



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

08 September 2016

## MESSAGE FROM THE CEO

The launch of The Institutional Investor Council Malaysia (IIC)'s "Investor Stewardship and Future Key Priorities 2016" report on Monday 5 September provided some thoughts and priorities that the Council will embark on the next 5 years.

I am absolutely confident that the level of engagement undertaken by member investors of the IIC to impose (and disclose) their stewardship policies and voting guidelines as well as their direct address of the requisite environmental, social and governance (ESG) issues with their investee companies will better manage risks and provide sustainable returns for shareholders at such companies.

At a time when corporate profits are being eroded by poor operating conditions and uncertain economic factors, now is as good a time as any to up the levels of institutional stewardship in our listed companies.

In fact, although the report acknowledges that the PLCs, especially GLCs had improved overall governance and performance, the IIC's 'Investor Stewardship and Future Key Priorities' report nevertheless had shown these companies have still room for improvement such as to improve the quality of their leadership, accountability and transparency, including adding a larger number of professional directors on their boards.

By virtue of their considerable financial resources, global standards of compliance/governance and depth in human capital and processes, institutional investors are best-placed to drive value creation and increase standards exchange-wide.

As at the end of last year, the EPF, PNB, KWAP, Lembaga Tabung Haji, Khazanah Nasional Bhd, SOCSO and Aberdeen Asset Management were managing funds totalling RM1.32 trillion, approximately a third of which is invested in local public equities.

Via their membership, these bodies have undertaken stewardship responsibilities as institutional investors such as active engagement with the investee companies as well as paying close heed to the strategy, performance, risk management, voting, corporate governance or sustainability issues within their investments.

These are actions which we believe bodes well for the capital market as we progress towards greater self and market-discipline.

As our capital markets further mature and develop, it is imperative that the IIC plays an integral role in representing the interests not just of institutional investors, but also the wider investor community in Malaysia.

It is only by ensuring a valuable ecosystem of mutual benefit that all parties may benefit, including the country.

Regards,

Rita

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### MARKET AND REGULATORY UPDATE

#### ***BURSA MALAYSIA SEEKS PUBLIC FEEDBACK ON CONSULTATION PAPER ON THE ESTABLISHMENT OF A (NEW) MARKET FOR SMEs***

Bursa Malaysia had on 2 September 2016 released a consultation paper on the proposal to establish a (new) market on Bursa Malaysia positioned to provide small and medium companies (SMEs) greater access to the capital market.

Bursa Malaysia is seeking insights and inputs from the potential companies, advisers, investors and the general public particularly in areas such as listing framework, listing process, post listing disclosures, graduation facilitation, investors and etc.

The consultation paper is available at:

<http://www.bursamalaysia.com/market/regulation/rules/public-consultation>

Interested parties and the public are invited to submit their comments and feedback to the contacts below before the closing date of 2 October 2016.

*[Source: Media release on Bursa Malaysia's website on 2 September 2016]*

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### MSWG FORUM

#### ***PJ DEVELOPMENT PRIVATISATION***

We are pleased to inform that MSWG will be holding an investor forum on the privatisation of PJ Development Berhad ("PJD"). We would like to invite you to attend and participate in this forum to obtain the views of minority shareholders on the PJD privatisation.

Details of the forum:-

Date : 14 September 2016 (Wednesday)

Time : 11.00 am

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Venue : MSWG Training Centre  
Minority Shareholder Watchdog Group  
11th Floor, Bangunan KWSP  
No. 3, Changkat Raja Chulan  
Off Jalan Raja Chulan  
50200 Kuala Lumpur

To register, please contact:-

- Mr Vinodth Ram ([vinodth.ram@mswg.org.my](mailto:vinodth.ram@mswg.org.my) )
- Ms Sharon Goh ([sharongoh@mswg.org.my](mailto:sharongoh@mswg.org.my))
- Ms Mageswary Velupillay ([mageswary@mswg.org.my](mailto:mageswary@mswg.org.my))

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## **MSWG'S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS**

### ***PJ DEVELOPMENT HOLDINGS BERHAD ("PJD")***

On 30 August 2016, the Board of Directors of PJD ("Board") received a notice of unconditional voluntary take-over offer ("Notice") from RHB Investment Bank Berhad ("RHBIB") on behalf of OSK Holdings Berhad ("Offeror") to acquire all the remaining securities of PJD at a cash consideration of RM1.50 per PJD share ("Share Offer Price") and RM0.50 per PJD warrant, respectively ("Offer").

*[Source: PJD's announcement on Bursa Malaysia's website on 30 August 2016 and 6 September 2016]*

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

MSWG had previously advised PJD's offerees not to accept the first offer of RM1.56 per PJD share and of RM0.60 per PJD warrant, where we saw the Offeror was able to increase their stake from 31.6% to 89.4% which rendered PJD not in compliance with the public shareholding spread requirement.

We would like to express again that the fresh offer of RM1.50 per PJD share and RM0.50 per PJD warrant which are still at substantial discounts to the value of PJD's underlying assets and remain unfair. Nevertheless, we also wish to highlight that the Offeror has accumulated their shareholding more than 90% from the acceptance and PJD shares will be suspended for trading and mandatorily delisted from the listing in Bursa Malaysia.

In view of the above, shareholders must assess whether to accept or reject the offer based on their risk profile, investment time horizon, entry price and their willingness to hold shares in an unlisted entity in the event that the company is privatised.

MSWG will be organising a forum as a platform for all shareholders of PJD to raise any issues of concern that they may have.

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## MSWG'S WATCHLIST

### SONA PETROLEUM BERHAD ("SONA")

An update by the Board of Directors of Sona stated that Sona has been served on 1 September 2016, the Supplemental Affidavit affirmed by Paul Supramaniam on 30 August 2016 on behalf of Law Asia Pte Ltd ("Law Asia") in addition to the Affidavit affirmed by him on 29 August 2016.

Briefly, Law Asia is alleging that it is entitled to appear on the hearing of the winding up petition of Sona filed under Section 218(1)(h) ("Petition") as a creditor of Sona to oppose the Petition on the grounds that Section 218(1)(h) is not applicable as the mode of winding up seeks to prejudice and by-pass the interests of any creditors of Sona.

The Board, having been advised by the solicitors of Sona, are of the view that Law Asia's opposition to the Petition has no basis or merits and will defend the claim as appropriate.

*[Source: Sona's announcement on Bursa Malaysia's website on 2 September 2016]*

### YEN GLOBAL BERHAD ("YGB")

Bursa Malaysia highlighted on the recent surge in the price of YGB and to the company's response to the Unusual Market Activity ("UMA") query issued by Bursa Malaysia on 22 August 2016. The company had in its response to the UMA query confirmed that it was not aware of any corporate development or explanation that could give rise to the unusual trading activities in its shares.

In view of the above, Bursa Malaysia advised investors to exercise caution and to make informed decisions in the trading of YGB shares. Bursa Malaysia will not hesitate to take any other regulatory action to ensure fair and orderly trading of YGB shares.

*[Source: Media release on Bursa Malaysia's website on 2 September 2016]*

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## REGULATOR'S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Bursa Malaysia	Metal Reclamation Berhad (MRB)	Bursa Malaysia had publicly reprimanded MRB and imposed fines of RM100,000 on its Executive Director, Lim Cheng Sang for failing to make an immediate announcement of the various defaults in payment of credit facilities by the Company's wholly owned subsidiary, Metal Reclamation (Industries) Sdn. Bhd.

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## LOCAL NEWS AND DEVELOPMENTS

Listed GLCs need to beef up leadership quality, accountability and transparency  
<http://www.thestar.com.my/business/business-news/2016/09/06/listed-glcs-need-to-beef-up-leadership-quality/>

PMI records 47.4 in August

<http://www.nst.com.my/news/2016/09/169867/pmi-records-474-august>

New spectrum pricing not exorbitant for telcos

<http://www.theedgemarkets.com/my/article/new-spectrum-pricing-not-exorbitant-telcos?type=Corporate>

Errant executive or boardroom battle?

<http://www.thestar.com.my/business/business-news/2016/09/03/errant-executive-or-boardroom-battle/>

Selangor: Up to 30% of SOHO, serviced apartment projects must be affordable units

<http://www.thesundaily.my/news/1960084>

Bursa Malaysia Securities publicly reprimands Metal Reclamation Berhad and fines its executive director, Lim Cheng Sang

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/4449>

CLIQ shareholders vote against directors' fees

<http://www.theedgemarkets.com/my/article/cliq-shareholders-vote-against-directors%E2%80%99-fees?type=Corporate>

China-based firms now going cheap, any takers?

<http://www.theedgemarkets.com/my/article/china-based-firms-now-going-cheap-any-takers?type=Corporate>

Petrol One to review ops after special audit report

<http://www.theedgemarkets.com/my/article/petrol-one-review-ops-after-special-audit-report?type=Corporate>

SC mulls secondary market for crowdfunding equities

<http://www.theedgemarkets.com/my/article/sc-mulls-secondary-market-crowdfunding-equities?type=Corporate>

Retail sales to grow at 5.9% in 3Q – report

<http://www.theedgemarkets.com/my/article/retail-sales-grow-59-3q-%E2%80%94-report?type=Corporate>

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## GLOBAL NEWS AND DEVELOPMENTS

Slower US payrolls growth dims September Fed rate hike prospects

<http://www.thestar.com.my/business/business-news/2016/09/03/slower-us-payrolls-growth-dims-september-fed-rate-hike-prospects/>

Xi Jinping warns against protectionism, saying world economy at risk

<http://www.themalaymailonline.com/money/article/xi-jinping-warns-against-protectionism-saying-world-economy-at-risk>

IMF urges G20 leaders to boost demand, make case for trade

<http://www.thestar.com.my/business/business-news/2016/09/01/imf-urges-g20-leaders-to-boost-demand-and-make-case-for-trade/>

UK factory activity rebounds in August

<http://www.thestar.com.my/business/business-news/2016/09/02/uk-factory-activity-rebounds-in-august/>

Japan trade minister denies Rosneft investment report

<http://www.themalaymailonline.com/money/article/japan-trade-minister-denies-rosneft-investment-report>

China's factory gauge unexpectedly rises to highest since 2014

<http://www.theedgemarkets.com/my/article/china%E2%80%99s-factory-gauge-unexpectedly-rises-highest-2014?type=Corporate>

If Singapore wants a Facebook, dual-class shares aren't enough

<http://www.theedgemarkets.com/my/article/if-singapore-wants-facebook-dual-class-shares-aren%E2%80%99t-enough?type=Corporate>

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## MSWG Analysts

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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 PJ Development Holdings Berhad and Metal Reclamation 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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