



**MSWG**

**MINORITY SHAREHOLDER WATCHDOG GROUP**

**Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

14 April 2017

## VOICE OF MSWG

### *Capital Market Update*

The recent surge in retail interest in the local bourse while exciting, was probably driven by spill over interest from interest in large-cap stocks and expectations for an improved earnings performances in 2017.

Foreign investor interest has also helped boost sentiment, with reports indicating that nine (9) straight weeks of foreign buying for a year-to-date total of RM6.4 billion already amounts to more than twice the total amount of outflows (of RM3.01 billion) in all of 2016.

However, it is important for minority shareholders to continue taking heed of fundamentals instead of being lured by fast, easy gains in smaller, second-and third-liner stocks, where some have recently even chalked up limit-up performances.

Capital flows have always been transient and while large foreign funds are able to absorb short-term volatility, small investors, by and large, cannot -- hence the constant need for informed and nuanced investing.

Turning to a different topic, as the peak period of AGMs approaches, it may be pertinent to highlight the following:

### *Conduct of Meeting - Proposed Resolutions*

Can the Chairman at an AGM or EGM arbitrarily decide that a proposed resolution (PR) itemised in the Notice for the meeting is “invalid” or merely “academic” and subsequently declare to ignore the PR?

MSWG is of the view that it is the Chairman’s duty to put to the vote each and every PR that appears in the Notice of the meeting provided the PR is an effective one. A PR is ineffective if its wording can be ascertained as being defamatory, frivolous and vexatious. In such a case, the Chairman is expected to state that this is so and then declare that it is so at the meeting. In addition, we would consider it good CG practices for the Chairman to engage with shareholders present, and together with the members of the Board and Management discuss, deliberate and agree that the PR is indeed so. Other reasons for a PR to be considered ineffective are that if it is not allowed under the Companies Act or that it is contrary

to the Constitution of the company. In all cases of effective PR, there is no room for the Chairman to ignore it. An effective PR is to be considered as part of the business that can be conducted at the meeting and must be moved for voting.

### ***Appointment of proxies***

Now that all PRs tabled at general meetings (AGMs and EGMs) of a Public Listed company are to be voted on by poll, please take note of the second part of Section 334(3) of the Companies Act 2016. The law requires the instrument appointing a proxy and the power of attorney or other authority to be deposited at a place specified in the notice convening the meeting, “in the case of a poll, not less than **twenty-four hours** before the time appointed for the taking of the poll”. Thus, the lodgement of proxy not less than forty-eight hours is no longer applicable.

### ***Directors under investigation***

On another topical issue involving directors, the practice that directors under investigation are relieved from their duties while their culpability or innocence can be established, should be observed strictly. It is expected that the company and the directors affected should make every effort to comply with any requests of the regulatory bodies and authorities involved and to co-operate fully. Every effort should be made to ensure that financial losses of the company are minimised and its reputation is intact.

**THE MSWG TEAM**

14 April 2017

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

### ***MASTER-PACK GROUP BERHAD (“MPB”)***

As announced on 12 April 2017 in Bursa Malaysia website, the Board of Directors of MPB informed that Suruhanjaya Pencegahan Rasuah Malaysia (“SPRM”) had remanded Dato’ Sri Khor Teng Tong (Dato’ Sri Khor), the Independent Non-Executive Director of the Company to facilitate and assist investigations currently being conducted by SPRM. The Board of Directors have been made to understand that the matters being investigated relates to Yayasan Bumiputra Pulau Pinang Berhad and not the Company.

The Board also informed that Dato’ Sri Khor being an Independent Non-Executive Director of the Company is not involved in the day-to-day business and operation of MPB and the above-said remand will not have any impact on the business and operation of MPB Group of companies.

(Source: Bursa Malaysia website announcement dated 12 April 2017)

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

We hope that Dato’ Sri Khor would voluntarily take a temporary leave of absence amidst SPRM’s investigation.

## MSWG'S AGM WEEKLY WATCH 17 - 21 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
17.04.17 (Mon) 10.30 am	Petronas Gas Bhd (AGM)	Kuala Lumpur Convention Centre, Jalan Ampang, KL
18.04.17 (Tue) 10.30 am	British American Tobacco (M) Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, KL
19.04.17 (Wed) 10.00 am	Petronas Dagangan Bhd (AGM)	Kuala Lumpur Convention Centre, Jalan Ampang, KL
19.04.17 (Wed) 10.00 am	OSK Holdings Bhd (AGM)	Swiss-Garden Hotel & Residences Kuala Lumpur
19.04.17 (Wed) 10.30 am	Malakoff Corporation Bhd (AGM)	Hotel Istana Kuala Lumpur
19.04.17 (Wed) 11.00 am	Malaysia Marine & Heavy Engineering Holdings Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, KL
19.04.17 (Wed) 11.00 am	Chee Wah Corporation Bhd (CCM)	The Light Hotel, Lebuah Tenggiri 2, Bandar Seberang Jaya, Penang
19.04.17 (Wed) 11.30 am	Chee Wah Corporation Bhd (EGM)	The Light Hotel, Lebuah Tenggiri 2, Bandar Seberang Jaya, Penang
20.04.17 (Thur) 11.00 am	Carlsberg Brewery Malaysia Bhd (AGM)	Sime Darby Convention Centre, First Floor, 1A, Jalan Bukit Kiara 1, KL
20.04.17 (Thur) 11.00 am	KPJ Healthcare Bhd (AGM)	The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, Johor Bahru
20.04.17 (Thur) 11.00 am	MISC Bhd (AGM)	InterContinental Kuala Lumpur
21.04.17 (Fri) 03.00 pm	Bintulu Port Holdings Bhd (AGM)	Hilton Kuching, Jalan Tunku Abdul Rahman, Kuching, Sarawak
22.04.17 (Sat) 10.30 am	United Plantations Bhd (AGM)	United Plantations Berhad, Jendarata Estate, Teluk Intan, Perak

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Petronas Gas Bhd (AGM)	<p>1. Under the Gas Supply (Amendment) Act 2016 (GSA), gas tariff and terms of services will be regulated and determined by the Energy Commission. This marks a departure from the practice to date, where both transmission and regasification tariffs have been agreed between PETRONAS and PGB, taking into account PGB's investments in the infrastructure required to supply gas to PETRONAS' customers.</p> <p>What would be the impact and implications to PGB's revenue and other aspects of its operations, if any, following the new amendment?</p>

<b>The points of interest to be raised:</b>	
Petronas Dagangan Bhd (AGM)	<p>1. During the year, an impairment on subsidy receivables of RM89.9 million was made with respect to subsidy claims for diesel for the period April 2012 to January 2013 as no decision has been made on its repayment by the Government.</p> <p>(i) Why was the impairment made only after so many years?</p> <p>(ii) What were the issues relating to the non-payment by the Government?</p> <p>(iii) What actions are PDB taking to recover the amount and what is the latest development?</p> <p>(iv) What is the probability of recovering the amount?</p>
OSK Holdings Bhd (AGM)	<p>1. According to the Group Managing Director's Review, the Hotels Division recorded a loss of RM16.3 million in FY 2016, mainly due to low occupancy rates across the Group's hotels and operating costs incurred in the newly-opened Swiss-Inn Johor Bahru. The Division also made a provision for impairment in respect of development cost incurred in Damai Laut resort amounting to RM10.4 million.</p> <p>(i) What was the average occupancy rate of the hotels?</p> <p>(ii) What are the measures taken to improve the occupancy rates of the hotels?</p>
Malaysia Marine & Heavy Engineering Holdings Bhd (AGM)	<p>1. The Profit Before Tax of the Group has been on a declining trend since FY 2012 and culminated into a Loss Before Tax of RM135 million in FY 2016. The Loss Before Tax was mainly due to a contraction in the Oil and Gas industry impacting the Group's order book and also an impairment provision of RM141 million.</p> <p>(i) Does the Board expect further substantial impairment provisions for FY 2017?</p> <p>(ii) Is the Group expected to turn around in FY 2017 and if yes, what would be the key factors?</p>
Chee Wah Corporation (EGM)	<p>1. The Board stated in the Circular that the Proposed Internal Reorganisation will allow CWG Holdings Berhad ("CWG") to be an investment holding company, solely with the flexibility to explore new business segments as and when opportunities arise.</p> <p>(i) Could the Board explain the key reasons why the existing corporate structure is not considered to carry out the abovementioned corporate activities instead of going through this exercise?</p> <p>(ii) What type of business is the Group planning to venture into and what opportunities have been identified to-date?</p>

<b>The points of interest to be raised:</b>	
Carlsberg Brewery Malaysia Bhd (AGM)	<p>1. We noted that the Group recorded a RM5.1 million loss recognised in its associate company Lion Brewery (Ceylon) PLC (LBCP) in Sri Lanka which was severely affected by a devastating flood.</p> <p>(i) Would the Group be required to inject additional capital to revive its operation as the majority of the production plant of the associate was severely damaged?</p> <p>(ii) What is the progress of the rebuild of the LBCP's production plant?</p> <p>(iii) What is the Board's view on the performance of this associate for FY 2017?</p>
MISC Bhd (AGM)	<p>1. The Group revenue declined by 12% to RM9,597.2 million in FY 2016 compared to that in FY 2015 mainly due to lower charter rates earned on new contracts in the LNG segment and lower revenue from the construction contracts in the Marine and Heavy Engineering segment.</p> <p>(i) What would be the outlook for charter rates in general and specifically the rates for the contracts in the LNG segment in FY 2017?</p> <p>(ii) What was the average utilisation rate for overall vessels in FY 2016 compared to FY 2015 and what would be the expected utilisation rate in FY 2017?</p>
Bintulu Port Holdings Bhd (AGM)	<p>1. As reported in the GCEO's Message and Management Discussion &amp; Analysis, the Group had been successful in securing contracts for the provision of base support services to oil and gas related companies such as PCSB, PFLNG and Murphy Oil Sarawak.</p> <p>What is the progress of these contracts and how would they contribute towards the long term revenue stream for the Group?</p>
United Plantations Bhd (AGM)	<p>1. The Palm Oil Refining Segment recorded an operating profit of RM62 million compared to RM42 million in FY2015. As reported in the Management Discussion and Analysis, the improved results were mainly attributable to higher sales volume, positive hedging results and effects of the cost cutting measures.</p> <p>(i) Considering stiff competition from Indonesia and the thin margin for the segment, would the Refinery Segment be expected to continue with the upward profitability trend, moving forward?</p> <p>(ii) What is the percentage of the CPO produced by the Group supplied to external refinery? Would there be any plans to expand the Refinery Segment to process 100% of the CPO produced by the Group?"</p>
British American Tobacco (M) Bhd	<p>1) We refer to the article published by The Star on 28 March 2017 announcing the possible hike in the prices of cigarettes and raising of minimum age limit to 21 for those permitted to buy cigarettes. Could the Board comment on this and the impact to the Group?</p> <p>2) We noted that the total trade and other receivables increased from RM203.8 million in FYE 2015 to RM342.2 million in FYE 2016 despite 18% reduction in revenue for FYE 2016.</p>

The points of interest to be raised:	
	<p>(i) What were the reasons for the increase in the Group's trade and other receivables which outpaced the increase of the Group's revenue?</p> <p>(ii) Out of RM37.5 million amount due from subsidiaries, RM6.9 million was past due for more than 120 days. What is the normal trade credit terms and how long has this amount been outstanding?</p>



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## MSWG'S WATCHLIST

### ***IRE-TEX CORPORATION BERHAD ("ITCB")***

The Board of Directors of ITCB announced that the company had on 11 April 2017 received a Notice of Extraordinary General Meeting ("EGM") to be held on Thursday, 27 April 2017 at 9:00 a.m. pursuant to Section 313 of the Companies Act 2016 ("Companies Act") to consider resolutions to remove and appoint Directors. The EGM is called by Elite Cosmo Group Ltd. being a member holding not less than one-tenth of the issued share capital of the Company as at the date of the said Notice pursuant to powers conferred by Section 313 of the Companies Act.

The resolutions of the EGM are stated below:

- (i) Ordinary Resolution 1 - Removal of Director  
"THAT SOO TEE WEI be and is hereby removed from his office as a director of the company with immediate effect."
- (ii) Ordinary Resolution 2 - Removal of Director  
"THAT CHIN WUI CHOONG be and is hereby removed from his office as director of the Company with immediate effect."
- (iii) Ordinary Resolution 3 - Removal of Director  
"THAT LEE YOW FUI be and is hereby removed from his office as director of the Company with immediate effect."
- (iv) Ordinary Resolution 4 - Removal of Director  
"THAT WONG FOOK HIONG be and is hereby removed from his office as director of the Company with immediate effect."
- (v) Ordinary Resolution 5 - Removal of Director  
"THAT MAK LIN KUM be and is hereby removed from his office as director of the Company with immediate effect."
- (vi) Ordinary Resolution 6 - Removal of Director  
"THAT ANY OTHER DIRECTOR(S) appointed on or after 1 March 2017 until the date of the Extraordinary General Meeting of the Company requisitioned pursuant to section 311 of the Companies Act by virtue of this special notice be removed from office as director of the Company with immediate effect."
- (vii) Ordinary Resolution 7 - Appointment of Director  
"THAT HAMDAN BIN MOHD NOR be appointed as director of the Company with the designation of 'executive director' with immediate effect."

- (viii) Ordinary Resolution 8 - Appointment of Director  
“THAT DATO’ HAJI AMIRUDDIN BIN JAMALUDDIN be appointed as director of the Company with the designation of ‘independent director’ with immediate effect.”
- (ix) Ordinary Resolution 9 - Appointment of Director  
“THAT RAJA HIZAD BIN RAJA KAMARULZAMAN be appointed as director of the Company with the designation of ‘independent non-executive director’ with immediate effect.”

*[Source: ITCB’s announcement on Bursa Malaysia’s website on 11 April 2017]*

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## LOCAL NEWS AND DEVELOPMENTS

TNB bags two gold awards at governance and CSR event

<http://www.thestar.com.my/business/business-news/2017/04/10/tnb-bags-two-gold-awards-at-governance-and-csr-event/>

Bank Negara int’l reserves up 0.53% to US\$95.4b as at March 31

<http://www.theedgemarkets.com/en/article/bank-negara-intl-reserves-053-us954b-march-31?type=Corporate>

Perisai on the ropes as major shareholder faces bankruptcy

<http://www.thestar.com.my/business/business-news/2017/04/08/perisai-on-the-ropes-as-major-shareholder-faces-bankruptcy/>

EPF, OSK team up for Melbourne Square project

<http://www.thesundaily.my/news/2218369>

Federal Court Dismisses Application for Leave to Appeal -Stockbroking Firm Liable for Loss Caused by Misconduct of its Agent

[https://www.sc.com.my/post\\_archive/federal-court-dismisses-application-for-leave-to-appeal-stockbroking-firm-liable-for-loss-caused-by-misconduct-of-its-agent/](https://www.sc.com.my/post_archive/federal-court-dismisses-application-for-leave-to-appeal-stockbroking-firm-liable-for-loss-caused-by-misconduct-of-its-agent/)

Malaysian exports up 26.5% year-on-year in February

<http://www.thesundaily.my/news/2218367>

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## GLOBAL NEWS AND DEVELOPMENTS

BOJ’s Kuroda repeats resolve to maintain massive stimulus

<http://www.thestar.com.my/business/business-news/2017/04/10/boj-kuroda-repeats-resolve-to-maintain-massive-stimulus/>

ECB’s Mersch says policy exit discussion should be ‘orderly’

<http://www.thestar.com.my/business/business-news/2017/04/10/ecbs-mersch-says-policy-exit-discussion-should-be-orderly/>

China’s top securities regulator vows to punish stingy firms

<http://www.thestar.com.my/business/business-news/2017/04/10/chinas-top-securities-regulator-vows-to-punish-stingy-firms/>

India c.bank keeps policy rate on hold, keen to drain system's excess cash  
<http://www.theedgemarkets.com/en/article/india-cbank-keeps-policy-rate-hold-keen-drain-systems-excess-cash?type=Corporate>

Prolonged low interest rates may hurt financial institutions – IMF report  
<http://www.theedgemarkets.com/en/article/prolonged-low-interest-rates-may-hurt-financial-institutions-%E2%80%94-imf-report?type=Corporate>

China March data seen showing solid growth but all eyes on Trump-Xi meeting  
<http://www.theedgemarkets.com/en/article/china-march-data-seen-showing-solid-growth-all-eyes-trump-xi-meeting?type=Corporate>

US jobless claims tumble at close of March  
<http://www.nst.com.my/news/2017/04/227927/us-jobless-claims-tumble-close-march>

Oil prices jump after US launches missile strike in Syria  
<http://www.nst.com.my/news/2017/04/228039/oil-prices-jump-after-us-launches-missile-strike-syria>

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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 Ire-Tex Corporation Berhad.*

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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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