



# The Observer

30.08.2018

## MESSAGE FROM THE CEO

last Monday, we launched the Malaysia-ASEAN Corporate Governance Report 2017 at Bursa Malaysia.

Below we highlight some of the significant findings based on our coverage of 880 companies along with our commentary.

17 companies achieved CG scores of above 100 points while 113 companies (or 13% of the companies covered) scored less than 50 points. For every company that has achieved above 100 points, there are 6 companies in the below 50-point category. There is much work to be done to escalate the CG practices of the 113 companies. Of the 17 companies, 12 companies were GLCs.

It is better practice to pay dividends promptly after declaration instead of torturing the shareholders by delaying the payment. In the case of interim cash dividends, better practice dictates that the distribution should be concluded within 30 days after being declared. For final dividends, which is subject to shareholders approval, it is 30 days from shareholder approval.

The Companies Act 2016 stipulates a notice period of 21 days for AGM. International best practice advocates a longer notice period of 28 days. More than half of the companies i.e. 495 companies (56%) gave a notice period of more than 28 days. This is commendable as shareholders will have more time to peruse the annual reports and the CG reports which are getting thicker and thicker by the day.

The publication of Key Matters Discussed at the AGM is now a requirement. 78% of the top 100 companies publish their AGM minutes/Key Matters Discussed. However, based on the 880 companies covered, the compliance rate is a disappointing 37%. This requirement is meaningful as shareholders who were unable to attend the AGM and the public can now be privy to what transpired at the AGM. This will lead to more informed decision making.

The resolution for the election of a director is distinct from the resolution to classify that director as an INED and should not be bundled together as one resolution. Shareholders may want a director to be on the board but not as an independent director. This choice must be offered to shareholders. There were 6 companies that bundled these resolutions.

Directors remuneration has been on the increase. Average annual EDs remuneration has increased from RM1266K (2016) to RM1385K. NEDs average annual remuneration have increased from RM120K (2016) to RM136K - this works out to an average of about RM11,300 per month. The increased remuneration is due to the increased expectations from directors by both the regulators and shareholders. What is adequate remuneration can be subjective. MSWG will continue to voice its concerns where it deems directors' remuneration to be excessive.

The average service period of an INED was 7 years well within the MCCG 2017 preferred threshold of 9 years. 48% of the 6292 directors were INEDs.

The splitting of the roles of the chairman and CEO is good CG as the role of an executive chairman is seen as granting unfettered powers to one individual. It is heartening to note that 85% of the companies had split the roles of chairman and CEO.

Boardroom diversity is an important attribute of good governance. And in that context, gender diversity offers different perspectives to be considered at boardroom deliberations and discussions. 210 companies (24%) had at least one female independent director. 49 companies had two or more female independent directors. The country's aspiration is to have at least 30% women directors. MSWG prefers most of these female directors to be independent directors.

Regards,  
Devanesan  
30 August 2018

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

### **FGV HOLDINGS BERHAD ("FGV" or "The Company")**

FGV had on 28 August 2018 announced its quarterly report on consolidated results for the financial period ended 30 Jun 2018.

For the second quarter ended June 2018 (2Q2018), FGV recorded a revenue of RM3.44 billion compared to RM4.21 billion in the previous corresponding quarter. Profit before zakat and tax for 2Q2018 was RM1.25 million a 98.78% decline from the RM102.44 million registered in the previous corresponding quarter.

For the quarter in review, the Plantation Sector recorded a loss of RM6.53 million, a steep decline from a profit of RM159.88 million in the previous corresponding quarter.

The poor performance was attributable amongst others to lower productivity, lower average CPO price realized, higher production costs and higher share of loss from joint ventures and associate companies.

In view of the unfavourable performance of the company, in April 2018, the Board instructed management to establish a Transformation Office (TO).

The TO is in the process of finalising audits into estate and mill operations and downstream processes. Early findings reveal serious issues at multiple levels within the organization, ranging from poor work discipline, operational inefficiencies to leakages that need to be addressed immediately.

The Board had also on 5th July 2018, established a three-member Special Board Committee (SBC) to address the operational shortfalls within the organization.

In the announcement, it was reported that the investigation on four out of six transactions have been completed. The investigations reveal adverse findings

Additionally, the Board has undertaken internal investigations into six further matters in procurement, credit line and shortage of workers.

### **MSWG's Comments**

FGV has been under the radar in the Malaysian equity market in the past few years for unfavourable issues. Based on the announcement of second quarter results of the Group for financial period ended 30 June 2018, we are disappointed to note that serious operational shortfalls are still happening at multiple levels within the organization and that these have affected the financial performance of the Company.

Since its listing, we note that numerous special committees have been formed, independent consultants have been engaged and various transformation and growth initiatives have been taken to improve business efficiencies, human capital performance and integrity enhancement within the company. Despite the efforts and the cost invested to improve the practices, process and governance within the organization, operational weaknesses continue to surface and new committees continue to be formed to address the issues. To enhance the value of the Company for all the stakeholders, we hope the Company would expedite the investigations and address all major operational weaknesses as soon as possible.

We note that the forensic audit has revealed adverse findings. We hope that timely action is taken on those involved in relation to the adverse findings especially if they are tainted by fraud.

### MSWG'S AGM WEEKLY WATCH 3 - 7 SEPTEMBER 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](http://www.mswg.org.my).

Date & Time	Company	Venue
03.09.18 (Mon) 02.30 pm	WCE Holdings Bhd (AGM)	Holiday Villa Hotel & Conference Centre Subang Selangor, 9 Jalan SS12/1, Subang Jaya
05.09.18 (Wed) 02.00 pm	Karyon Industries Bhd (AGM)	Ponderosa Golf & Country Resort Berhad, Hop Sing II, Taman Ponderosa, JB
06.09.18 (Thur) 09.30 am	MTD ACPI Engineering Bhd (AGM)	1, Jalan Batu Caves, Batu Caves, Selangor

Some of the points of interest to be raised:	
Company	Points/Issues to Be Raised
WCE Holdings Bhd (AGM)	<p>The Group's pre-tax profit decreased to RM17.4 million from RM42.5 million in the previous financial year. The decrease is mainly due to a one-off impairment on long outstanding amounts owing by a former associate of RM20,387,000 (page 127 of the Annual Report 2018) and lower distribution income from investment in unit trust (page 13 of the Annual Report 2018).</p> <p>To date, what efforts have been taken to recover the amounts owing by the former associate and what is the progress?</p>
Karyon Industries Bhd (AGM)	<p>1. Under the Statements of Profit or Loss and Other Comprehensive Income for FYE2018, we note a significant increase in other operating income to RM5.556 million in FYE2018 compared to RM1.599 million in FYE2017.</p> <p>(a) What are the major components under other operating income and what are the reasons for the significant increase?</p> <p>(b) What is the probability or likelihood of further increases going forward?</p>
MTD ACPI Engineering Bhd (AGM)	<p>The Group has secured a package in KVMRT Line 2 Package V208 ("MRT V208") and hope to secure additional jobs and Pan-Borneo Highways, among many others (page 20 of the Annual Report 2018).</p> <p>a) How much is the MRT V208 expected to contribute to the Group's bottom line?</p> <p>b) What is the current tender book of the Group and how much contract value is expected to be awarded to the Group under the existing tender book</p>

### MSWG'S WATCHLIST

**DAIMAN DEVEKOPMENT BERHAD ("Daiman" or "Company") RECEIPT OF AN OFFER FROM TAY KIA HONG & SONS SDN BHD AND DAIMAN HOLDINGS SDN BHD BY WAY OF A SELECTIVE CAPITAL**

## **REDUCTION AND REPAYMENT EXERCISE OF DAIMAN PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 (“ACT”)**

The Board of Directors of Daiman (“**Board**”) wishes to announce that the Company has today received a letter from Tay Kia Hong & Sons Sdn. Bhd. and Daiman Holdings Sdn. Bhd. (collectively, the “**Joint Offerors**”), requesting Daiman to undertake a selective capital reduction and repayment exercise pursuant to Section 116 of the Act (“**Proposed SCR**”) (“**SCR Offer Letter**”).

The Board (save for the interested directors namely, Tay Thiam Song, Tay Tian Liang, Tay Thiam Yew and Tay Hui Fong (collectively, the “**Interested Directors**”)) will deliberate on the Proposed SCR and decide on the next course of action. Accordingly, a further announcement will be made in due course after the Board’s deliberation.

Should the Board (save for the Interested Directors) resolve to table the Proposed SCR to its shareholders for their consideration and approval, the Proposed SCR will involve Daiman undertaking a selective capital reduction and a corresponding capital repayment of a proposed cash amount of RM3.00 per ordinary share in Daiman (“**Daiman Share**”) (“**SCR Offer Price**”) held by all the shareholders of Daiman (other than the Joint Offerors and certain persons acting in concert with the Joint Offerors as set out in Section 2.4 of the SCR Offer Letter) whose names appear in the Record of Depositors of Daiman as at the close of business on an entitlement date to be determined and announced later by the Board (“**Entitled Shareholders**”).

The Company had on 23 August 2018, proposed a first and final single-tier dividend of RM0.05 per Daiman Share in respect of the financial year ended 30 June 2018 (“**Proposed Dividend**”), of which the entitlement date and the payment date for such dividend are yet to be determined and is subject to the approval of the shareholders of Daiman in the forthcoming annual general meeting. Notwithstanding this, the Joint Offerors have vide the SCR Offer Letter indicated that, the SCR Offer Price will not be reduced by the Proposed Dividend and as such, all the Entitled Shareholders will be entitled to the Proposed Dividend.

[Source: Daiman Development Bhd’s announcement on Bursa Malaysia’s website on 27 August 2018]

## **TOP GLOVE CORPORATION BERHAD (“TOP GLOVE” OR “THE COMPANY”) REQUISITION PURSUANT TO SECTION 311(3)(a) OF THE COMPANIES ACT 2016 (“THE ACT”) TO CONVENE AN EXTRAORDINARY GENERAL MEETING (“EGM”) IN RELATION TO THE PROPOSED ORDINARY RESOLUTION BY SPECIAL NOTICE FOR REMOVAL OF DIRECTOR PURSUANT TO SECTIONS 206(1)(b), 311(3)(a) AND 322 OF THE ACT**

Top Glove Corp Bhd executive chairman Tan Sri Lim Wee Chai has made a written requisition for an extraordinary general meeting (EGM) to be convened with the intention to remove Low Chin Guan as a director with immediate effect.

Lim is Top Glove’s founder and the group’s largest shareholder with a 28.94% stake.

In his letter, filed with Bursa Malaysia today, Lim called for the EGM to be held as soon as practicable to pass the ordinary resolution to remove Low.

Low Chin Guan, who is a director in Adventa Capital Pte Ltd, was appointed to the board of Top Glove as an executive director on April 4.

[Source: Top Glove Corporation Berhad’s announcement on Bursa Malaysia’s website on 27 August 2018]

## **Sapura Energy Berhad**

Sapura Energy Berhad (“**Sapura**” or “**Company**”) proposes rights issue as part of a broader strategic plan to strengthen the group’s core businesses, boost its financial position and create better value for its shareholders. The exercise entails raising up to RM4.0 billion, of which up to RM3.0 billion will be through the rights issue of ordinary shares with free warrants and up to RM1.0 billion through the rights issue of Islamic redeemable convertible preference shares. The rights issue is subject to shareholders’ approval at an Extraordinary General Meeting.

[Source: Sapura Energy Berhad’s announcement on Bursa Malaysia’s website on 24 August 2018]

## 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. YFG BERHAD
22. UTUSAN MELAYU (MALAYSIA) BHD

#### GN3 Companies

1. G NEPTUNE BERHAD
2. 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/>

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## LOCAL NEWS AND DEVELOPMENTS

### IJM puts off toll-listing, awaits clarity from govt

<https://www.thestar.com.my/business/business-news/2018/08/29/ijm-puts-off-tolllisting-plans/#7ibTZtrC4MDyrQZd.99>

### FGV forensic probe into RM100m bad debts, RM170m losses from worker shortage

<https://www.thestar.com.my/business/business-news/2018/08/28/fgv-forensic-probe-into-rm100m-bad-debts-rm170m-losses-from-worker-shortage/#A2ppTYHcduMHFDpZ.99>

### DRB-Hicom narrows Q1 losses on higher car sales

<https://www.thestar.com.my/business/business-news/2018/08/28/drb-hicom-narrows-losses-in-q1-on-higher-car-sales/#VHzJdvwtS4k57oLo.99>

### Sapura Energy sees RM1.33bil market cap wiped out after rights issue plan

<https://www.thestar.com.my/business/business-news/2018/08/28/sapura-energy-shares-fall-again/#DdhpqWxloA0AOZta.99>

### IOI Properties misses expectations on lower-than-expected billings

<https://www.thestar.com.my/business/business-news/2018/08/28/ioi-propertie-misses-expectations-on-lower-than-expected-billings/#a2lwUdH6gXX9ayfl.99>

**Daiman major shareholders plan to take company private**

<https://www.thestar.com.my/business/business-news/2018/08/28/daiman-major-shareholders-plan-to-take-company-private/#maZ5WlpEto62TR5k.99>

**SC reviewing if Lavidacoin breaches securities laws**

<https://www.thestar.com.my/business/business-news/2018/08/27/sc-reviewing-if-lavidacoin-breaches-securities-laws/#KQ5C04RC8c44QAGg.99>

**Malaysia says Forest City project off limits to foreign buyers**

<https://www.thestar.com.my/business/business-news/2018/08/27/malaysia-says-forest-city-project-off-limits-to-foreign-buyers/#BSDLx5G8SmgG5AA8.99>

**Taliworks unit accepts Air Selangor takeover offer**

<https://www.thestar.com.my/business/business-news/2018/08/27/taliworks-unit-accepts-air-selangor-takeover-offer/#yeoV0T72MLimoaXK.99>

**Who are winners and losers of sales and services**

<https://www.thestar.com.my/business/business-news/2018/08/27/winners-and-losers-of-sst/>

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## GLOBAL NEWS AND DEVELOPMENTS

**Asia Embraces Dual-Class Shares, and Investor Activists Smolder**

<https://www.bloomberg.com/news/articles/2018-08-07/asia-embraces-dual-class-shares-and-investor-activists-smoulder>

**Trump's China Hawks Prepare to Swoop as Trade Talks Go Nowhere**

<https://www.bloomberg.com/news/articles/2018-08-24/trump-s-china-hawks-prepare-to-swoop-as-trade-talks-go-nowhere>

**Oil Holds Gains as U.S. Rigs Decline at Fastest Pace Since 2016**

<https://www.bloomberg.com/news/articles/2018-08-26/oil-holds-gains-as-u-s-rigs-decline-at-fastest-pace-since-2016>

**The longest bull then and now: How financial conditions have changed**

<https://www.cnbc.com/2018/08/24/the-longest-bull-then-and-now-how-financial-conditions-have-changed.html>

**US-China trade war is poised to intensify: 'Both sides think they have the upper hand'**

<https://www.cnbc.com/2018/08/27/us-china-trade-war-is-poised-to-intensify-asia-trade-expert-says.html>

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## MSWG Team

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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 Daiman Development Bhd..*

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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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