



The Observer

18.01.2019

MESSAGE FROM THE CEO

General meetings in Remote Locations

Multi-Usage Holdings Berhad (MUH) held its 26th Annual General Meeting on 27 December 2018 at 9 am. What is peculiar is that the AGM was held in Avani Sepang, Gold Coast Resort, Sungai Pelek, Selangor.

Now, that can be deemed as a remote location for a Penang-based company which probably has most of the shareholders in Kuala Lumpur vicinity or worse still if most are in Penang. It is highly unlikely that most of the shareholders are in the Sungai Pelek vicinity which is far from Kuala Lumpur and takes easily more than an hour to reach. Many may not have even heard about the area.

This is not the first time that General Meetings were held at that venue. In fact, the AGM last year was also held at the same venue. MSWG representatives raised the issue of 'remote location' and the Board stated that they would take note of it.

What exactly is the message that the company is trying to send? Likely perception shareholder-unfriendly? discouraging shareholders from attending general meetings? A favourable perception and image are undeniably important to the company.

Sure enough, only a handful of shareholders attended the AGM on 27 December 2018...about 12 shareholders. This certainly is not conducive to more shareholder participation.

It is highly probable that the choice of location directly impacted the attendance of shareholders.

Once again, MSWG's representative raised the issue of the 'remote location' and requested the Board to hold future General Meetings at more 'accessible' locations so that more shareholders can attend the meetings.

MSWG's representative also requested, that if the Board insists on holding General Meetings at the same location, to at least start the meeting at 10 am instead of 9 am as it takes easily more than an hour to reach the AGM location from Kuala Lumpur. Maybe, the later start time might encourage more shareholders to attend the AGM. The Chairman of the Board said that they will take note of the requests (same as what was stated by the Chairman at last year's AGM).

Some shareholders at last year's AGM complained that the location and timing of the AGM 'forced' them to drive down the previous day and book accommodation to stay the night just to attend the AGM thereby incurring time and cost. They also complained that accommodation at the Avani Sepang, Gold Coast Resort was expensive and, as such, they had to look for more affordable accommodation nearby.

But the start time is only a subordinate issue. The main issue is the choice of the location for the General Meetings.

Guidance 12.3 of the Malaysian Code on Corporate Governance (MCCG) starts off by declaring that the board should take proactive measures to ensure that shareholders are able to participate at General Meetings.

Surely the choice of Sungai Pelek as the General Meeting venue is not tantamount to 'measures to ensure that shareholders are able to participate at General Meetings' as guided by the MCCG. To reiterate, Practice 12.3 of MCCG also provides listed companies the choices to leverage on technology to facilitate voting and participation of shareholders at general meetings held at remote places. The Board should also be more responsive and take heed to all the complaints and grouses.

Perhaps what is needed is some regulatory engagement to persuade/encourage the choice of a more accessible venue for General Meetings to enable greater shareholder participation.

MSWG'S QUICK TAKE ON-GOING CORPORATE DEVELOPMENTS

SCOMI ENERGY SERVICES BHD

ADVANCES MADE BY SCOMI ENERGY SERVICES BHD ("THE COMPANY") TO ITS HOLDING COMPANY, SCOMI GROUP BHD AND ITS SUBSIDIARIES

The Board of Directors wishes to announce that it has determined that the Company has omitted to announce certain related party transactions ("RPT") in accordance with the Main Market Listing Requirements ("MMLR"). These RPTs relate to sums that have been advanced to its holding company, Scomi Group Bhd and its subsidiaries (the "Scomi Group of Companies") over a period of two (2) years from June 2016 to June 2018 (the "Affected Period").

Given the nature of shareholding between the Company and Scomi Group Bhd and the common directors between these two listed entities, these advances are deemed to be related party transactions.

The total sum advanced is RM64,334,934, of which RM19,393,105 relate to a shared service agreement between the Company and Scomi Group Bhd and is not regarded as a related party transaction pursuant to paragraph 10.08(11)(k) of the MMLR. The balance of RM44,941,829 (the "Advances") constitutes related party transactions, of which the Scomi Group of Companies has, over the Affected Period, repaid RM9,703,283.

The Company and its Board was given to understand that the Advances were utilised for the purpose and benefit of the Scomi Group of Companies.

Please refer to the attachment for further details of the announcement.

This announcement is dated 11 January 2019.

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6033733>

MSWG's

comments:

In accordance to Paragraph 10.08 (1) Chapter 10 of the Main Market Listing Requirements (MMLR), a listed company must announce any RPT that is more than 0.25% of the Percentage Ratio in Paragraph 10.02(g) of MMLR to the stock exchange as soon as possible after the terms of the transaction have been agreed, unless the transaction amount is less than RM500,000 or it is a recurrent RPT.

Scomi's announcement states that the Board wishes to announce that it has determined that the company has omitted to disclose certain Related Party Transactions...and that these transactions were previously disclosed as being "amounts due from ultimate holding company".

It appears that the BOD was unaware that these transactions required disclosure under the MMLR until it was informed of the omission. The Board then took the necessary action as stated in the announcement, as quoted below:-

“During the affected period, the Board believed that the amount due from Scomi Group Bhd related to the shared service agreement between the company and Scomi Group Berhad”.

Arguably, the identification of the transactions as reportable RPTs in accordance with Paragraph 10.08 may not have been realised by the Board during the affected period, 2016 - 2018. This episode raises several issues:

- Did the Directors act reasonably in not realising that the said transactions were in fact reportable RPTs under the MMLR that required disclosure? Did the Directors exercise the due skill, care and diligence required of them as reasonable directors - 'the reasonable man test'? And should the directors be held accountable for not determining that the transactions were in fact reportable RPTs that required disclosure under the MMLR?

- Where were the company secretaries who are advisors to the Board on matters relating to compliance of MMLR? What is their accountability in relation to the said transactions which required disclosure as RPTs under the MMLR? Did they act like 'reasonable' company secretaries or did they fall short of the required standard?

- Who, at the management level, should be held accountable by the Board for not being aware that the said transactions were in fact reportable RPTs that required disclosure under the MMLR?

- Besides, as the advances were made without prior authorisation and approval from the Board of Directors (BOD) and Audit Committee (AC), who or which party allowed these transactions to proceed during the two year period? Were there also some miscommunication between the management and BOD? What happened to the protocols for oversights, compliances, reporting, checks and balances and internal controls?

Obviously, there are several corporate governance issues at stake and the risk management framework also needs to be strengthened.

In short, who are the people who should be held accountable for the non-realisation that the said transactions required disclosure under the MMLR and who authorised the transactions?

Minority shareholders have been deprived of the timely disclosure of the said RPT transactions - a disclosure which may have very well affected their investment decisions.

After all, there is no room for negligence or carelessness. The AC and BOD should be more vigilant when assessing related party transactions in the future. Shareholders may also want to know more about the status of the remaining advances and the recoverability.

MSWG'S AGM WEEKLY WATCH 21 January - 25 January 2019

For this week, the following are the AGMs 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
22.01.19 (Tue) 9.00 pm	Bright Packaging Industry Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur
23.01.19 (Wed) 10:00 AM	Fraser & Neave Holdings Bhd (AGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
BRIGHT PACKAGING INDUSTRY BERHAD (AGM)	During the financial year ended 31 August 2018 ("FY2018"), the Group recorded a loss before tax of RM3,801,093 as compared to a loss before tax of RM3,589,258 in FY2017. How will the Board address the bottom-line result of the Group and what is the prospect of achieving a turnaround in FY2019?
FRASER & NEAVE HOLDINGS BHD (AGM)	The Malaysian government will impose an excise tax of 40 sen per litre on sweetened beverages with effect from 1 April 2019. i) What are the impacts that the Company foresees from this new tax regime? ii) What are the actions that the company is planning to take to mitigate these impacts?

MSWG'S WATCHLIST

PERISAI PETROLEUM TEKNOLOGI BHD SUSPENSION AND/OR DELISTING OF PERISAI

We refer to the Company's First Announcement pursuant to Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") dated 12 October 2016. Unless otherwise stated, abbreviations and definitions used throughout this announcement shall be the same as those in the Announcement.

The Board of Directors of PERISAI wishes to announce that the Company has received a suspension and de-listing notice dated 11 January 2019 from Bursa Malaysia Securities Berhad ("Bursa Securities") wherein Bursa Securities vide their letter dated 11 January 2019 has rejected the proposed regularisation plan.

In the circumstances and pursuant to Paragraph 8.04(5) of the MMLR:

- a) the trading in the securities of the Company will be suspended with effect from 22 January 2019; and
- b) the securities of the Company will be de-listed on 13 February 2019 unless an appeal against the rejection of the regularisation plan and de-listing is submitted to Bursa Securities on or before 10 February 2019 ("the Appeal Timeframe"). Any appeal submitted after the Appeal Timeframe will not be considered by Bursa Securities.

In the event the Company submits an appeal to Bursa Securities within the Appeal Timeframe, the removal of the securities of the Company from the Official List of Bursa Securities on 13 February 2019 shall be deferred pending the decision on the Company's appeal.

With respect to the securities of the Company which are currently deposited with Bursa Malaysia Depository Sdn Bhd ("Bursa Depository"), the securities may remain deposited with Bursa Depository notwithstanding the de-

listing of the securities from the Official List of Bursa Securities. It is not mandatory for the securities of a company which has been de-listed to be withdrawn from Bursa Depository.

Alternatively, shareholders of the Company who intend to hold their securities in the form of physical certificates, can withdraw these securities from their Central Depository System (CDS) accounts maintained with Bursa Depository at anytime after the securities of the Company have been de-listed from the Official List of Bursa Securities. This can be effected by the shareholders submitting an application form for withdrawal in accordance with the procedures prescribed by Bursa Depository. These shareholders can contact any Participating Organisation of Bursa Securities and/or Bursa Securities' General Line at 03-2034 7000 for further information on the withdrawal procedures.

Upon the de-listing of the Company, the Company will continue to exist but as an unlisted entity. The Company is still able to continue its operations and business and proceed with its corporate restructuring and its shareholders can still be rewarded by the Company's performance. However, the shareholders will be holding shares which are no longer quoted and traded on Bursa Securities.

Further, in the event the Company submits an appeal to Bursa Securities, the Company is required to make an announcement of the appeal and that the removal of the securities of the Company on 13 February 2019 will be deferred pending the decision on the Company's appeal by Bursa Securities.

The Board will deliberate on the next course of action and will make the relevant announcement in due course.

This announcement is dated 11 January 2019.

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6034501>

APFT BERHAD

This announcement is dated 8 January 2019.

The Board of the Company wishes to announce that the Company had on 9 January 2019, received a written requisition from the shareholders of the Company holding, in aggregate, more than 10% of the issued share capital of the Company ("Requisitioning Members") to convene an Extraordinary General Meeting pursuant to Section 311 and Section 312 of the Companies Act 2016 in relation to:-

- a) removing the existing Directors, namely YM Tengku Shamsulbhari bin Tengku Azman Shah, Edwin Silvester Das, Tan Sri Zaini bin Omar, Datuk Tan Choon Hwa and Saiful Azhar bin Mohd Yusoff; and
- b) appointing new Directors, namely Jeya Kumar A/L Jegathison, Chan Tiam Hin and Tan Chee Koon.

The Company was requested to furnish the Record of Depositors pursuant to Section 34 of the SICDA 1991 to the solicitors of the Requisitioning Members.

The Board of the Company is seeking legal advice on the matter.

Further development on the above matter will be announced to Bursa Malaysia Securities Berhad in due course.

This announcement is dated 11 January 2019.

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6034377>

MSWG'S VIGILANCE

Listing of PN17 and GN3 companies

PN17 Companies

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

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

REGULATORY NEWS

SC TO REGULATE OFFERING AND TRADING OF DIGITAL ASSETS

Following the statement by the Minister of Finance YB Tuan Lim Guan Eng on the coming into force of the Capital Markets and Services (Prescription of Securities) (Digital Currency and Digital Token) Order 2019, the Securities Commission Malaysia (SC) will put in place guidelines to regulate offering and trading of digital assets.

The guidelines will among others, establish criteria for determining fit and properness of issuers and exchange operators, disclosure standards and best practices in price discovery, trading rules and client asset protection. Those dealing in digital assets will be required to put in place anti-money laundering and counter-terrorism financing (AML / CFT) rules, cyber security and business continuity measures.

With the coming into force of the Prescription Order, the offering of digital assets, as well as its associated activities, will require authorisation from the SC and compliance with relevant securities laws and regulations.

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. The relevant regulatory framework is expected to be launched by end-Q1 2019.

Source: <https://www.sc.com.my/news/media-releases-and-announcements/sc-to-regulate-offering-and-trading-of-digital-assets>

POLICY DOCUMENT ON INVESTMENT-LINKED BUSINESS

This policy document sets out strengthened requirements on the conduct of investment-linked (IL) business with the primary objective to protect the interests of consumers. The salient requirements are as follows:

1. Implementation of standards on Minimum Allocation Rates to protect the account values of IL policy/certificate owners;
2. Minimum standards on sustainability tests and communication to policy/certificate owners to improve long term persistency of IL policies/certificates and consumer awareness; and
3. Strengthened disclosure standards on product illustration to facilitate more informed decision-making by consumers.

Source: http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=689&lang=en

LOCAL NEWS AND DEVELOPMENTS

Govt hopes to conclude RCEP talks by end-2019 – Miti

<http://www.theedgemarkets.com/article/govt-hopes-conclude-rcep-talks-end2019-%E2%80%94-miti>

The World Has Loads of Sustainable Palm Oil... But No One Wants It

<https://www.bloomberg.com/news/articles/2019-01-13/world-has-loads-of-sustainable-palm-oil-just-no-one-wants-it>

MAA expects flat auto sales for 2019

<https://www.thestar.com.my/business/business-news/2019/01/16/maa-expects-flat-auto-sales-for-2019/>

Goldman Sachs apologises for ex-banker's role in 1MDB scandal

<https://www.thestar.com.my/business/business-news/2019/01/17/goldman-sachs-ceo-apologises-for-ex-bankers-role-in-1mdb-scandal/>

Red Sena gets green light to close shop

<https://www.thestar.com.my/business/business-news/2019/01/17/red-sena-gets-green-light-to-close-shop/>

GLOBAL NEWS AND DEVELOPMENTS

Revisions to global rules for banks

<https://www.thestar.com.my/business/business-news/2019/01/15/basel-eases-capital-hit-from-new-trading-book-rules-for-banks/>

U.S. import prices fall; year-on-year drop largest since 2016

<https://www.reuters.com/article/us-usa-economy/u-s-import-prices-fall-year-on-year-drop-largest-since-2016-idUSKCN1PA1SB>

Companies cry out for Brexit clarity, warn on no-deal

<https://www.reuters.com/article/us-britain-eu-business/companies-cry-out-for-brexit-clarity-warn-on-no-deal-idUSKCN1PA1YT>

Trade war sees China's provinces slash growth forecasts for 2019

<https://www.scmp.com/economy/china-economy/article/2182384/trade-war-sees-chinas-provinces-slash-growth-forecasts-2019>

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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 APFT 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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