertising landscape.”

It adds that Cheah has vast corporate and industry experience, which the company believes will lead its transformation into one of the top industry players in the country.

As for Koh’s appointment, Seni Jaya says the board identified him as an additional independent director in order to transition to full compliance with the recommendations of the Malaysian Code on Corporate Governance update relating to independent directors dated April 28, 2021.

Asked for comment on the allegations made by the former independent directors about being kept in the dark over the proposed appointments, Seni Jaya says that in the opinion of its executive chairman, the appointments are important and necessary to protect the interests of the company and all shareholders.

“Due to the CMCO SOP (Conditional Movement Control Order standard operating procedure), the resolutions were circulated by the company secretary to the directors instead of presented in person over a physical

meeting. A virtual meeting would have been held to deliberate the matter should there be any questions raised by the directors. As Jeff (Cheah) has been the consultant to the group since 2017 and is a familiar personality to the board, it was thought that circular resolution would suffice,” the company explains.

Seni Jaya says it would look for alternative and credible independent directors to assist the new management to execute its business plan.

Familiar personality or not, had Seni Jaya in their assumption neglected good governance?

Minority Shareholders Watch Group (MSWG) CEO Devanesan Evanson believes that given the CEO’s role as head of management and also to function as the main conduit between the management and the board, the entire board should deliberate and decide upon the appointment of a new CEO. Meanwhile, when it comes to the appointment of a director, listing requirements state that the authority and duties of the nomination committee include the selection and assessment of directors. It is mandatory for a public listed company to establish a nomination committee.

“In fact, the public listed company must provide in its annual report a statement about the activities of the nominating committee that must include the board nomination and election process of directors and criteria used by the nominating committee in the selection process,” explains Devanesan.

It is worth noting that the share price of Seni Jaya has skyrocketed since February this year, registering a particularly sharp rise between Feb 2 and 8, or a 134% jump to RM1.78 from 76 sen previously.

On Feb 4, the company was slapped with an unusual market activity (UMA) query by Bursa Malaysia, which also froze the upper limit price of its share price after the stock hit limit up on two consecutive trading days.

However, that did not prove a deterrent as its share price continued to trend upwards, hitting a peak of RM2.08 on March 26, after which it began to lose steam. It closed last Friday at RM1.65, valuing the company at RM66.88 million.

A day before Seni Jaya’s share hit their peak, Bursa filings showed that substantial shareholder Lee disposed of 3.1 million shares, or 7.64%, for RM5.64 million. The disposal left her with 33.65% in the company. She continued to trim her shareholding in Seni Jaya and, based on the latest available filing on April 7, now owns 6.9 million shares, equivalent to 17.03%.

Her sister-in-law Teo has also been selling her shares since April 7 and, as at April 19, had reduced her stake to 14.69% from 22.21% previously.

Seni Jaya says that, collectively, both Teo and Lee remain the largest shareholders of the company despite selling their shares in the open market.

Asked if a new substantial shareholder would be emerging, Seni Jaya says it is not aware of any at the moment. “The group continues to constantly explore opportunities for strategic partnership and/or collaboration for long-term sustainability.”

Is a new substantial shareholder set to emerge at Seni Jaya in the coming months? ■