

The logo for MSWG (Minority Shareholder Watchdog Group) features the letters 'MSWG' in white on a dark blue background.

MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

06 May 2017

## MSWG'S QUICK TAKE ON ONGOING CORPORATE DEVELOPMENTS

### **UNITED PLANTATIONS BERHAD (“UPB”)**

The Audit Committee Report in the 2016 Annual Report of UPB reported an issue highlighted by the authorities on an appearance of potential conflict of interest in the trading of derivatives in that an Executive Director who has been authorised to trade on behalf of the company in Crude Palm Oil (CPO) Futures also in his personal capacity entered into trades on such derivatives.

*[Source: UPB's Annual Report 2016]*

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

Over the years, UPB had been regarded as a good company in the eyes of the shareholders for consistent delivery of decent dividends to the shareholders and double digit 'Return on Equity' as well as good share price performance. We are encouraged to note that the shareholders are showing concern on the corporate governance conduct of the Board besides the financial performance of the Company.

Following a complaint lodged by a shareholder on the abovementioned issue, MSWG had raised the issue at the Company's AGM on 22 April 2017. The Audit Committee Chairman, Dato' Jeremy Derek Campbell Diamond, an Independent Non-Executive Director of the Company, responded to MSWG's queries. He informed the meeting that the issue was highlighted by Bursa Malaysia and the Director in question is the Executive Director, Martin Bek-Nielsen. An Independent Consultant was engaged to investigate the matter and the findings revealed no evidence that the Executive Director concerned had benefited from the trading activities at the expense of the Company. The findings had been presented to Bursa Malaysia and no further comment from Bursa Malaysia had been received as at the date of AGM.

Even though the Director concerned did not personally benefit from the trading that he made on behalf of the company, it would be better if he had refrained from engaging in such trades himself. It could be perceived that he had benefited from an independent advice paid for by the company. We are, however, glad to see that the issue was transparently highlighted by the Audit Committee.

On this note, we also wish to emphasize that whilst shareholders understandably pay great attention to a company's financial performance, dividends and share price performance, they should not lose sight

of good corporate governance as bad governance can lead to value destruction and even the demise of a company.

### MSWG'S AGM WEEKLY WATCH 24 - 28 APRIL 2017

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholder Watchdog 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](http://www.mswg.org.my).

Date & Time	Company	Venue
08.05.17 (Mon) 10.00 am	TH Plantations Bhd (AGM)	Seri Pacific Hotel Kuala Lumpur, Jalan Putra
09.05.17 (Tue) 10.00 am	DIGI. Com. Bhd (AGM)	Connexion @ Nexus, No. 7, Jalan Kerinchi Bangsar South City
09.05.17 (Tue) 10.00 am	PPB Group Bhd (AGM)	Shangri-La Hotel Kuala Lumpur
09.05.17 (Tue) 03.00 pm	Gas Malaysia Bhd (AGM)	Hotel Istana, 73, Jalan Raja Chulan, KL
11.05.17 (Thur) 10.00 am	MMC Corporation Bhd (AGM/EGM)	Hotel Istana, 73, Jalan Raja Chulan, KL
11.05.17 (Thur) 11.00 am	Three-A Resources Bhd (AGM/EGM)	Tropicana Golf & Country Resort, Jalan Kelab Tropicana, PJ
12.05.17 (Fri) 3.30 pm	Malaysia Building Society Bhd (AGM)	Connexion@Nexus, No. 7 Jalan Kerinchi, Bangsar South City

The points of interest to be raised:	
Company	Points/Issues to Be Raised
TH Plantations Bhd (AGM)	<p>As stated in the Management Discussion &amp; Analysis, one of the Key Growth Nodes codified for the Group is to enhance the value of the existing plantation portfolio by optimising processes, diversifying revenue streams and improving the capabilities in plantations. The ultimate targets are to achieve higher FFB yields and OER while lowering production costs.</p> <p>(a) The FFB yield had declined from 23.86% in FY2013 to 15.36% in FY2016, representing a 36% drop over the last four years. Besides the El Nino phenomenon, what were the reasons for the significant drop in FFB yield and is there any target set for the yield?</p> <p>(b) What is the ex-mill production cost (exclude taxes, if any) per MT of CPO for the last five years? By optimising processes, what is the expected timeline to see the production cost improved?</p> <p>(c) In the efforts to diversify revenue streams of the Company, would the Company venture into downstream activities granted that the Company is purely involved in the upstream plantations activities currently? What other revenue streams could be expected from the diversification?</p>
DIGI. Com. Bhd (AGM)	<p>The Group recorded a decline in revenue from RM6.9 billion in FY2015 to RM6.6 billion in FY2016. We also noted that the ARPU has been on a declining trend from RM48 in FY2013 to RM42 in FY2016.</p> <p>(a) What are the measures taken by the Board to improve the Group's revenue for FY2017?</p>

	<p>(b) Could the Board explain the measures taken to address the declining trend in the ARPU?</p> <p>(c) What is the Board's targeted ARPU for FY2017?</p> <p>(d) With intense competition in the telecommunication industry, what measures have been taken by the Board for DiGi to remain competitive and attractive to customers?</p>
Gas Malaysia Bhd (AGM)	<p>It was reported that the customer base for the year under review of 38,377 was lower compared to the preceding year of 38,690. However, it was compensated by the increase in the industrial sector that registered 819 customers, which contributed to about 99.1% of total gas volume sold.</p> <p>(a) What were the reasons for the decline in customer base and what is the expectation for 2017?</p> <p>(b) Since the industrial sector contributed to the bulk of the total gas volume sold, how and what measures is the Company taking to further tap this sector? What is the expected growth in the customer base in the industrial sector?</p>
MMC Corporation Bhd (AGM/EGM)	<p>Given MMC Group's capabilities as a leading utilities and infrastructure group, please share on the growth momentum, strategies, and vision and goals in place under the Group's business segments of ports and logistics, energy and utilities, and engineering and construction?</p> <p>What are the agreed key performance indicators (KPIs) for the direction of individual business units under their annual budgets and their progress as stated in Statement on Corporate Governance?</p>
Malaysia Building Society Bhd (AGM)	<p>MBSB's key strategy is to close the gap between the Group and commercial banking entities in line with its ambition to be a full-fledged Islamic banking entity. In line with the above, please comment on:-</p> <p>(a) Existing Banking regulatory/compliance gaps and its progress;</p> <p>(b) Strategy to offload non-core financial assets in FY 2017;</p> <p>(c) Rebalancing its loan portfolio base retail vis-a-vis corporate financing including SME segment.</p> <p>(d) Progress on its proposed merger and details of the Strategic Business Plan 2017.</p> <p>If the merger negotiation is unsuccessful, please explain the game plan for the Group in the next 3 years.</p>

## **MSWG'S WATCHLIST**

### ***TH HEAVY ENGINEERING BERHAD ("THHE")***

The Board of Directors of THHE announced that as of 28 April 2017 the company is an affected listed issuer under Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia ("MMLR"). THHE has triggered the prescribed criteria of PN17 where the auditors have expressed a disclaimer of opinion in the company's latest audited financial statements for the financial year ended 31 December 2016.

The Board of THHE is taking the necessary steps to formulate a regularisation plan to address the company's PN17 status and will make the necessary announcements on the regularisation plan in due course.

*[Source: THHE's announcement on Bursa Malaysia's website on 28 April 2017]*

### ***SCAN ASSOCIATES BERHAD ("SCAN")***

Bursa Malaysia announced that it had dismissed SCAN's further appeal for an extension of time to submit the regularisation plan to the relevant authorities for approval and decided to de-list the company pursuant to Rule 8.04 of Bursa Malaysia ACE Market Listing Requirements.

The Board of Directors of SCAN had on 27 April 2017 submitted a letter of appeal to Bursa Malaysia in relation to the decision. Bursa Malaysia had on the same day informed that its decision is final as per the announcement dated 25 April 2017.

The securities of SCAN were subsequently removed from the Official List of Bursa Malaysia on 28 April 2017.

*[Source: SCAN's announcements on Bursa Malaysia's website on 25 April and 27 April 2017]*

### ***CHINA AUTOMOBILE PARTS HOLDINGS LIMITED ("CAP")***

The Board of CAP announced that it is unable to issue its Annual Report ("AR") together with its audited financial statements ("AFS") for the financial year ended 31 December 2016 to Bursa Malaysia Securities Berhad ("Bursa Securities") by 28 April 2017 which is within a period of not more than four (4) months from the close of the financial year ("Relevant Timeframe") in accordance with Paragraph 9.23(1) of the MMLR. CAP targets to issue and submit its AR to Bursa Malaysia not later than 2 months from 28 April 2017.

In the event that the company fails to issue the Annual Report within 5 market days after the expiry of the Relevant Timeframe, i.e. 8 May 2017, in addition to any enforcement action that Bursa Malaysia may take, Bursa Malaysia shall suspend the trading in the securities of the company with effect from 11 May 2017 and will be uplifted on the market day following the issuance of the outstanding Annual Report unless otherwise determined by Bursa Malaysia. If CAP fails to issue the AR within 6 months from the expiry of the Timeframe, in addition to any enforcement action that Bursa Malaysia may take, de-listing procedures shall be commenced against CAP.

*[Source: PCB's announcement on Bursa Malaysia's website on 25 April 2017]*

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## REGULATOR'S REPRIMAND LIST OF THE WEEK

No.	Regulator	Companies	Reasons
1	Bursa Malaysia	SMTrack Berhad ("SMTRACK")	<p>Bursa Malaysia has publicly reprimanded Tecnic for breaching the Main LR. The public reprimand was imposed taking into consideration the delay in posting its quarter report.</p> <p>The Board of Directors of SMTRACK at the material time was as follows:-</p> <p>Mohd Anuar Bin Mohd Hanadzlah Datuk Tan Choon Hwa (JP, JMK) Chang Chee Ching Datin Sri Noraini Binti Abdul Jalil Anthony Goh Shee Hiang Chow Hung Key</p> <p>[Date: 27 April 2017]</p>

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## LOCAL NEWS AND DEVELOPMENTS

SC issues guidelines for equity crowdfunding

<http://www.thestar.com.my/business/business-news/2017/04/29/sc-issues-guidelines-for-equity-crowdfunding/>

What's in troubled Ire-Tex as boardroom tussle moves to court

<http://www.theedgemarkets.com/article/what%E2%80%99s-troubled-iretex-boardroom-tussle-moves-court>

Giving boardroom independence a shelf life

<http://www.thestar.com.my/business/business-news/2017/04/29/giving-boardroom-independence-a-shelf-life/>

Economy on track for 4.5-4.8% growth in 2017: Bank Negara

<http://www.nst.com.my/business/2017/04/234534/economy-track-45-48-growth-2017-bank-negara>

Producer Price Index Malaysia March 2017

[https://www.dosm.gov.my/v1/index.php?r=column/cthemedByCat&cat=107&bul\\_id=SmY1eFVvT3pPaXVPOG5RVmYwOWxiQT09&menu\\_id=bThzTHQxN1ZqMVf6a2l4RkZoNDFkQT09](https://www.dosm.gov.my/v1/index.php?r=column/cthemedByCat&cat=107&bul_id=SmY1eFVvT3pPaXVPOG5RVmYwOWxiQT09&menu_id=bThzTHQxN1ZqMVf6a2l4RkZoNDFkQT09)

SMTrack publicly reprimanded by Bursa

<http://www.thesundaily.my/news/2017/04/28/smtrack-publicly-reprimanded-bursa>

Bank Negara: Financial institutions should take preemptive move against money game

<http://www.themalaymailonline.com/money/article/bank-negara-financial-institutions-should-take-preemptive-move-against-mone>

External auditors express uncertainty over HB Global's ability to continue as going concern  
<http://www.theedgemarkets.com/article/external-auditors-express-uncertainty-over-hb-globals-ability-continue-going-concern>

Maxwell says unable yet to file FY16 annual report  
<http://www.theedgemarkets.com/article/maxwell-says-unable-yet-file-fy16-annual-report>

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## GLOBAL NEWS AND DEVELOPMENTS

US Q1 growth weakest in three years as consumer spending falters  
<http://www.themalaymailonline.com/money/article/us-q1-growth-weakest-in-three-years-as-consumer-spending-falters>

U.S. factory activity slows; inflation pressures subside  
<http://www.thestar.com.my/business/business-news/2017/05/02/us-factory-activity-slows-inflation-pressures-subside/>

China says factory activity expands at slower pace in April  
<http://www.themalaymailonline.com/money/article/china-says-factory-activity-expands-at-slower-pace-in-april>

Japan final April PMI shows manufacturing activity accelerating, export orders solid  
<http://www.thestar.com.my/business/business-news/2017/05/01/japan-final-april-pmi-shows-manufacturing-activity-accelerating-export-orders-solid/>

UK's May plans tougher take-over rules to protect pensions  
<http://www.themalaymailonline.com/money/article/uks-may-plans-tougher-take-over-rules-to-protect-pensions>

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## MSWG Analysts

Lya Rahman, General Manager, [lyarahman@mswg.org.my](mailto:lyarahman@mswg.org.my)

Rebecca Yap, Head, Corporate Monitoring [rebecca.yap@mswg.org.my](mailto:rebecca.yap@mswg.org.my)

Quah Ban Aik, Head, Corporate Monitoring [banaik.quah@mswg.org.my](mailto:banaik.quah@mswg.org.my)

Norhisam Sidek, Manager, Corporate Monitoring [norhisam@mswg.org.my](mailto:norhisam@mswg.org.my)

Wong Kin Wing, Manager, Corporate Monitoring, [kinwing@mswg.org.my](mailto:kinwing@mswg.org.my)

Hoo Ley Beng, Manager, Corporate Monitoring [linnert.hoo@mswg.org.my](mailto:linnert.hoo@mswg.org.my)

Nor Khalidah Khalil, Analyst, Corporate Monitoring [khalidah@mswg.org.my](mailto:khalidah@mswg.org.my)

Vinodth Ramasamy, Analyst, Corporate Monitoring [vinodth.ram@mswg.org.my](mailto:vinodth.ram@mswg.org.my)

Muhammad Faris bin Mohamed Yusof, Analyst, Corporate Monitoring [farisyusof@mswg.org.my](mailto:farisyusof@mswg.org.my)

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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 Scan Associates Berhad and China Automobile Parts Holdings Limited.*
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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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