



# The Observer

12.04.2019

## MESSAGE FROM THE CEO

### Shareholder Activism...Of Flying Chairs, Crass Language and Songs

We came across a short clip, on Facebook, purportedly taken at the AGM of Stone Master Corporation Bhd. An irate shareholder was seen berating and venting aggressively his frustrations at the Board. And he has every reason to be upset as the share is suspended at a last done price of 3 sen per share. The irate shareholder, who was seated in the first row, then proceeded to throw the chairs in the front row on to the ground. The clip showed four chairs being thrown. The Chairman then stated that he was adjourning the AGM. Some shareholders in the background protested vehemently stating that the AGM should not be adjourned, and if necessary, they should get someone else to chair the meeting. The Chairman then proceeded to leave the dais stating that he was resigning. The short clip ended.

There should be a certain level of decorum when shareholders engage with board members at general meetings. Losing money on a share investment is unpleasant. Losing a lot of money is even more unpalatable. We can disagree without being disagreeable. There is no room for violent acts, including damage to property or putting someone in fear of physical harm, at a general meeting...such acts are tantamount to criminal wrong. There is no place for such behaviour at general meetings.

There was another AGM where there was presence of 'bouncers' allegedly to ensure no shareholder gets 'out of hand'. This is tantamount to intimidation.

Another undesirable feature at general meetings is the use of crass, aggressive and vulgar language. The use of such language does not do justice to the point that the shareholder is trying to convey because the board members will be concentrating more on such language instead of the points being

made...the board members will become defensive and whatever good points that are being made is lost.

It is understandable that sometimes an undesirable word might creep into the shareholders line of questioning or comments. It is heartening to note that some shareholders do apologise for the utterance of these undesirable words that they have used when the chairman points out that the words are unacceptable and that the shareholder should avoid using such words.

It is perfectly alright to debate and question passionately but there is a line that shareholders should not cross. Shareholder activism carried out constructively in a healthy manner is certainly most welcome but not overboard to the extent of throwing chairs and using crass and vulgar language which is not only shocking but totally unacceptable.

We notice that more and more boards are allowing for enough time for shareholder engagement at general meetings and this bodes well for good corporate governance from the perspective of shareholder engagement. In fact, we have witnessed on many occasions, shareholders raised good questions and comments leading to meaningful discussions.

Then there is the singing shareholder who insists on singing a song at the general meeting. The general meeting is an avenue for two-way communication between the board and shareholders on PLC matters. More often than not, the chairman allows the singing shareholder to sing his song. One can only imagine what will happen when other shareholders also insist that they too want to sing a song. Shareholders attend general meetings to address serious issues and singing sessions offend the decorum that is to be expected at general meetings.

The chairman of the meeting should be polite but firm in stopping the singing shareholder...after all, it is not an agenda item at the general meeting.

## MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

### SUIWAH CORPORATION BERHAD

PART A - CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED SELECTIVE CAPITAL REDUCTION ("SCR") AND REPAYMENT EXERCISE OF SUIWAH CORPORATION BERHAD PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016

PART B - INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE ENTITLED SHAREHOLDERS OF SCB IN RELATION TO THE PROPOSED SCR

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6118529>

Independent adviser's recommendation :

Premised on the above and our evaluation as a whole, although the Proposed SCR is deemed **not fair**, we are of the view that the Proposed SCR is **reasonable**.

Accordingly, we recommend that the Entitled Shareholders **VOTE IN FAVOUR** of the Special Resolution in respect of the Proposed SCR to be tabled at the forthcoming EGM.

The Entitled Shareholders are advised to closely monitor the market prices of the SCB Shares and evaluate the SCR Cash Amount before deciding whether to vote in favour of or against the Special Resolution in respect of the Proposed SCR. If the Entitled Shareholders so wish, they may also consider disposing of their SCB Shares in the open market to realise their investment in the SCB Shares in the event the market price is higher than the SCR Cash amount, after taking into consideration the associated transaction costs involved and assuming that there will not be any revision to the SCR Cash Amount.

#### **MSWG's comment:**

Suiwah Corporation Bhd (Suiwah) is another Bursa Malaysia-listed company in which the controlling shareholder is undertaking a selective capital reduction (SCR) exercise to take the listed entity private. Just recently in January 2019, long-time property outfit Selangor Properties Bhd was taken private by the Wen family at RM6.30 per share.

## **FAIRNESS**

According to page 41 of the circular issued to shareholders dated 8 April 2019, the offer price of RM2.80 cash for each Suiwah share owned by Entitled Shareholders represents a discount of between 43% and 46% to the estimated value per share of RM4.93 to RM5.20 using sum-of-parts valuation, said independent adviser (IA) Mercury Securities Sdn Bhd.

Apart from making capital gains, a key objective of stock investment is also about investing in the future of a company. Shareholders in turn will reap the benefit if the company manages to perform well by allocating and putting resources on hand to good use.

Having said that, often there are cases of controlling shareholders deciding to take the companies private at a steep discount to the true value of the companies' net assets.

We believe shareholders should be given a fair value for their investment as a discount of between 43% to 46% of the estimated value per Suiwah share is a steep significant discount.

To put things into perspective, the offer price of RM6.30 per Selangor Properties share represented a discount of 23.91% to the estimated RNAV per Share of RM8.28.

## **REASONABLENESS**

Due to Suiwah's historical share price performance, liquidity analysis and the absence of alternative proposals, the IA deemed the RM2.80 offer price being a reasonable one. The offer price is higher than Suiwah's daily volume-weighted average market price for 94% of the total market days over the past 10 years.

Suiwah principally engages in three business segments namely retail, manufacturing and property development.

Its retail segment encompasses the operation of its supermarkets, hypermarket and departmental stores. It currently operates six shopping outlets and 12 convenience stores mainly in Penang island.

It also designs and manufactures flexible printed circuit boards and substrates, and develops and invests in real estate.

The offeror Suiwah Holdings Sdn Bhd (SHSB) said the proposed SCR presents an opportunity for the Entitled Shareholders to exit and realise their investment in Suiwah.

The offeror opined that the listing status of Suiwah brings little benefit to the Company and its shareholders.

Firstly, shares of Suiwah have been thinly traded and illiquid in the past.

Secondly, it has not undertaken any major corporate exercise or fund raising activities through the capital market for the past ten years.

Thirdly, Suiwah plans to spend millions in capital expenditure on the retail, manufacturing and property segment. This will consequently translate into high borrowing cost and reduced profitability. This will also result in higher gearing (page 7).

Given the upcoming expansion activities and capital required, it is puzzling to note that SHSB has decided to privatise Suiwah.

On the contrary, SHSB's listing status would make it easier for it to leverage on the listing status of the Company to raise funds for future expansion activities.

MSWG will be attending Suiwah's EGM on 30 April 2019.

## MSWG'S AGM WEEKLY WATCH 15 – 19 April 2019

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](http://www.mswg.org.my)

Date & Time	Company	Venue
17.04.19 (Wed) 10.00 am	AirAsia Group Bhd (EGM)	CAE Kuala Lumpur Sdn Bhd, Support Zone, KLIA, Sepang
18.04.19 (Thur) 10.30 am	British American Tobacco (M) Bhd (AGM)	Connexion Conference & Event Centre, Nexus 2 &3, Bangsar South City, KL
18.04.19 (Thur) 12.00 pm	KPJ Healthcare Bhd (AGM)	The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, Johor Bahru

Points of interest to be raised:	
Company	Points/Issues to Be Raised
AirAsia Group Bhd (EGM)	<p>On Page 11 of the Circular, it is stated that the disadvantages of the Proposed Transaction (including the leasing arrangements entered or to be entered into by the relevant parties) include among others, the following: (i) the lease rental rates under the lease arrangements may not be more favourable than the rates offered by other aircraft leasing companies at any given point in time.</p> <p>(a) How do the lease rental rates compare with the rates offered by other companies? Are the rates much higher?</p> <p>(b) Did the Company negotiate for a better rate and if not, why?</p>
British American Tobacco (M) Bhd (AGM)	<p>The graph on page 93 of the Annual Report exhibits a monthly downward trend for BAT Malaysia Corporate Market share from 57.6% in January 2019 to 54.9% in December 2019.</p> <p>(a) What are the reasons for the downward trend in market share in FY2018?</p> <p>(b) Moving forward, is the trend expected to continue?</p>
KPJ Healthcare Bhd (AGM)	<p>The Strategic Business Plan for the period 2019 –2022 was approved by the Board in November 2018 (CG Report Page 2). Please share the key strategic business segments KPJ intends to focus on over the next four years.</p> <p>With the funds raised through disposal of 49% equity stake in Lablink Sdn Bhd (Integrated Report 2018 Page 61), please</p>

	update on your plans and progress in growing the pathology and diagnostics business.
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## **MSWG'S WATCHLIST**

### **APFT BERHAD ("APFT")**

The Board of Directors of the Company (The Board) wishes to announce that on 10th April 2019, the Kuala Lumpur High Court has given an Ad Interim Injunction as follows and the next hearing date will be on 10th May 2019:

Source:

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6121897>

<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6123413>

## **MSWG'S VIGILANCE**

### **PN17 Companies**

1. APFT BERHAD
2. BERJAYA MEDIA BERHAD
3. BERTAM ALLIANCE BERHAD
4. BRAHIM'S HOLDINGS BERHAD
5. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
6. COMINTEL CORPORATION BERHAD\*
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. STONE MASTER CORPORATION BERHAD
18. SUMATEC RESOURCES BERHAD
19. TH HEAVY ENGINEERING BERHAD
20. UTUSAN MELAYU (MALAYSIA) BERHAD
21. 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 companies.

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

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## REGULATORY NEWS

International Reserves of Bank Negara Malaysia as at 29 March 2019

[http://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press&ac=4834&lang=en](http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4834&lang=en)

ACE Holdings issues corrective disclosures following the SC's sanctions and offers unconditional redemption to subscribers

<https://www.sc.com.my/news/media-releases-and-announcements/ace-holdings-issues-corrective-disclosures-following-the-scs-sanctions-and-offers-unconditional-redemption-to-subscribers>

Bursa Malaysia recognises top performing brokers and market intermediaries at the Bursa Excellence Awards 2018

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/6057>

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## LOCAL NEWS AND DEVELOPMENTS

Malaysia palm stocks fall to five month low at end-March

<https://www.thestar.com.my/business/business-news/2019/04/10/malaysia-palm-stocks-fall-to-five-month-low-at-end-march/>

Felda White Paper highlights: Finances worsened after 2012 FGV listing

<https://www.thestar.com.my/business/business-news/2019/04/10/financial-highlights-of-white-paper-on-felda-group>

Experts say 6% digital tax will be borne by consumers from Jan 1, 2020

<https://www.theedgemarkets.com/article/experts-say-6-digital-tax-will-be-borne-consumers-jan-1-2020>

Malaysia close to sealing deal for ECRL revival

<https://www.theedgemarkets.com/article/rising-3q-spot-prices-fuel-products-likely-raise-petdag-fy18-profit>

Navigating a tricky 2019

<https://www.focusmalaysia.my/Mainstream/navigating-a-tricky-2019>

Top 10 trends affecting SMEs in 2019

<https://www.focusmalaysia.my/Enterprise/top-10-trends-affecting-smes-in-2019>

Bank Negara should be more flexible with banks

<https://www.focusmalaysia.my/Focus%20View/bank-negara-should-be-more-flexible-with-banks>

## GLOBAL NEWS AND DEVELOPMENTS

Debenhams deal is national scandal, says Sports Direct

<https://www.bbc.com/news/business-47864580>

Tesco profits jump 'in uncertain market'

<https://www.bbc.com/news/business-47877524>

Exclusive: Uber plans to sell around \$10 billion worth of stock in IPO – sources

<https://www.reuters.com/article/us-uber-ipo-exclusive/exclusive-uber-plans-to-sell-around-10-billion-worth-of-stock-in-ipo-sources-idUSKCN1RM03L>

Oil prices firm amid OPEC supply cuts, U.S. sanctions on Iran and Venezuela

<https://www.reuters.com/article/us-global-oil/oil-prices-firm-amid-opec-supply-cuts-u-s-sanctions-on-iran-and-venezuela-idUSKCN1RO02V>

CLSA Loses More Top Leaders as COO, Trading Head Quit

<https://www.bloomberg.com/news/articles/2019-04-10/clsa-is-said-to-lose-more-top-leaders-as-coo-trading-head-quit?srnd=premium-asia>

We're Not Even Close to the Next Great Recession

<https://www.bloomberg.com/opinion/articles/2019-04-10/imf-s-outlook-cut-is-worrying-but-global-growth-isn-t-that-bad?srnd=premium-asia>

TokTok Owner Gets a \$1.3 Billion Loan from Wall Street

<https://www.bloomberg.com/news/articles/2019-04-10/bytedance-is-said-to-raise-1-3-billion-debut-syndicated-loan?srnd=premium-asia>

Boeing shareholders sue over Lion Air and Ethiopian Airlines 737 MAX crashes

<https://www.dailymail.co.uk/news/article-6905991/Boeing-shareholders-sue-737-MAX-crashes-market-value-tumbled-34billion-two-weeks.html>

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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](mailto:corporateservices@mswg.org.my) with your comments and suggestions.

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