

The logo for MSWG (Minority Shareholders Watch Group) features the letters 'MSWG' in white on a dark blue background, with a red horizontal bar below it.

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

The Observer

06.04.2018

VOICE OF MINORITY SHAREHOLDERS WATCH

The AGM season is gaining momentum and we have attended a few AGMs. Below are some of our observations:

1. *Step-up practice of 9 year tenure limit for independent directors*

Step-up 4.3 of MCG states that the board has a policy which limits the tenure of its independent directors to nine years.

Step-up practices are meant to encourage companies to go a step further in strengthening their governance practices and processes. Companies that aspire to achieve excellence in corporate governance in particular, Large Companies, should consider the adoption of Step-ups.

Some companies have erroneously stated that they have adopted the Step-up and then go on to say that beyond the 9 years they would put up the independent director's re-appointment for shareholders' approval at the AGM.

The Step-up prohibition is absolute in that the independent director cannot continue as an independent director after 9 years.

2. *Practice 12.3* states that Large Companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate-

- Voting including voting in absentia: and
- Remote shareholders' participation at General Meetings

Some companies have stated that they have adopted this practice when in fact what they have adopted was electronic voting at their General Meetings.

To-date, none of the companies we have come across has adopted Practice 12.3.

3. **Practice 7.2** states that the board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in band of RM 50,000.

Companies are generally reluctant to adopt this Practice and some of the reasons given for the non-adoption are the risk of staff pinching, the sensitive nature of the information and security risks. Some companies provide the total number of senior management staff and their cumulative remuneration.

This is not in compliance with the stipulated Practice. Often, their attempts to 'explain an alternative' fall short because the alternative is merely a narration that is not in substance an 'alternative' to the Practice.

MSWG TEAM

6 April 2018

MSWG'S AGM WEEKLY WATCH 9 - 13 APRIL 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
09.04.18 (Mon) 11.30 am	Protasco Bhd (EGM)	De Centrum Tower @ De Centrum City, Jalan Ikram-Uniten, Kajang
11.04.18 (Wed) 09.00 am	Pharmaniaga Bhd (AGM)	Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, PJ
11.04.18 (Wed) 02.30 pm	Boustead Heavy Industries Corp. Bhd (AGM)	Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, PJ
12.04.18 (Thur) 09.00 am	Boustead Plantation Bhd (AGM/EGM)	Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, PJ
12.04.18 (Thur) 10.00 am	Malayan Banking Bhd (AGM/EGM)	The Malaysia International Trade and Exhibition Centre (MITEC), Jalan Dutamas, KL
12.04.18 (Thur) 10.30 am	KLCC Property Holdings Bhd (AGM)	Mandarin Oriental Hotel KLCC
12.04.18 (Thur) 11.00 am	Carlsberg Brewery Malaysia Bhd (AGM)	Sime Darby Convention Centre, No. 1A, Jalan Bukit Kiara 1, KL
12.04.18 (Thur) 02.30 pm	Boustead Holdings Bhd (AGM)	Royale Chulan Damansara, 2 Jalan PJU 7/3, Mutiara Damansara, PJ

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Pharmaniaga Bhd (AGM)	<ol style="list-style-type: none"> 1. Could the Board provide an update on the proposed extension of Concession Agreement (“CA”) with Ministry of Health, Malaysia (“MOH”) which will expire on 30 November 2019? 2. The Key Audit Matters on page 113 of the Annual Report state that the carrying value of the cost of investment in the small volume injectable subsidiary was RM200 million and an impairment assessment was performed since the plant has not fully utilised its maximum capacity as most of the products are still at development stage. How was the performance of the subsidiary during the financial year under review?
Boustead Heavy Industries Corp. Bhd (AGM)	<p>The Managing Director in his Statement reported that the contribution from the Joint Venture (JV) Companies was primarily from the submarine and LCS project undertaken by Boustead DCNS Naval Corporation Sdn Bhd (“BDNC”) and Contraves Advanced Devices Sdn Bhd (CAD Group) respectively. He further stated that the Group’s current year’s profit was impacted due to liquidated damages for its In-Service Support under the RMN Scorpene Submarine contract.</p> <ol style="list-style-type: none"> (a) What are the factors that contributed to the negative results of the joint ventures amounting to RM13.458 million for the FY ended 31 December 2017? (b) Which are the joint ventures that contributed to the negative results for the FY2017? (c) What are the Board’s strategies/measures for ensuring the profitability and earnings of joint ventures, moving forward?
Boustead Plantation Bhd (AGM/EGM)	<ol style="list-style-type: none"> 1. The Chairman and the CEO commented on the Group’s resolve and commitment to integrate sustainability with initiatives across the value chain of its operations and all aspects of its business, thus setting a new standard for the sector and creating a truly sustainable palm oil industry. What are the key sustainability initiatives that would set a new standard for the sector? 2. What steps/measures have been taken to improve and enhance the average production of the FFB and plantation profit for the total estate land area of 11,579.31 hectares to ensure that they are comparable to those achieved under the Group Agricultural Statistics on page 166 of the Annual Report?
Carlsberg Brewery Malaysia Bhd (AGM)	<ol style="list-style-type: none"> 1. With effect from 1 December 2017, the legal drinking age in Malaysia was revised from 18 to 21. What is the expected impact of this change on the revenue of the Company? Are there any other initiatives or strategies to mitigate this impact?

The points of interest to be raised:	
	2. What were the reasons for the RM17.2 million trade offer adjustments in the Singapore operations and the possible recurrence of these adjustments in FY 2018 and going forward?
Malayan Banking Bhd (AGM/EGM)	<p>We refer to your “Investor Presentation - Financial Results FY2017” dated 28 February 2018 and would like to raise the following questions:-</p> <p>We note the “watch list” category (40%) (as stated on Page 14 on the report) on Commodities Exposure to Oil & Gas related sectors.</p> <p>a) What is the current loan exposure to the upstream & supporting upstream business for both the “watch list” and “normal” borrowers?</p> <p>b) What is the likely impact of MFRS 9 on the loan provisioning in this segment, going forward?</p>
KLCC Property Holdings Bhd (AGM)	<p>1. What is the expected cost of achieving full Green Building Index Certification (“GBI”) for PETRONAS Twin Towers and Menara 3 PETRONAS by 2018 and what are the tangible benefits of achieving the GBI index?</p> <p>2. What is the Capex for the Phase 3 refurbishment that was completed and what is the Capex for the next phase of development of Dayabumi Complex that will commence in 2018 as mentioned in the CEO’s Year In Review on page 47 of the Annual Report.</p> <p>What would be the additional net lettable area (“NLA”) of the Dayabumi Complex after the completion of the renovation?</p>
Boustead Holdings Bhd (AGM)	<p>Key Audit Matters (c) in the Independent Auditors’ Report on page 132 of the Annual Report, states certain subsidiaries have reported continuing operating losses and/or depleting shareholders’ funds. It is also stated that these are indications that the investment in them with a carrying amount of RM976.4 million may be impaired.</p> <p>Which are the subsidiaries referred to in the Key Audit Matters?</p>

LOCAL NEWS AND DEVELOPMENTS

Highlights of Bank Negara Malaysia Annual Report 2017

<https://www.thestar.com.my/business/business-news/2018/03/28/highlights-of-bank-negara-malaysia-annual-report-2017/#kLEOvICPBi2cpyRz.99>

Wages too low, says Bank Negara

<https://www.thestar.com.my/business/business-news/2018/03/31/wages-too-low-says-bank-negara/>

OPR to stay above inflation level in 2018

<https://www.thestar.com.my/business/business-news/2018/03/30/interest-rate-to-stay-above-inflation-level/#yquwT8DDP6GXYjY0.99>

Bank Negara raises 2018 GDP forecast for Malaysian economy

<https://www.nst.com.my/business/2018/03/350389/bank-negara-raises-2018-gdp-forecast-malaysian-economy>

What will Lim do next?

<https://www.thestar.com.my/business/business-news/2018/03/31/what-will-lim-do-next/>

SP Setia slapped with second round of tax and penalties

<http://www.thesundaily.my/news/2018/03/28/sp-setia-slapped-second-round-tax-and-penalties>

Malaysia's PMI slips below 50-point level again in March to 49.5

<http://www.theedgemarkets.com/article/malysias-pmi-slips-below-50point-level-again-march-495>

Malaysia Feb producer prices down 3.4% on year

<http://www.theedgemarkets.com/article/malaysia-feb-producer-prices-down-34-year>

SC's Deputy Chief Executive Appointed as Judicial Commissioner

https://www.sc.com.my/post_archive/scs-deputy-chief-executive-appointed-as-judicial-commissioner/

Pavilion REIT calls off placement exercise

<http://www.thesundaily.my/news/2018/03/30/pavilion-reit-calls-placement-exercise>

Mohd Khamil resigns as non-executive chairman of DRB-Hicom, Pos Malaysia

<http://www.thesundaily.my/news/2018/03/29/mohd-khamil-resigns-non-executive-chairman-drb-hicom-pos-malaysia>

Court of Appeal Jails Ex-Director for Furnishing False Statements to Stock Exchange

https://www.sc.com.my/post_archive/court-of-appeal-jails-ex-director-for-furnishing-false-statements-to-stock-exchange/

Bursa Malaysia welcomes new incentive to boost the Leap Market

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/5593>

We will investigate fake announcements – Bursa CEO

<http://www.theedgemarkets.com/article/we-will-investigate-fake-announcements---bursa-ceo>

GLOBAL NEWS AND DEVELOPMENTS

China's Response to U.S. Metals Tariffs Goes Into Effect Monday

<http://www.theedgemarkets.com/article/chinas-response-us-metals-tariffs-goes-effect-Monday>

US 4Q growth slows to 2.9%; consumer spending surges

<http://www.theedgemarkets.com/article/us-4q-growth-slows-29-consumer-spending-surges>

China March official services PMI edges up to 54.6

<https://www.thestar.com.my/business/business-news/2018/03/31/china-march-official-services-pmi-edges-up-to-54pt6/#bRtIJrpjQ40Tq7i9.99>

Trump escalates attack on Amazon, focussing on tax, shipping

<https://www.thestar.com.my/business/business-news/2018/03/30/trump-escalates-attack-on-amazon-focussing-on-tax-shipping/#yzdPBMrTB2gohCmi.99>

Japan retail sales rise in February, suggest growing consumer confidence

<http://www.theedgemarkets.com/article/japan-retail-sales-rise-february-suggest-growing-consumer-confidence>

Volkswagen shareholder against reelection of Wolfgang Porsche to board

<https://www.thestar.com.my/business/business-news/2018/04/01/volkswagen-shareholder-against-reelection-of-wolfgang-porsche-to-board/#4gOyGisFAC9XDMTo.99>

BoJ bid to taper by stealth made tougher by supercharged yen

<https://www.thestar.com.my/business/business-news/2018/03/31/boj-bid-to-taper-by-stealth-made-tougher-by-supercharged-yen/#MRvXkGhE3ihfDE4R.99>

China launches new share listing options to attract innovative firms

<http://www.theedgemarkets.com/article/china-launches-new-share-listing-options-attract-innovative-firms>

Global mergers and acquisitions reach record high in first quarter

<http://www.theedgemarkets.com/article/global-mergers-and-acquisitions-reach-record-high-first-quarter>

UK house price growth unexpectedly slows to 7-month low – Nationwide

<http://www.theedgemarkets.com/article/uk-house-price-growth-unexpectedly-slows-7month-low---nationwide>

US dollar share of global currency reserves hits 4-year low, says IMF

<http://www.themalaymailonline.com/money/article/us-dollar-share-of-global-currency-reserves-hits-4-year-low-says-imf>

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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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