



MINORITY SHAREHOLDER WATCHDOG GROUP

Badan Pengawas Pemegang Saham Minoriti Berhad

Incorporated in Malaysia * Company No. 524898-M

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CAPITAL MARKET AND REGULATORY UPDATE

CLSA'S SPECIAL REPORT: CG WATCH 2016

The ACGA-CLSA CG Watch 2016 titled “Ecosystem Matters” placed Malaysia at number 6 out of 11 countries compared to fourth place in the 2014 Report. It received 56 points compared to 58 points previously. The Report cited that Malaysia’s ranking was dragged down by public governance failing, more specifically the 1MDB issue.

Singapore with 67 points emerged highest, followed by Hong Kong(65) and Japan(63), Taiwan(60), Thailand(58), Malaysia(56), India(55), Korea(52), China(43), Philippines(38) and Indonesia(36).

Australia, which was included in this year’s Report as a benchmark, scored 78points.

The Report analysed each country’s cumulative score across five categories i.e. CG rules and practices, enforcement, political and regulatory environment, accounting and auditing and CG culture.

According to the Report, the whole ecosystem needs to drive and deliver the process of good governance. Stakeholders, including agitators should remain engaged and even the friction they create adds value.

Some of the notable improvements identified in the Report were in the adoption of mandatory poll voting, disclosure requirements for Management Discussion & Analysis, and improved enforcement activities by capital market frontline regulators. The evolution of stewardship with the launch of Malaysian Code for Institutional Investors in 2014, was considered a positive, despite its slow up-take.

Future downgrades could be due to the following factors according to the Report:

- Failure to maintain the momentum on enforcement and surveillance
- A slowdown in the pace of regulatory reforms
- Continued slow adoption of stewardship practices at the leading funds
- A further deterioration of press freedom and ability to Report on CG stories
- A lack of improvement in public governance

Some quick fixes suggested were:

- Provide more detail on regulatory enforcement cases, including a statistical analysis of enforcement trends
- Improve the disclosure on remuneration so that investors know the fees and can understand at least the structure of management pay, if not the individual detail
- Tighten the definition of ‘independent director’, including lengthening cooling-off periods
- Investors should more assertively express their views on CG, strategy, sustainability and capital allocation - and sign the Malaysian Code for Institutional Investors

This CG Watch also alluded to the fact that the next 15 years was about developing a more open corporate mindset. Further, it was mentioned that institutional investors need to utilise the moral authority given to them through the stewardship code and to exercise this delegated ownership right for their beneficiary.

MSWG’S COMMENTS:

We believe that some of the issues highlighted in the Report in the case of Malaysia, were not unique as it is an Asian, indeed, a global phenomenon. Whilst the 1MDB issue does affect public governance, corporate governance on the other hand has been improving steadily. This was evidenced by MSWG’s analysis through attending companies’ AGMs and engaging with their management at all levels. In addition, it is worthwhile to note that our frontline institutions have continued to remain well resourced, resilient and steadfast.

Nevertheless, we suggest that this Report be taken in a positive light. Clearly, there are improvements that can be made by addressing some of the fundamental issues raised in the Report. As a country, Malaysia has the capability to bring about these improvements and is poised to take CG practices including its culture to greater heights. We will comment on the matter further when the full Report is at hand.

As a follow through, we suggest that an open debate be held between the preparers of the Report and the 11 countries assessed. It would be interesting to know:-

- (i) the extent of influence public governance has on corporate governance;
- (ii) the ability of corporate governance to influence public governance; and
- (iii) the definition of “ecosystem” and the role of corporates in increasing shareholders value over time.

MSWG’S QUICK TAKE ON ONGOING CORPORATE TRANSACTIONS

CLIQ ENERGY BERHAD (“CLIQ”)

The Board of Directors of CLIQ (represented by Independent Directors) announced that they had on 26 September 2016 received a requisition letter signed by Best Oracles Sdn Bhd, Kandiah Subramaniam and Mohd Adam Bin Mohd Said (“the Shareholders”) and they had requested for the company to call for

a general meeting pursuant to Section 144 of the Companies Act, 1965 to consider and if thought fit, to pass the following resolutions:

- (1) Resolution 1 - THAT the Directors of the company be directed to use all endeavour to seek an extension of time from the SC to complete a Qualifying Acquisition.
- (2) Resolution 2 - THAT consequent to Resolution 1 above, the company shall not be dissolved and/or wound up and/or liquidated pending the completion of the Qualifying Acquisition.

The Board will deliberate the matter and an updated announcement will be made in due course.

[Source: CLIQ's announcement on Bursa Malaysia's website on 26 September 2016]

MSWG'S COMMENTS:

- The Court has approved the appointment of Crowe Horwath as liquidator. As stated the liquidator would be empowered to take over the affairs of CLIQ and the Board would prepare a statement of affairs and cease from its role subject in compliance with Section 228 Companies Act, 1965;
- Action by Best Oracle Sdn Bhd, which was also a party objecting to the Petition was unsuccessful.

We trust the Board would consider all aspects and circumstances of the case, the decisions of the regulators and the judgement of the Court when addressing the shareholders' request for the benefit of all shareholders.

PJ DEVELOPMENT HOLDINGS BERHAD ("PJD") / OSK HOLDINGS BERHAD ("OSK")

According to the announcement released by PJD on 26 September 2016, the offeror was holding 91.443% of the total paid-up shares of PJD. The first closing date of the offer will end on 11 October 2016.

[Source: PJD's announcement on Bursa Malaysia's website on 26 September 2016]

MSWG'S COMMENTS:

We had previously in our newsletter dated 9 September 2016 stated that the offer prices for PJD's shares and warrants are not fair. In view of this, we had invited PJD shareholders to attend our forum on 14 September 2016 to obtain views of PJD shareholders, especially the minorities on the PJD privatisation. However, the attendance at the forum was discouraging with only 5 members of the public and 1 reporter being present at the meeting. None of PJD shareholders attended the forum and there were no questions relating to the takeover being raised at the forum.

In view of the above and based on the fact of the high level acceptance of the offers made by OSK, we believe PJD will soon be suspended and eventually delisted.

YFG BERHAD (“YFG”)

YFG had on 29 September 2015 held its EGM in relation to the removal and appointment of directors.

The voting results for resolutions of the EGM are shown below:

Resolutions	Votes in Favour		Votes in Favour		Results
	No. of votes	%	No. of votes	%	
Resolution 1 - Remove of Director (Dr Roslan Bin A Ghaffar)	207,002,271	79.68	52,799,184	20.32	Carried
Resolution 2 - Remove of Director (Lim Chong Ling)	207,001,106	79.68	52,800,349	20.32	Carried
Resolution 3 - Remove of Director (Soo Hon Chong)	207,001,171	79.68	52,800,284	20.32	Carried
Resolution 4 - Remove of Director (Rezai Zain Bin Abdul Rashid)	207,151,271	79.73	52,650,284	20.27	Carried
Resolution 5 - Remove of Director (Ab. Gani Bin Haron)	207,152,271	79.73	52,649,184	20.27	Carried
Resolution 6 - Remove of Director (Chee Hor Wooi)	207,001,106	79.68	52,800,284	20.32	Carried
Resolution 7 - Remove of Director (Tan Gem Suan)	N.A.	N.A.	N.A.	N.A.	The resolution was withdrawn
Resolution 8 - Remove of Director (any such persons as might have been appointed as directors of YFG at any time or times between 23 August 2016 up to and including the time of the conclusion of the ordinary resolutions concerning the removal of directors)	207,091,106	81.18	47,999,784	18.82	Carried
Resolution 9 - Appointment of Director (Leong Ngai Seng)	207,148,171	79.73	52,653,284	20.27	Carried
Resolution 10 - Appointment of Director (Ting Keng Fui)	207,149,271	79.73	52,652,184	20.27	Carried
Resolution 11 - Appointment of Director (Noel Joseph Ha Thien Sen)	207,149,271	79.73	52,652,184	20.27	Carried
Resolution 12 - Appointment of Director (Lim Yoke Cheng)	206,998,171	79.68	52,803,284	20.32	Carried
Resolution 13 - Appointment of Director (Teh Yee Joo)	207,148,171	79.73	52,653,284	20.27	Carried
Resolution 14 - Appointment of Director (Ong Kenn Tat)	206,998,171	79.68	52,803,284	20.32	Carried

[Source: YFG’s announcement on Bursa Malaysia’s website on 29 September 2016]

MSWG’S COMMENTS:

MSWG’s representatives had attended the EGM as an observer and it was a well conducted meeting. The meeting was non-confrontational. There were some deliberations between the Board members and shareholders which lasted for about two hours.

Our concern is that how would the new plan by the new Board to revive the company out of its PN17 status. MSWG had begun the coverage and monitoring on YFG over its regularisation plan under the PN17 status.

EKOVEST BERHAD (“EKOVEST”)

The Board of Directors of Ekovest to announced that its wholly-owned subsidiary, Nuzen Corporation Sdn Bhd had entered into a binding term sheet with Employees Provident Fund Board (“EPF”) to dispose a 40% equity interest held in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd (“Kesturi”) to EPF.

[Source: Ekovest’s announcement on Bursa Malaysia’s website on 21 September 2016]

MSWG’S COMMENTS:

The disposal of 40% stake in Kesturi for an aggregate cash consideration of RM1.13 billion will be subject to the approval of Ekovest’s shareholders. We believe shareholders would support the disposal as the deal is at transacted at a price that is 4 time higher than the valuation of Kesturi two years ago.

MSWG'S WATCHLIST

ICAPITAL.BIZ BERHAD ("ICAP")

ICAP had on 19 September 2015 held its 11th AGM.

The voting results for resolutions of the 11th are shown below:

Resolutions	Votes in Favour		Votes in Favour		Results
	No. of votes	%	No. of votes	%	
Ordinary Resolution 1 Directors' Fees	79,004,529	98.056	1,566,350	1.944	Carried
Ordinary Resolution 2 Re-election of Leong So Seh as Director	57,089,178	70.711	23,646,300	29.289	Carried
Ordinary Resolution 3 Re-appointment of Messrs Crowe Horwath as Auditors	79,424,878	98.360	1,324,100	1.640	Carried
Special Resolution Amendments to the Articles of Association of the Company	79,263,125	98.710	1,035,500	1.290	Carried

[Source: ICAP's announcement on Bursa Malaysia's website on 24 September 2016]

SIME DARBY BERHAD ("SIME DARBY") / EASTERN & ORIENTAL BERHAD ("E&O")

Sime Darby announced that SD Nominees and PSSB ("Parties") had on 27 September 2016, mutually agreed that the disposal consideration of RM342.2 million, representing RM2.60 per stock unit and RM0.30 for each convertible warrant in E&O be revised to RM323.3 million, representing RM2.45 per stock unit and RM0.30 for each convertible warrant in E&O. The previous disposable price per stock and per convertible warrant was RM2.60 and RM0.30 respectively. The adjustment in the disposal consideration has taken into consideration the challenging business environment.

[Source: Sime Darby's announcement on Bursa Malaysia's website on 27 September 2016]

LION CORPORATION BERHAD ("LION CORP")

Lion Corp announced that Bursa Malaysia had, after due deliberation and having considered all the facts and circumstances of the application for a further extension of time up to 30 November 2016 for the company to submit the regularisation plan ("Application"), vide its letter dated 29 September 2016, decided to reject this Application as there is no material development towards the finalisation and submission of the regularisation plan to the regulatory authorities.

In view of the above, the trading in the securities of Lion Corp will be suspended with effect from 10 October 2016. The securities of the Lion Corp will be de-listed on 12 October 2016 unless an appeal against the de-listing is submitted to Bursa Securities on or before 7 October 2016. In the event the company submits an appeal to Bursa Malaysia within the appeal timeframe, the removal of the securities of the company from the Official List of Bursa Malaysia on 12 October 2016 shall be deferred pending the decision on the company's appeal.

The Board of Lion Corp will deliberate on the next course of action to be taken following the decision and will announce any developments in due course.

[Source: Lion Corp's announcements on Bursa Malaysia's website on 29 September 2016]

PATIMAS COMPUTERS BERHAD ("PATIMAS")

Securities Commission Malaysia (SC) charged a former Managing Director and three former executive directors of Patimas with ten charges of causing wrongful loss to the company.

Law Siew Ngoh, 55, a former Managing Director, Yap Wee Hin, 58, a former Deputy Executive Chairman, Robert Daniel Tan Kim Leng, 59, and Ng Back Heang, 62, both former executive directors of Patimas are said to have made payments totalling RM5.1 million between July to December 2010, for the purported development of various software for Patimas when in fact they were not used for such purpose.

This is the first time the SC is taking a criminal action for an offence under section 317A(1) of the Capital Markets and Services Act 2007. Under this section, an officer of a listed corporation or any of its related corporation, commits an offence if he does anything or cause anyone to do anything with the intention of causing wrongful loss to the listed corporation or its related corporation. At the material time, the offence was punishable with an imprisonment term not exceeding ten years and a fine not exceeding RM10 million.

[Source: SC's media release on the SC's website on 29 September 2016]

REGULATOR'S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Securities Commission Malaysia (SC)	Dufu Technology Corporation Bhd (Dufu)	SC has reprimanded and imposed penalties on two executive directors of Dufu, namely Yong Poh Yow, former Executive Director and Chief Executive Officer of Dufu, and Lee Hui Ta, also known as Li Hui Ta, former Executive Director and Chief Financial Officer of Dufu, for causing wrongful loss to the company.

LOCAL NEWS AND DEVELOPMENTS

(UPDATE) Malaysia amending 18 laws in preparation for TPPA ratification

<http://www.nst.com.my/news/2016/09/175727/tppa-can-be-implemented-without-us-ratification-says-jayasiri>

Multi Sports major shareholder calls for SGM, probe into company's affairs

<http://www.theedgemarkets.com/my/article/multi-sports-major-shareholder-calls-sgm-probe-company%E2%80%99s-affairs?type=Corporate>

Indian Court issues arrest warrants for Ananda Krishnan and deputy

<http://www.thestar.com.my/news/nation/2016/09/24/indian-court-issues-arrest-warrant-for-ananda-krishnan-and-deputy/>

Adviser says takeover offer for Wong Engineering 'not fair, not reasonable'

<http://www.thesundaily.my/news/1981820>

BNM: High bar, strict rules crucial for consumer funding

<http://www.thestar.com.my/business/business-news/2016/09/23/bnm-high-bar-strict-rules-crucial-for-consumer-funding/>

Malaysia capital market size grows to RM2.9 trillion

<http://www.thestar.com.my/business/business-news/2016/09/23/malaysia-capital-market-size-grows-to-nearly-rm3-trillion/>

Malaysian Economic Indicators: Leading, Coincident & Lagging Indexes July 2016

https://www.statistics.gov.my/index.php?r=column/cthemByCat&cat=82&bul_id=Z2JVR3Y0VUVsYnRXeFJocWY5MWVnZz09&menu_id=YmJrMEFKT0p0WUlxbl1bzZydW9JQT09

Bank Negara reserves up 0.2% to US\$97.7b as at Sept 15

<http://www.theedgemarkets.com/my/article/bank-negara-reserves-02-us977b-sept-15?type=Corporate>

Budget 2017: Balancing 'giveaways' and fiscal prudence

<http://www.theedgemarkets.com/my/article/budget-2017-balancing-%E2%80%98giveaways%E2%80%99-and-fiscal-prudence?type=Corporate>

Sources: Canada review says Petronas plant would hit environment

<http://www.themalaymailonline.com/money/article/sources-canada-review-says-petronas-plant-would-hit-environment>

Proton partner search flushes out 3 carmakers with eye on ailing firm - sources

<http://www.theedgemarkets.com/my/article/proton-partner-search-flushes-out-3-carmakers-eye-ailing-firm-sources?type=Corporate>

GLOBAL NEWS AND DEVELOPMENTS

Oil slumps on report Saudis do not expect deal; stocks dip

<http://www.thestar.com.my/business/business-news/2016/09/24/oil-slumps-on-report-saudis-do-not-expect-deal-stocks-dip/>

US jobless claims drop to two-month low as labour market firms

<http://www.thestar.com.my/business/business-news/2016/09/23/us-jobless-claims-drop-to-twomonth-low-as-labour-market-firms/>

Moody's cuts Turkey debt rating to 'junk' level

<http://www.themalaymailonline.com/money/article/moodys-cuts-turkey-debt-rating-to-junk-level>

Wells Fargo sued over firings for missed account quotas

<http://www.themalaymailonline.com/money/article/wells-fargo-sued-over-firings-for-missed-account-quotas>

BoJ reboots monetary policy

<http://www.thestar.com.my/business/business-news/2016/09/22/boj-reboots-monetary-policy/>

China supervisory body approves launch of credit default swaps soon - sources

<http://www.theedgemarkets.com/my/article/china-supervisory-body-approves-launch-credit-default-swaps-soon-sources?type=Corporate>

Global negative-yielding debt shrinks to US\$10.9 tril - Fitch

<http://www.theedgemarkets.com/my/article/global-negative-yielding-debt-shrinks-us109-tril-fitch?type=Corporate>

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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.*
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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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