



# The Observer

**28.05.2021**

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## ❖ **Twists and turns at NWP Holdings Berhad**

A state of flux is probably an apt description of the twists and turns at NWP Holdings Berhad.

Lately, the Board of the timber products manufacturing and trading company is facing a fresh round of challenge from its shareholders.

On 15 April 2021, two shareholders by the name Dato' Seri Mak Hon Leong and Tan Vei Teck, who collectively held more than 10% of shares in NWP, requested to convene an extraordinary general meeting (EGM) to seek shareholders' approval on 11 resolutions including the appointment of three new directors (including the two requisitioners) and the removal of seven incumbent directors.

It was stated in the announcement to Bursa Malaysia that the EGM would be conducted virtually via remote participation on 19 May 2021.

Mak was a non-independent non-executive director of NWP from 17 June 2016 till 30 September 2020 before he resigned due to other work commitments.

## **What is brewing in NWP?**

As reported in the press, there was confusion and allegations at the EGM. Several incumbent directors including NWP's executive director Datuk Chu Boon Tiong showed up at the broadcast venue due to shareholders' complaints on the integrity of proxy forms. Then, Chu declared that the EGM be adjourned to two (2) weeks later.

However, the requisitioners were unperturbed and carried on the meeting on their own accord. They, then claimed that more than 80% of the shareholders and proxies who took part in the virtual meeting voted for the proposals to appoint three new directors and remove six existing board members.

As of the time of writing, NWP has not made any announcement on the changes to the Board based on the outcome of the EGM. This indicates that the Company does not accept the results of the EGM conducted by the requisitioners.

In announcements to Bursa Malaysia, the Board of NWP questioned the validity of the EGM and stressed that the notice of the EGM does not constitute a valid Notice of Extraordinary General Meeting to shareholders.

On 24 May, NWP announced that the adjourned EGM will be held virtually on 11 June 2021 via remote participation and voting. The requisitioners, however, stressed that the outcome from the meeting held on 19 May was valid and should be recognised.

In fact, boardroom dispute is not new for NWP. Recall that back in early 2020, two shareholders who claimed to hold 12.1% in the company, sought an EGM to remove its then executive director Wong See Ming from its board.

### **Things to consider**

Despite the convoluted twists and turns, the requisitioned EGM is an example of shareholder activism in practice. Section 311 of the Companies Act 2016 states that directors of a company shall call for a meeting of members once the company has received requisition to do so from members representing at least 10% of the paid-up capital of the company to move the proposed resolutions.

In the case of NWP, the question will be whether the requisitioners had carried out the required and necessary procedures to hold a valid EGM. If they have done so, the Board should acknowledge the results of the EGM.

Secondly, there is the allegation on the integrity of proxy forms and whether they were valid. There are also allegations that the validity of the proxy forms was a ruse to disrupt the results of the requisitioned EGM with the intention to adjourn it to later date to buy time. To be fair, onlookers have no idea which of the allegations have a basis. Minority shareholders require clear answers on the allegations.

Thirdly, the real reasons for the brewing disagreement and conflict needs to be known.

A quick check shows that NWP has been making losses for years - at least since FY2016 (see table below). The current economic downturn arising from the COVID-19 pandemic may further exacerbate business operations, worsening its loss-making position. This could be motivation enough for some minority shareholders to think that they could do a better job in turning around NWP if they became directors of NWP.

Financial Year	Revenue (RM'000)	Net Loss (RM'000)
FPE 28 February 2021 (18-month period)	8,089	9,992
FYE 31 August 2019	6,918	6,382
FYE 31 August 2018	8,349	17,626
FYE 31 August 2017	16,117	11,149
FYE 31 August 2016	12,680	2,895

**MSWG's views are not to be construed as supporting or endorsing one group of shareholders over another but to encourage minority shareholders engaging in shareholder activism if they are of the view that the board is not exercising its fiduciary duties for the benefit of the company.**

**Devanesan Evanson**  
**Chief Executive Officer**

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### **MSWG AGM/EGM Weekly Watch 30 May – 4 June 2021**

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	Quick-take
31.05.21 (Mon) 11.00 am	Cahaya Mata Sarawak Bhd (AGM)	CMS' PAT increased by 22% to RM194.81 million in FY2020 as compared to PAT of RM159.46 million in the preceding year. The improved profit performance was mainly due to recognition of a remeasurement gain and gain on disposals amounting to RM162.95 million from the sell-down of its 2% stakes in PPESW and SEDCR to SEDC.
31.05.21 (Mon) 03.00 pm	Johan Holdings Bhd (EGM)	Johan intends to seek shareholders' approval for its proposed diversification into the glove manufacturing business. The proposed glove business will be carried out via Dynacare Sdn Bhd – a joint venture company with George Kent (Malaysia) Berhad.
01.06.21 (Tue) 09.30 am	Syarikat Takaful Malaysia Keluarga Bhd (AGM)	Notwithstanding a 12% decline in net earned contribution to RM2.07 billion (FY2019: RM2.35 billion) in FY2020, STMKB's net profit merely declined

		<p>0.66% to RM362.42 million in FY2020 from RM364.83 million in FY2019.</p> <p>The better-than-expected performance was due to lower claims and lower expenses incurred during the year.</p>
01.06.21 (Tue) 10.30 am	Paramount Corporation Bhd (AGM)	<p>Paramount delivered a profitable year with a net profit of RM502.7 million, mainly from the non-recurring gain of RM462.7 million from the divestment of the pre-tertiary education business.</p> <p>In line with the Company's commitment to reward the shareholders, 29 sen per share was paid as special dividend to shareholders on 23 April 2020. A final dividend of 2.5 sen per share is proposed and awaits shareholders' approval.</p>
02.06.21 (Wed) 10.00 am	Genting Malaysia Bhd (AGM)	<p>Against the backdrop of the COVID-19 pandemic, GENM recorded a 56% decline in revenue to RM4.53billion. The decrease was primarily caused by the unprecedented disruptions to the Group's leisure and hospitality operations worldwide arising from the outbreak of COVID-19. It reported a net loss of RM2.36 billion in FY2020 after taking into consideration depreciation and amortisation, impairment losses and finance costs.</p> <p>Due to its involvement in the leisure and hospitality industry, GENM's performance is very much dependent on the improvement and recovery of the COVID-19 pandemic situation.</p>
02.06.21 (Wed) 10.00 am	BIMB Holdings Bhd (AGM)	<p>Bank Islam has set its eyes to accelerate digitalisation effort and expand its green financing portfolio. Bank Islam aims to be the first 100% digital Islamic Bank with the rollout of Centre of Digital Experience (CDX).</p> <p>At the same time, Bank Islam also aims to increase the size of green financing portfolio from 4% of total financing,</p>

		advances and others to 10 – 12% in the next three years.
02.06.21 (Wed) 11.00 am	Malaysia Airport Holdings Bhd (AGM)	<p>Malaysia Airports' entire network of airports recorded 43.0 million passenger movements in 2020, a contraction of 70% compared to 2019's record of 141.2 million. On the back of the substantial decrease in passenger numbers, the Group recorded revenue of RM1.86 billion in FY2020, a contraction of 64% compared to FY2019 and posted a loss after tax of RM1.1 billion, a decline of 308% y-o-y.</p> <p>The relaxation of border controls in Malaysia and other countries will depend on the pace of vaccination of each country.</p>
02.06.21 (Wed) 02.30 pm	Genting Bhd (AGM)	<p>Genting recorded RM1.6 billion revenue in FY2020, representing a 47% decrease y-o-y. This resulted a net loss of RM2.1 billion in FY2020, as compared to a net profit of RM3.7 billion in 2019. The Leisure &amp; Hospitality segment continued to be badly hit by COVID-19 pandemic and registered deteriorating financial performance. The Plantation segment, however, recorded higher revenue and earnings mainly due to stronger palm products prices. All other segments also registered slightly poorer financial performances except for the Oil and Gas segment which recorded slightly higher EBITDA.</p>
02.06.21 (Wed) 02.30 pm	Affin Bank Bhd (AGM)	<p>Under the AIM22 Transformation Programme, Affin Bank has outlined a two-year strategy plan with focuses on five key areas namely ROE Focus, Productivity &amp; Efficiency, Turbo Charged CASA, Digital Transformation Acceleration and People. The ultimate goal of the blueprint is to achieve ROE of 7%.</p>
03.06.21 (Thur) 11.00 am	My E.G. Services Bhd (EGM)	<p>The EGM is to seek shareholders' approval for proposed bonus issue of shares on the basis of one bonus share for every one existing MYEG share held. It also intends to seek approval to diversify its existing businesses to</p>

		include healthcare related businesses e.g., medical screening services, distribution of vaccines, other pharmaceutical products and medical devices, and provision of quarantine and quarantine-related services.
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<b>One of the points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>
Cahaya Mata Sarawak Bhd (AGM)	<p><u>Conflict of interest allegations against Deputy Group Chairman and former Chief Information Officer</u></p> <p>On 22 April 2021, the Board made a press statement that the Group has received conflict of interest allegations against the Deputy Group Chairman and former Chief Information Officer through the Group's whistleblower channel.</p> <p>On 6 May 2021, the Board made another press statement stating that among others, "the Board is completely satisfied that the allegations of conflict of interest made against Dato Sri Mahmud and Karl Vink, former CMS chief information officer (CIO), in relation to the award of the contract by CMS I-Systems Sdn Bhd, a wholly owned subsidiary of CMS, to Vienna Advantage GmbH are without any basis whatsoever."</p> <p>a) Has there been a proper formal investigation carried out internally by the Board using independent parties? Who are the independent parties used, if any? What was the independent party conclusion?</p> <p>b) The Board has concluded that the allegations of conflict of interest made against the abovementioned parties are without any basis whatsoever. Was the Board decision unanimous?</p> <p>c) Has there been any feedback from the regulators on these allegations?</p>
Johan Holdings Bhd (EGM)	With the diversification into glove business, Dynacare Sdn Bhd (a 60%-owned subsidiary of Johan) will spend RM652.2 million to construct the Gloves Manufacturing Plant in Perak plus the working capital required to run the gloves business.

	<p>a) On a best estimate, Johan expects to achieve payback on the investment incurred within 25 months from the commencement of commercial production (page 14 of Circular to shareholders dated 12 May 2021).</p> <p>What are the assumptions (e.g., indicative average selling price, utilization rate, internal rate of return) used in the earnings forecast?</p> <p>b) Johan has been approached by potential buyers for the purchase of gloves products. However, no sale has been made given that the Proposed Diversification has yet to be approved by shareholders and the construction of the Gloves Manufacturing Plant is pending.</p> <p>Who are these potential buyers and what are the industries that they are in? Which countries are they from?</p> <p>c) By 31 July 2023, Dynacare is expected to operate 42 gloves production lines with total production of 12 billion pieces of examination and surgical gloves per annum. By then, what is the estimated revenue?</p> <p>d) Competition in the rubber gloves businesses is intense with a substantial influx of new players into the market. Being a new player, Johan may face the issues of lack of access to clients, distributors and suppliers.</p> <p>What are the competitive edges of Johan in the new business in terms of product quality, pricing, and market reach?</p>
<p>Syarikat Takaful Malaysia Keluarga Bhd (AGM)</p>	<p>1) Despite a marginal 0.66% decline in net profit, STMKB reduced its dividend payout ratio to 27.4% in FY2020 from 45.3% the year before. This translates to dividend per share of 12 sen as compared to 20 sen in FY2020.</p> <p>Meanwhile, its cash and cash equivalents increased by 18.1% to RM712.6 million as compared to RM603.2 million.</p> <p>What was the reason for the significantly lower dividend payout ratio?</p> <p>2) The Group's non-audit fees payable to external auditor was higher at RM760,000 for FY2020.</p>

	Audit Fees (RM'000)	Non-Audit Fees (RM'000)
FY2019	1,030	145
FY2020	1,034	760

Source: Annual Report 2019 and 2020

The higher non-audit fees were due to review of MFRS 17 technical papers prepared by management and review of STMKB's Business Continuity Management (BCM) programme.

What are the aspects being reviewed by external auditors on the two reviews? What are the suggestions provided by the external auditors to the Board on the technical paper and BCM programme?

Does the Company have a policy on percentage of non-audit fees paid to its external auditor compared to audit fees paid?

Paramount Corporation Bhd (AGM)

The Group's first overseas joint venture project in Bangkok has a potential GDV equivalent to RM172 million.

- a) What is the stage of construction of the project and its latest take-up rate as at March 2021?
- b) When will the joint venture project start contributing profit to the Group?
- c) What is the Group's expected maximum capital injection into this joint venture project?

Genting Malaysia Bhd (AGM)

1) Practice 4.2 of Malaysian Code on Corporate Governance (MCCG) states that the tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

	<p>The Company departs from the Practice as there are two independent directors with tenure exceeding nine years where no resolutions were proposed to seek shareholders' approval to retain them as independent directors beyond nine years.</p> <p>Further, in respect of two other independent directors with tenure exceeding 12 years proposed for re-election, there was no mention of seeking shareholders' approval through a two-tier voting process.</p> <p>Why does the Group not apply the Practices in the MCCG? Is there any plan to apply these practices?</p> <p>2) Practice 4.5 of MCCG stipulates that the board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.</p> <p>The Company departs from the Practice and proposes a timeframe of 9 years to apply the Practice. the timeframe is unreasonably long and the application of the Practice should be expedited to, say, 3 years or below.</p>
<p>BIMB Holdings Bhd (AGM)</p>	<p>1) The auditors' remuneration for FY2020 for non-audit fee related matters increased by 210% to RM1.84 million from RM592,000 in previous year.</p> <p>What was the reason for the substantial increase in non-audit fee? What were the non-audit services provided by the auditors?</p> <p>Does the Bank have a percentage limit for non-audit fees paid to the external auditor compared to the audit fees paid? If so, what is the limit?</p> <p>2) As of 31 December 2020, a total of RM16,000 (2019: RM22,100) was payable to internal audit division (IAD), based on 53 (2019: 107) man-days (BIMB's Corporate Governance Report 2019 and 2020).</p> <p>The expenses included the audit works on BIMB and its wholly-owned subsidiaries - Syarikat Al-Ijarah Sdn Bhd and</p>

	<p>BIMB Securities (Holdings) Sdn Bhd (page 57-58 of BIMB's Corporate Governance Report 2020).</p> <p>Both the internal audit fee and the man-days expended for FY2020 is lower than that for FY2019.</p> <p>What was the reason for the lower fee and lower man-days? Does the lower fee and man-days indicate lower coverage in 2020? Is the Board and the Audit Committee satisfied that the fees and man-days expended in 2020 is enough to provide them the necessary assurance?</p>
<p>Malaysia Airport Holdings Bhd (AGM)</p>	<p>The Edge press report dated 10 May 2021 reported that MAHB stands to lose up to RM11.9 billion in future revenue if it loses Subang Airport, the potential financial losses are calculated based on the remainder of the Subang Airport concession until 2069. On 18 May 2021, Focus Malaysia reported despite objections from various quarters, WCT Holdings Bhd's wholly owned unit is still keen to acquire Subang Airport and it has completed a full proposal to be delivered to the Transport Ministry soon.</p> <p>a) Is there a possibility of Subang Airport being carved out from the current Operating Agreement with the Government? If so, what will be the loss to MAHB as a result of this carve-out?</p> <p>b) What is the latest development on this issue? What actions have been taken by the Company to-date?</p>
<p>Genting Bhd (AGM)</p>	<p>1) Practice 4.2 of Malaysian Code on Corporate Governance (MCCG) states that the tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.</p> <p>If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.</p> <p>There is an independent director, with tenure exceeding nine years, where no resolution was proposed to seek</p>

	<p>shareholders' approval to retain him as an independent director beyond nine years.</p> <p>The Company departs from the Practice and proposes a timeframe of 9 years to apply the Practice. The timeframe of nine years is unreasonably long and the application of the Practice should be expedited to, say, 3 years or below.</p> <p>2) Practice 4.5 of Malaysian Code on Corporate Governance (MCCG) stipulates that the board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.</p> <p>The Company departs from the Practice and proposes a timeframe of 9 years to apply the Practice. The timeframe is unreasonably long and the application of the Practice should be expedited to, say, 3 years or below.</p>
<p>Affin Bank Bhd (fka AFFIN Holdings Bhd) (AGM)</p>	<p>Under Affin Bank's Financial Assistance and Instalment Relief (FAIR) programme, the Bank had provided moratoriums, repayment assistances, and granted Rescheduling and Restructuring to RM20.28 billion retail loans in FY2020 (page 64 of Annual Report 2020). Of this, borrowers for RM951.42 million of the loans had missed their payments.</p> <p>Has the Bank seen improvement in the collection of these missed payments? Is there an increased default risk for these loans? Is there a need for provisions for these loans?</p>

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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.*

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