



The Observer

07.12.2018

MESSAGE FROM THE CEO

When External Auditors Resign Over Remuneration Merely Months After Reappointment

Scomi Group Bhd announced on 4 December 2018 that the Company has on 4 December 2018 received a notice in writing from Messrs KPMG PLT ("KPMG") on their resignation as Auditors of the Company.

KPMG were re-appointed as the Auditors of the Company at the last annual general meeting ("AGM") of the Company held on 24 August 2018 to hold office until the conclusion of the next AGM of the Company.

The Company's announcement further states that the resignation is due to the failure to agree to the Auditors' remuneration.

The Auditor's resignation happened less than 4 months after their reappointment. This is surely shocking and of serious concern particularly to shareholders.

An Emerging Trend

Lately, we have been seeing a few such cases of external auditors resigning over disagreement of audit remuneration...often a mere few months after their reappointment.

General Concern Over Such Instances of Resignations Over Audit Remuneration

The external audit is an important corner-stone of good corporate governance mandated under the Companies Act 2016.

Resignations of external auditors are often viewed with concern by minority shareholders. There needs to be greater transparency surrounding such resignations.

Surely the audit remuneration would have been agreed before the external auditors accept their reappointment. As such, what could it have been that has resulted in the disagreement over the audit remuneration...especially after a mere few months?

Generally, external auditors increase remuneration due to increased scope of work (including increase in complexity of work). But this normally does not happen so suddenly within a few months. Surely when the audit remuneration was agreed before acceptance of reappointment, the external auditors would have known the scope of work.

And if it was substantial increase in the work-load, should it not be incumbent upon the company to announce this ‘increased scope of work’ (on the premise that this increase was so material enough to lead to a disagreement over the audit remuneration leading, in turn, to the resignation of the external auditor).

What is the Risk

The risk is that sometimes, this may be an avenue for certain external auditors to exit an unpalatable situation, (say, a financial fraud situation or potential serious issues that cannot be agreed upon between the auditors and the company’s management). They do this by increasing their audit remuneration ‘willy-nilly’ to ‘force’ the company to accept their resignation. An exit mechanism without giving the true reasons for their exit. The true reason may sometimes be a desire to exit an external-audit relationship with a company before ‘things blow up’.

What is Required

What is required, in the interest of transparency, is a company announcement, in such instances, stating:-

- the audit remuneration requested by the external auditor compared to the previous year’s remuneration (that has led to their parting of ways):
- the rationale that the external auditor has put forward for the requested increase in audit remuneration: and
- the company’s own rationale for disagreeing with the requested audit remuneration.

From a regulatory perspective, the Audit Oversight Board (AOB) should interview external auditors on such ‘audit fee disagreements’ especially when it happens so soon after their reappointment and since audit remuneration are agreed upfront before the external auditor accepts the reappointment.

MSWG’S AGM WEEKLY WATCH 10 December - 14 December 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
12.12.18 (Wed) 10.00 am	YTL Power International Bhd (AGM)	JW Marriott Hotel Kuala Lumpur, Jln Bukit Bintang, KL
12.12.18 (Wed) 12.45 pm	YTL Corporation Bhd (AGM)	JW Marriott Hotel Kuala Lumpur, Jln Bukit Bintang, KL
12.12.18 (Wed) 03.00 pm	YTL Land & Development Bhd (AGM)	JW Marriott Hotel Kuala Lumpur, Jln Bukit Bintang, KL
13.12.18 (Thur) 09.30 am	Seal Incorporated Bhd (AGM)	Olive Tree Hotel, Olive 6 & 7, Level 6, No. 76 Jalan Mahsuri, Bayan Lepas, Penang
13.12.18 (Thur) 03.00 pm	MUI Properties Bhd (AGM)	Corus Paradise Resort Port Dickson, Negeri Sembilan

13.12.18 (Thur) 04.00 pm	Malayan United Industries Bhd (AGM)	Corus Paradise Resort Port Dickson, Negeri Sembilan
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
YTL Power International Bhd (AGM)	What are the reasons for the sharp decrease in other operating income by approximately 60% from RM102.9 million in FY2017 to RM41.2 million in FY2018 (page 103 of the Annual Report 2018)?
YTL Corporation Bhd (AGM)	For the Construction/Infrastructure projects (pages 40-41, AR):- (a) Are there any new infrastructure projects secured apart from the existing Gemas-Johor Bahru rail link?
YTL Land & Development Bhd (AGM)	Properties held for sale at net realisable value increased by RM1.93 billion in FY2018 as compared to nil in FY2017. (a) Please explain the reason for the huge amount of properties held for sale? (b) Please provide the breakdown of the amount by property project, location and value? (c) What measures have been taken to clear the unsold properties?
Seal Incorporated Bhd (AGM)	As disclosed on Note 17 of the Annual Report, the Company's subsidiary, Seal City Sdn Bhd, has disposed a piece of freehold land to a third party for a total consideration of RM30 million. (a) What was the reason for the disposal? (b) What is the financial impact of the disposal to the Group's financial result? (c) Who is the buyer?
MUI Properties Bhd (AGM)	Key Audit Matter- Recoverability of Receivables (page 48 of the Annual Report 2018 & Note 17 to the Financial Statements) Included in receivables of the Group is an amount of RM101.0 million, being advances to an associate, which represents 57.4% of total receivables as at 30 June 2018. What is the prospect of recoverability of the amount and when is this amount expected to be recovered?

MSWG'S WATCHLIST

COMPUTER FORMS (MALAYSIA) BERHAD

CONDITIONAL MANDATORY TAKE-OVER OFFER BY TAN SRI DATO' TAN HUA CHOON ("OFFEROR"), THROUGH MAYBANK INVESTMENT BANK BERHAD ("MAYBANK IB"), TO ACQUIRE ALL THE REMAINING ORDINARY SHARES IN COMPUTER FORMS (MALAYSIA) BERHAD ("CFM") NOT ALREADY OWNED BY THE OFFEROR ("OFFER SHARES") FOR A REVISED CASH CONSIDERATION OF RM1.35 PER OFFER SHARE ("REVISED OFFER")

The Board of Directors of CFM wishes to announce that pertaining to the Notice of Revised Offer from Maybank IB, on behalf of the Offeror dated 3 December 2018, wherein the cash offer price for the Offer Shares had been revised from RM1.25 per Offer Share to RM1.35 per Offer Share, the Independent Adviser, Public Investment Bank

Berhad (“PIVB”), had advised that the Revised Offer Price represents a discount of RM0.69 or 33.82% to the fair value of the Group based on the RNAV valuation methodology of RM2.04 per CFM Share (“Fair Value”) (compared to a discount of RM0.79 or 38.73% to the Fair Value to the Original Offer Price).

Premised on the above, and the information contained in the IAC, PIVB is of the opinion that the Revised Offer is still **NOT FAIR** and **NOT REASONABLE**. Save for the above, the comments, opinions and recommendation by PIVB as contained in its IAL remain unchanged, and accordingly, PIVB had advised and recommended that the Holders **REJECT** the Revised Offer.

The Board, save for the Abstaining Directors, after due deliberation, concurs with the recommendation of PIVB. Accordingly, comments, opinions and recommendation of the Board (save for the Abstaining Directors) as contained in the IAC remain unchanged. (Company’s announcements dated 26 October 2018, 29 October 2018, 2 November 2018, 16 November 2018, 26 November 2018 and 3 December 2018).

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/5995701> 4 December 2018

MATERIAL LITIGATION SMRT HOLDINGS BERHAD (“SMRT” OR “COMPANY”) ORIGINATING SUMMONS AND NOTICE OF APPLICATION FROM THE MINORITY SHAREHOLDERS OF N’OSAIRIS TECHNOLOGY SOLUTIONS SDN BHD (“NTSSB”)

The Board of Directors of the Company wishes to announce that the Company has on 5 December 2018, received a notice of commencement of legal proceedings from the solicitors acting for Stalin Thangaiah A/L Vijaya Kamaraj, Balasubramaniam A/L Manikam and Navindra A/L Sivaratnam (“Minority Shareholders” or “the Plaintiffs”) of NTSSB, a subsidiary of the Company, by way of an Originating Summons and an Affidavit dated 28 November 2018. The Minority Shareholders are in essence alleging that the Company had used its position as the majority shareholder in NTSSB to oppress the Minority Shareholders. The Company is named as the 1st Defendant and NTSSB is named as the 2nd Defendant.

The Company firmly denies the allegations made by the Minority Shareholders and is of the view that they are without basis. The Company has accordingly instructed its solicitors to defend and protect the Company’s rights and interests in the matter. Any material developments pertaining to this matter will be communicated to the shareholders by way of future announcements as and when appropriate.

This announcement is dated 6 December 2018.

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/5999077>

MSWG’S VIGILANCE

Listing of PN17 and GN3 companies

PN17 Companies

1. AMTEK HOLDINGS BERHAD
2. APFT BERHAD
3. ASIA KNIGHT BERHAD
4. BERJAYA MEDIA BERHAD
5. BERTAM ALLIANCE BERHAD
6. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
7. DAYA MATERIALS BERHAD
8. EKA NOODLES BERHAD
9. HB GLOBAL LIMITED
10. KINSTEEL BHD
11. KUANTAN FLOUR MILLS BERHAD
12. MAA GROUP BERHAD
13. MALAYSIA PACIFIC CORPORATION BERHAD
14. MAXWELL INTERNATIONAL HOLDINGS BERHAD
15. MULTI SPORTS HOLDINGS LTD
16. PERISAI PETROLEUM TEKNOLOGI BERHAD
17. PETROL ONE RESOURCES BERHAD
18. STONE MASTER CORPORATION BERHAD

19. SUMATEC RESOURCES BERHAD
20. TH HEAVY ENGINEERING BERHAD
21. UTUSAN MELAYU (MALAYSIA) BHD
22. YFG BERHAD

GN3 Companies

1. G NEPTUNE BERHAD
2. IDIMENSION CONSOLIDATED BERHAD
3. WINTONI GROUP BERHAD

Please refer to the link below for the latest status of the company.

<http://www.bursamalaysia.com/market/listed-companies/list-of-companies/pn17-and-gn3-companies/>

Regulatory News

BURSA MALAYSIA SEEKS FEEDBACK ON SHORTENING THE SECURITIES SETTLEMENT CYCLE TO T+2

Kuala Lumpur, 3 December 2018 - Bursa Malaysia Berhad (“Bursa Malaysia”) today issued a consultation paper seeking public feedback on the proposed move to a shorter securities settlement cycle to two days (“T+2”) from the current three-day cycle (“T+3”). The proposal is part of Bursa Malaysia’s ongoing efforts at improving operational efficiency, reducing systemic risks and aligning the clearing and settlement processes of the Malaysian capital market with international practices.

The review to migrate from a T+3 to T+2 settlement cycle was initiated to keep pace with changing trends of the market and needs of market participants and investors. Among the benefits of the proposed T+2 settlement cycle includes:

- Improved operational efficiency, where the shorter settlement period avails securities and funds earlier for investors.
- Reduced counterparty settlement risk as a result of shorter exposure to unsettled trades from 3 days to 2 days.
- Strengthened competitiveness of our marketplace through harmonisation of post-trade infrastructure with major global exchanges in the US, Europe and Asia-Pacific which already operate a T+2 settlement cycle.

In this regard, the Rules of Bursa Malaysia Securities Berhad and the Rules of Bursa Malaysia Securities Clearing Sdn Bhd are proposed to be amended to facilitate the move from a T+3 to a T+2 settlement cycle. The proposed key changes include:

- amendments to the cut-off times relating to tradeable balance in securities account, the delivery and settlement between a broker and its clients and between the broker with Bursa Malaysia Securities Clearing Sdn. Bhd.; and
- amendments to the applicable timing in respect of buying-in, cash settlement, selling out and discretionary financing.

Details of the consultation paper is available at <http://www.bursamalaysia.com/market/regulation/rules/public-consultation>

PLCs NEW Sector Classification

http://www.bursamalaysia.com/misc/system/assets/25413/PLCsNewSectorClassificationEffective_24September2018.pdf

Regulatory Insights - Communication Notes

Bursa Malaysia issues guidance/communication notes to the market with the aim of enhancing clarity and transparency on the Exchange's expectations, identified policies and processes, issues, concerns, and trends. The issuance of these guidance/communication notes are also aimed at supplementing Bursa Malaysia's rules i.e. Listing Requirements and Business Rules.

Issuers

- Issuers Communication Corporate Website for Listed Issuers
- Guidance on Disclosures in Notes to Quarterly Report
- Issuers Communication on Bursa Malaysia's Enforcement and Disciplinary Proceedings
- Guidance on Disclosures relating to Material Contracts and Prevention of Selective Disclosure of Material Information

Intermediaries

- Intermediaries Communication on Bursa Malaysia's Enforcement and Disciplinary Proceedings

AskListing@Bursa

A new on-line portal to serve listed issuers, directors of listed issuers and their advisers with regards to interpretation and compliance with the Listing Requirements for the Main and ACE Markets ("Main/ ACE LR").

You are invited to browse our *InterActiveLR*, which has been designed to provide you with a new experience in reading our Main/ ACE LR with hyper-links to definitions and published Frequently Asked Questions ("FAQs").

You may also submit your enquiries pertaining to our Main/ ACE LR by clicking "*Submit Enquiry to AskListing@Bursa*".

<http://www.bursamalaysia.com/market/regulation/regulatory-insights/communication-notes/>

BURSA MALAYSIA EXPANDS GREEN LANE INCENTIVES TO REWARD MORE COMPANIES FOR GOOD CORPORATE GOVERNANCE AND DISCLOSURE PRACTICES

Bursa Malaysia Berhad ("Bursa Malaysia" or "the Exchange") today expanded its incentives under the Green Lane Policy ("GLP") as well as the pool of eligible listed companies (currently limited to the constituents of the FBMKLCI) to now include constituents of the FTSE Bursa Malaysia Top 100 Index. First launched on 29 August 2017, this expanded initiative now serves to enable a broader pool of companies with good standard of corporate governance conduct and disclosure practices to benefit from GLP privileges.

For the initial phase of the GLP, the Exchange has ceased pre-vetting of circulars issued by qualified listed companies ("Qualified Companies") except those involving more complex proposals such as major disposals / privatisation, related party transactions and transactions involving mineral, oil and gas assets ("Complex Circulars"). As such, Qualified Companies can issue such circulars to its shareholders as soon as it is ready without having to seek clearance from the Exchange.

Now, under the expanded GLP privileges, in addition to the fast-track processing of Complex Circulars (which still require a review by the Exchange) submitted by Qualified Companies, other applications submitted to the Exchange will also be fast-tracked.

The privileges accorded under the GLP aims to facilitate a more efficient time-to-market for Qualified Companies' corporate proposals, and also acts as a means of recognising and incentivising listed companies towards having good corporate governance and disclosure practices.

In meeting the intended objectives of the GLP, the Exchange will continue to review the list of Qualified Companies and ensure that these companies continue to observe good corporate governance conduct and compliance practices, and reserves the right to remove a company from having GLP privileges as it deems fit.

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/5877>

Kuala Lumpur, 6 December 2018
Joint Statement on Regulation of Digital Assets in Malaysia

This joint press statement is issued by the Securities Commission Malaysia (SC) and Bank Negara Malaysia (BNM) to provide clarity on the regulatory approach for the offering and trading of digital assets in Malaysia. In this regard, digital assets refer to digital currencies and digital tokens.

The SC will regulate issuances of digital assets via initial coin offerings (ICO) and the trading of digital assets at digital asset exchanges in Malaysia. Regulations are currently being put in place to bring digital assets within the remit of securities laws to promote fair and orderly trading and ensure investor protection.

ICO issuers and digital asset exchanges which are involved in the issuance or dealing of digital assets with a payment function will need to comply with relevant BNM laws and regulations relating to payments and currency matters. In addition, ICO issuers and digital asset exchanges are subject to the SC's Guidelines on Prevention of Money Laundering and Terrorism Financing.

BNM wishes to reiterate that digital assets are not legal tender in Malaysia. Members of the public are advised to carefully evaluate the risks associated with dealings in digital assets.

In order to implement the regulatory framework on digital assets, the SC and BNM will enter into coordination arrangements to ensure compliance with laws and regulations under the purview of both regulators.

SECURITIES COMMISSION MALAYSIA
BANK NEGARA MALAYSIA

https://www.sc.com.my/post_archive/joint-statement-on-regulation-of-digital-assets-in-malaysia/

LOCAL NEWS AND DEVELOPMENTS

Malaysian palm oil/Vegoils: Market factors to watch

KUALA LUMPUR: The following factors are likely to influence Malaysian palm oil futures and other vegetable oil markets

<https://www.thestar.com.my/business/>

CIMB Research sees CPO trading RM1,700 to RM2,000 in December

<https://www.thestar.com.my/business/business-news/2018/12/05/cimb-research-sees-cpo-trading-rm1700-to-rm2000-in-december/#mTHqml9cLAzc7HZe.99>

Consumer stocks fail meet expectations

KUALA LUMPUR: Consumer sector stocks under Affin Hwang Capital research's coverage showed a disappointing 3Q as most companies posted earnings that fell below estimates.

<https://www.thestar.com.my/business/>

Cancellation of Fox theme park likely to affect visitor arrivals

KUALA LUMPUR: Genting Malaysia Bhd's legal case against Walt Disney Co and Twenty-First Century Fox for breach of contract with regards to the Fox theme park at Genting Highlands will likely affect visitor arrivals.

<https://www.thestar.com.my/business/>

Techbond Group Bhd

KUALA LUMPUR: Techbond Group Bhd, which manufactures industrial adhesives, was in the spotlight on Wednesday as it made its trading debut on the Main Market amidst the gloomy Bursa Malaysia.

<https://www.thestar.com.my/business/>

Top Glove Corporation Bhd and Westports Holdings Bhd

KUALA LUMPUR: Top Glove Corporation Bhd and Westports Holdings Bhd are two companies which have the potential to be included in the FBM KLCI under the semi-annual review of the 30-stocks in the index.

<https://www.thestar.com.my/business/business-news/2018/12/06/top-glove-ammb-to-replace-telekom-klccp-stapled-in-klci/>

Computer Forms shares up 1.5% on revised takeover bid

<https://www.thestar.com.my/business/business-news/2018/12/05/computer-forms-shares-up-1-5pc-on-revised-takeover-bid/#IK6TYqK7XM0puwGX.99>

Tabung Haji scrutinises investment in Indonesia

<http://www.theedgemarkets.com/article/tabung-haji-scrutinises-investment-indonesia>

Targets and outlook for corporate profits in Malaysia trimmed

<https://www.thestar.com.my/business/business-news/2018/12/05/sour-earnings/#OEQT1304jOVgDfph.99>

Weak result season weighs on FBM KLCI

<https://www.thestar.com.my/business/business-news/2018/12/05/fbmkci-drops-as-3q-earnings-weighed-weak-result-season-weighs-on-fbm-klci/#OFr8RER6pDsfCOLy.99>

Miti: Govt's move to fight graft is paying off

<https://www.thestar.com.my/news/nation/2018/12/05/miti-govts-move-to-fight-graft-is-paying-off-increased-confidence-in-msia-boosting-foreign-investmen/>

Credit rating downgrade unlikely for Malaysia

<https://www.thestar.com.my/business/business-news/2018/12/05/credit-rating-downgrade-unlikely-for-malaysia/>

Parkson unit on SGX watch list

<https://www.thestar.com.my/business/business-news/2018/12/05/parkson-unit-on-sgx-watch-list/>

GLOBAL NEWS AND DEVELOPMENTS

Asian stocks, KLCI hurt by overnight Wall St tumble

<https://www.thestar.com.my/business/business-news/2018/12/05/asian-stocks-klci-hurt-by-overnight-wall-st-tumble/#8QdtxqdPRJVLXil.99>

Asia stocks drop; US futures rise on China news

<https://www.thestar.com.my/business/business-news/2018/12/05/asia-stocks-drop-us-futures-rise-on-china-news/#7cglOgjpJ3ikAMW.99>

British PM suffers setbacks as Brexit debate starts in parliament

LONDON: British Prime Minister Theresa May suffered embarrassing defeats on Tuesday at the start of five days of debate over her plans to leave the European Union that could determine the future of Brexit and the fate of her government. <https://www.thestar.com.my/business/>

Battered Asia shares try to rally on talk of Fed pause

<http://www.theedgemarkets.com/article/battered-asia-shares-try-rally-talk-fed-pause>

Wall Street swamped by fresh U.S.-China trade worries

<http://www.theedgemarkets.com/article/wall-street-swamped-fresh-uschina-trade-worries>

China says it'll quickly implement trade agreements with US

<https://www.thestar.com.my/business/business-news/2018/12/05/china-says-itll-quickly-implement-trade-agreements-with-us/#CqE5U0id1B8kuMlg.99>

Oil prices slide with global markets on economic concerns

<https://www.thestar.com.my/business/business-news/2018/12/05/oil-prices-slide-with-global-markets-on-economic-concerns/#8sgUeqhYUICRf1GH.99>

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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, except for Computer Forms (Malaysia) Berhad and SMRT Holdings 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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