

**MSWG****MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia * Company No. 524898-M

The Observer

28 April 2017

VOICE OF MSWG

On 26 April 2017, the Securities Commission announced and released its 3rd Malaysian Code on Corporate Governance (MCCG). The 1st was issued in 2009 and the 2nd was in 2012. This 3rd CG Code seeks to further internalise and align the Malaysian Capital Market with global best practices and thereby increases the visibility and appeal of our listed companies internationally.

Already a large number of our companies, especially the top 100, have “internalised” a high standard of CG culture in their organisations. With the adoption and adherence to the changes contained in this new code, the protection of the wider definition of stakeholders (environment and community, besides shareholders) is further enhanced. MSWG appreciates and welcomes these changes.

Some of the key changes include:

1. 50% of board members to be comprised of independent directors.
2. Detailed information and updates on social, environment (or ecological) and financial profits.
3. Detailed disclosures (on a named basis) of the remuneration of individual directors and top 5 senior managers.
4. Promoting Integrated Reporting.
5. Introduction of 2-tier voting for retention of Independent Non-Executive Directors who have served more than 12 years.

A particularly revolutionary change that is also welcome is that the new Code encourages the participation of non-listed entities, including State owned enterprises, small and medium enterprises and licensed intermediaries to embrace the Code. Thus the SC has laid the groundwork for a pipeline of well-managed and well-regulated home-growth companies that adhere to global CG principles thus preparing them to “graduate” to become governance oriented public listed companies.

We would encourage minority shareholders to obtain a copy of this 2017 MCCG to be better informed. A soft copy can be found in this link: https://www.sc.com.my/general_section/cg/

A parallel development has been in the area of corporate reporting, and the quality of such reports, in Malaysia.

The International Integrated Reporting Council (IIRC)'s Integrated Reporting Framework is instructional on this issue, whereby best practices exhort detailed information and updates on what is commonly known as the 'Triple Bottom line' of social, environmental (or ecological) and financial profits.

As the IIRC rightly points out, companies will need to evaluate their performances relative to this broader perspective in order to more accurately benchmark the value they yield to the larger ecosystem, which includes the communities in which they operate, the environment as well as their shareholders.

We also think PwC Malaysia rightly points out that Malaysia has some way to go in this regard, highlighting many instances of un-integrated and 'siloed' reporting.

There have also been instances where inordinate emphasis is on 'describing process' rather than providing insight into future market trends and the competitive environment.

But equally, there have been instances -- TM Bhd's 2016 Integrated Report for example -- which amply demonstrate what Malaysian companies are capable of.

But overall, the change in CG approach from "comply or explain" to "apply or explain an alternative" will hopefully further evolve with listed companies being able to apply more thought and consideration into the way they adopt and report on their corporate governance practices.

Over time, we are fully confident that the CG ecosystem will keep improving and drive Malaysia further up the ladder.

THE MSWG TEAM

28 April 2017

MSWG'S AGM WEEKLY WATCH 1 - 5 MAY 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.

Date & Time	Company	Venue
02.05.17 (Tue) 10.00 am	Dagang Nexchange Bhd (AGM)	Connexion @ Nexus, No. 7, Jalan Kerinchi, Bangsar South City, KL
04.05.17 (Thur) 10.00 am	UMW Holdings Bhd (EGM)	UMW Holdings Berhad, Batu Tiga Industrial Estate, Shah Alam, Selangor

The points of interest to be raised:	
Company	Points/Issues to Be Raised
Dagang Nexchange Bhd (AGM)	1. The National Single Window ("NSW") for Trade Facilitation, after the expiry of its extension on 24 September 2018, is expected to be replaced by uCustoms where Dagang Net has been appointed as one of two service providers.

	<p>In the year under review, DNeX completed the design and development works of the Integration Module for ASEAN Single Window (“ASW”). DNeX, through Dagang Net also manages operations and maintenance of the Integration Module.</p> <p>What would be the impact on the earnings of DNeX after 24 September 2018 where the NSW is expected to be replaced by uCustoms?</p> <p>2. As noted on page 133 of the Annual Report, under the energy segment, the segmental result showed a loss of RM12.3 million from operations whereas share of results in associates, net of tax, shows a substantial profit of RM123.5 million.</p> <p>(i) Which subsidiaries resulted in the loss?</p> <p>(ii) What would be the outlook for FY 2017?</p>
<p>UMW Holdings Bhd (EGM)</p>	<p>1. As stated in the Circular, “The Proposed Distribution is undertaken in conjunction with UMWH’s plan to exit its investments in the O&G industry, as represented by its shareholding in UMW-OG as well as its interests in other investments in the O&G sector which are held by UMWH other than the UMW-OG Group.”</p> <p>(i) What is the targeted timeline for the Company to dispose its other investments in the O&G Sector?</p> <p>(ii) What is the total book value of these investments?</p>

MSWG’S WATCHLIST

PERWAJA HOLDINGS BERHAD (“PHB”)

Bursa Malaysia has rejected the application of PHB for an extension of time to submit its regularisation plan.

In the circumstances and pursuant to paragraph 8.04(5) of the Bursa Malaysia Main Market Listing Requirements, please be informed that:-

- (a) the trading in the securities of PHB will be suspended with effect from 2 May 2017; and
- (b) the securities of PHB will be de-listed on 4 May 2017 unless an appeal against the de-listing is submitted to Bursa Malaysia on or before 28 April 2017 (“the Appeal Timeframe”). Any appeal submitted after the Appeal Timeframe will not be considered by Bursa Malaysia.

In the event PHB submits an appeal to Bursa Malaysia within the Appeal Timeframe, the removal of the securities of PHB from the Official List of Bursa Securities on 4 May 2017 shall be deferred pending the decision on PHB’s appeal.

[Source: PHB’s announcement on Bursa Malaysia’s website on 20 April 2017]

PERAK CORPORATION BERHAD (“PCB”)

PCB announced that it is unable to issue its Annual Report for the financial year ended 31 December 2016 (“Annual Report”) to Bursa Malaysia Securities Berhad (“Bursa Securities”) by 30 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 Main Market Listing Requirements of Bursa Securities (“Main LR”) pending finalisation and issuance of the audited financial statements for the year ended 31 December 2016 (“AFS”).

The company has recently appointed Messrs KPMG PLT as the external auditors of the Company for the financial year ended 31 December 2016 following the resignation of the previous auditors, Messrs Ernst & Young. As this is their first year of audit, the external auditors require more time to resolve the substantial outstanding audit and accounting issues with the management of the company in relation to the audit to enable the issuance of the AFS.

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 9 May 2017 and will be uplifted on the market day following the issuance of the outstanding Annual Report unless otherwise determined by Bursa Malaysia.

The management of PCB is working closely with the external auditors to expedite the finalising of the AFS and is expecting to issue the Annual Report by 31 May 2017.

[Source: PCB’s announcement on Bursa Malaysia’s website on 26 April 2017]

IRE-TEX CORPORATION BERHAD (“ITCB”)

ITCB had on 27 April 2017 held an EGM to consider resolutions to remove and appoint Directors. All the resolutions were voted on a poll at the EGM and the results of the poll were validated and verified by Mega Corporate Sdn Bhd, the independent scrutineer appointed by the company.

However, the existing Board of ITCB announced that it will not recognize, condone or allow any party to put forward any representation or otherwise represent that the purported extraordinary general meeting was valid or that any resolution could or was passed thereat.

The Board also further notified that the company would like to notify that it does not recognize the outcome and passing of certain resolutions. The company will take all steps necessary to protect the company’s interests including legal proceedings.

[Source: ITCB’s announcement on Bursa Malaysia’s website on 27 April 2017]

LOCAL NEWS AND DEVELOPMENTS

Malaysian economy to keep growing over next few months - Statistics Dept
<http://www.thestar.com.my/business/business-news/2017/04/21/malaysian-economy-to-keep-growing-over-next-few-months---statistics-dept/>

A principled approach to regulation

<http://www.thestar.com.my/business/business-news/2017/04/22/a-principled-approach-to-regulation/>

Malaysia's inflation rate in March hits eight-year high

<http://www.thesundaily.my/news/2017/04/20/malysias-inflation-rate-march-hits-eight-year-high>

Bank Negara int'l reserves up at US\$95.7b as at April 14

<http://www.theedgemarkets.com/article/bank-negara-intl-reserves-us957b-april-14>

Auditor qualifies opinion on China Ouhua's accounts again

<http://www.thesundaily.my/news/2017/04/21/auditor-qualifies-opinion-china-ouhua%E2%80%99s-accounts-again>

EPF records RM46.56bil investment income in 2016

<http://www.thestar.com.my/business/business-news/2017/04/20/epf-records-rm46-56bil-investment-income-in-2016/>

Automotive industry to see gradual recovery

<http://www.thestar.com.my/business/business-news/2017/04/20/automotive-industry-to-see-gradual-recovery/>

1MDB, IPIC settle debt dispute

<http://www.themalaymailonline.com/money/article/1mdb-ipic-settle-debt-dispute>

Malaysia most active M&A country in Southeast Asia in 1Q – report

<http://www.theedgemarkets.com/article/malaysia-most-active-ma-country-southeast-asia-1q-%E2%80%94-report>

Malaysia to see 20% digital economy contribution to GDP sooner

<http://www.theedgemarkets.com/article/malaysia-see-20-digital-economy-contribution-gdp-sooner>

GLOBAL NEWS AND DEVELOPMENTS

China's strong Q1 growth highlights positive signs: Finance minister

<http://www.nst.com.my/business/2017/04/233438/chinas-strong-q1-growth-highlights-positive-signs-finance-minister>

India tax reform may help accelerate GDP growth above 8%

<http://www.thestar.com.my/business/business-news/2017/04/24/india-tax-reform-may-help-accelerate-gdp-growth-above-8/>

Japanese exports surged to end first quarter on strong note

<http://www.thestar.com.my/business/business-news/2017/04/21/japanese-exports-surged-to-end-first-quarter-on-strong-note/>

Japan manufacturers' mood rises to pre-financial crisis level - Reuters Tankan

<http://www.theedgemarkets.com/article/japan-manufacturers-mood-rises-pre-financial-crisis-level-reuters-tankan>

Oil falls below US\$50 as surging US output undermines Opec cuts

<http://www.themalaymailonline.com/money/article/oil-falls-below-us50-as-surgings-us-output-undermines-opec-cuts>

French election results catapult Wall Street higher; Nasdaq sets record

<http://www.theedgemarkets.com/article/french-election-results-catapult-wall-street-higher-nasdaq-sets-record>

China stocks head for worst day of 2017 as regulators tighten grip

<http://www.thestar.com.my/business/business-news/2017/04/24/china-stocks-head-for-worst-day-of-2017-as-regulators-tighten-grip/>

Trump corporate tax cuts could lead to financial risk-taking: IMF

<http://www.nst.com.my/business/2017/04/232076/trump-corporate-tax-cuts-could-lead-financial-risk-taking-imf>

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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 Perwaja Holdings Berhad and Ire-Tex Corporation Berhad.*

Feedback

We welcome your feedback on our newsletter and our work. Email us at mswg.ceo@mswg.org.my with your comments and suggestions.

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