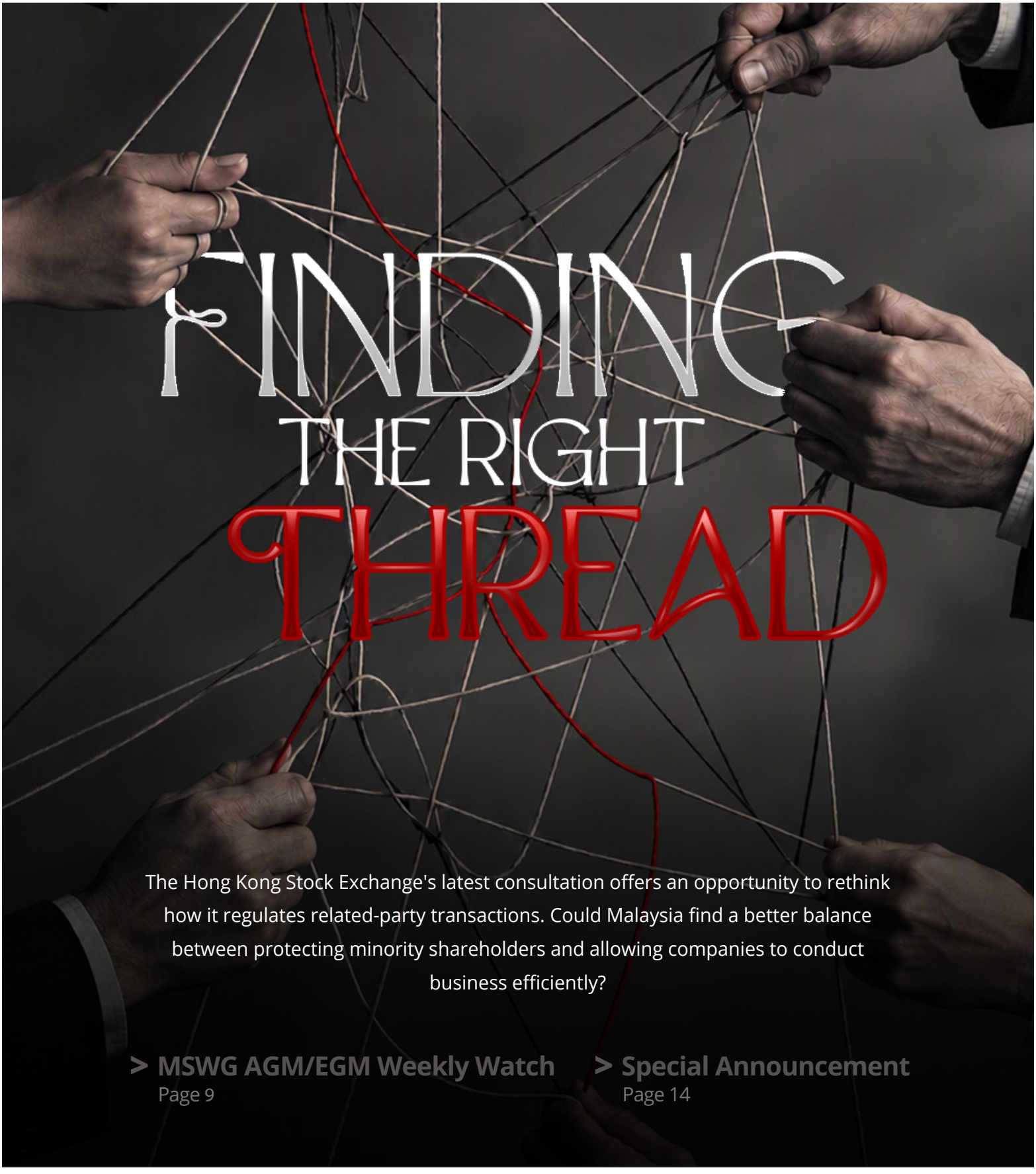
MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
Official Newsletter from MSWG

FRIDAY | 30 OCTOBER 2026



FINDING THE RIGHT THREAD

The Hong Kong Stock Exchange's latest consultation offers an opportunity to rethink how it regulates related-party transactions. Could Malaysia find a better balance between protecting minority shareholders and allowing companies to conduct business efficiently?

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HONG KONG MOVES THE GOALPOSTS: SHOULD MALAYSIA RETHINK RPTS?

Related party transactions (RPTs) have long been a contentious subject in corporate governance. They are not necessarily improper, nor are they always detrimental to shareholders. In fact, many are legitimate commercial arrangements that help companies operate efficiently.

The difficulty arises when the company's interests do not necessarily align with those of its controlling shareholders, directors or other related parties.

This is where RPTs become particularly sensitive. A transaction may meet every regulatory requirement and still leave minority shareholders questioning whether it genuinely served the company's best interests.



In our 4 September 2026 edition of *The Observer*, we highlighted how a series of RPTs, each individually below the prescribed threshold, could collectively create significant financial exposure without requiring shareholder approval. The article raised an uncomfortable question: if transactions comply with the rules but still give rise to legitimate governance concerns, are the rules themselves sufficiently effective?

Perhaps it is time to revisit that question. A recent consultation paper from Hong Kong Exchanges and Clearing Limited (HKEX) provides a timely reason to revisit it.

When Compliance Does Not Tell the Whole Story

Our earlier article examined several transactions involving Malaysian listed companies, including Ekovest Berhad, Berjaya Corporation Berhad and Genting Malaysia Berhad.

In Ekovest's case, it disposed of several parcels of land to a related party through two transactions in 2024, for a combined consideration of approximately RM76.62 million. Because the transactions fell below the relevant materiality threshold, it did not require independent valuation or shareholder approval.

Berjaya Corporation and its subsidiary, Berjaya Property, similarly undertook a series of share disposals to a related party in 2026. The transactions, amounting to approximately RM119 million, proceeded without shareholder approval.

Perhaps the more striking example was Genting Malaysia's investment in Empire Resorts in the United States. What began as a 2019 investment involving a related party evolved into a series of acquisitions and financial commitments over several years. By June 2025, Genting Malaysia's cumulative investment in Empire had reached approximately US$766 million.

Yet the individual transactions did not trigger the applicable RPT thresholds requiring shareholder approval. These examples do not, by themselves, establish wrongdoing or regulatory breaches. Indeed, that was precisely the point of our earlier article.

The concern was whether a regulatory framework focused primarily on individual transaction thresholds could adequately capture the cumulative economic consequences of a series of related transactions.

A transaction may appear relatively modest when viewed in isolation. But several such transactions, with similar business nature and undertaken over time, could materially change a company's financial position, risk exposure or business direction.

The question, therefore, is not simply whether companies have complied with the rules. It is whether the rules adequately protect shareholders against the risks they are intended to address.

How Malaysia currently regulates RPTs

Under Chapter 10 of Bursa Malaysia's Main Market Listing Requirements, RPTs face different regulatory obligations depending on their size and nature.

Generally, an RPT reaching 0.25% must be announced, subject to prescribed exceptions. Where the percentage ratio reaches 5%, the company must obtain shareholder approval and appoint an independent adviser to assess the transaction. Interested related parties are required to abstain from voting on the relevant resolution.

For larger non-recurrent RPTs reaching 25%, additional requirements apply, including the appointment of a recognised principal adviser. The rules also allow aggregating certain transactions within a 12-month period to prevent companies from avoiding regulatory requirements by splitting transactions into smaller parts.

Meanwhile, recurrent related party transactions (RRPTs), generally revenue or trading transactions necessary for day-to-day operations, are treated differently. Companies may obtain a general shareholder mandate for qualifying RRPTs, allowing such transactions to be undertaken without seeking separate approval each time. However, the mandate must be renewed annually, with accompanying disclosure and other safeguards.

This framework has served an important purpose. It recognises that RPTs carry potential conflicts of interest while allowing some flexibility for ordinary commercial transactions.

But is the current distinction between recurrent and non-recurrent transactions, together with the existing approval thresholds, still the most effective approach?

Hong Kong Enters the Discussion

In September 2026, HKEX issued its **Listing Framework Competitiveness Review (Phase 2) Consultation Paper** [1], proposing significant changes to the regulatory framework governing corporate transactions to improve the competitiveness and attractiveness of Hong Kong's listing market while maintaining appropriate investor protection.

The proposals include raising the threshold for major transactions requiring shareholder approval from 25% to 50%. Transactions falling between these thresholds would generally be subject to enhanced disclosure rather than shareholder approval.

HKEX also proposes removing the profits ratio as a transaction size test and revising the consideration ratio to use the higher of market capitalisation or net asset value.

For connected transactions, Hong Kong's equivalent of RPTs, one notable proposal is to increase the shareholding threshold used to identify a connected subsidiary from 10% to 30%. This would effectively remove certain transactions from the connected transaction regime where the connected person's interest in the subsidiary falls below the new threshold, unless another basis for classification applies.

Another proposal would allow annual caps for qualifying continuing connected transactions to be expressed as a percentage of revenue or other audited financial items, rather than solely in fixed monetary amounts.

HKEX also proposes enhanced transaction disclosures to provide shareholders with better information on valuations, financial implications and the commercial rationale for transactions.

Importantly, the proposed increase to the 50% major transaction threshold does not remove independent shareholder approval for connected transactions. The two regulatory regimes must be distinguished.

Nevertheless, the broader direction is clear. HKEX is exploring whether some regulatory requirements can be simplified, with greater emphasis placed on disclosure, board responsibility and proportionate oversight. This is a significant policy discussion, and it deserves attention beyond Hong Kong.

[1] https://www.hkex.com.hk/-/media/HKEX-Market/News/Market-Consultations/2016-Present/September-2026-Competitiveness-Review-Phase2/Consultation-Paper/cp202609.pdf

Area	Existing requirements	Proposed changes
Major transactions	Shareholder approval generally required when the transaction size reaches 25%.	Increase the threshold to 50% for most transactions, replacing shareholder approval with enhanced disclosure for transactions between 25% and 50%.
Profits ratio	One of the financial tests used to determine transaction size.	Remove the profits ratio to avoid disproportionate regulatory requirements arising from unusually low profits.
Consideration ratio	Transaction consideration compared against the company's market capitalisation.	Use the higher of market capitalisation or net asset value as the denominator.
Connected subsidiaries	A subsidiary may be considered connected where a connected person holds at least 10% of its voting power.	Increase the threshold to 30%, potentially excluding certain transactions from the connected transaction regime.
Continuing connected transactions	Annual transaction caps must be expressed in monetary amounts.	Allow qualifying annual caps to be expressed as a percentage of revenue or other audited financial items.
Transaction disclosures	Existing announcement and circular disclosure requirements.	Enhance disclosures on transaction rationale, valuations, financial information and transaction impact.

Is Less Regulation Necessarily Better?

HKEX's proposals have legitimate arguments in their favour. Regulatory requirements impose costs. Preparing circulars, obtaining independent advice and convening shareholder meetings can take considerable time and resources.

For transactions undertaken in the ordinary course of business, these requirements may sometimes create unnecessary delays without delivering corresponding benefits to shareholders.

But there is another side to the argument.

Shareholder approval is not merely an administrative procedure. It is an important governance safeguard, particularly where a transaction involves potential conflicts of interest. Disclosure tells shareholders what a company intends to do. Shareholder

approval gives them the opportunity to influence whether the transaction should proceed.

The two serve different purposes. There is also the question of board independence. Greater reliance on board oversight assumes that independent directors are sufficiently empowered and willing to challenge transactions involving controlling shareholders. That assumption may not always hold true, particularly in markets where ownership is highly concentrated.

Indeed, a high rate of shareholders' approval for corporate transactions should not automatically be interpreted as evidence that such approvals are unnecessary. The very requirement to obtain approval may encourage boards to negotiate more carefully and structure transactions more responsibly.

In other words, shareholders' approval may have a preventive effect that is difficult to measure. That is why regulatory reform should not simply raise thresholds or reduce compliance requirements. The more important question is whether we are regulating the right risks in the right way.

Perhaps We Should Rethink the Approach Altogether

Instead of asking whether RPT thresholds should be raised or lowered, perhaps we should first reconsider how different categories of RPTs are treated. One possible approach worth exploring is to distinguish more clearly between ordinary commercial transactions and exceptional transactions involving related parties.

Consider a listed manufacturing company that regularly purchases raw materials from a business owned by its controlling shareholder. The purchases are necessary for its operations, occur throughout the year and are conducted on normal commercial terms.

Should shareholders be required to renew their approval for such transactions every year, particularly where the arrangements remain substantially unchanged? Could sufficiently robust disclosure, independent board oversight, transparent pricing policies and periodic reviews provide an effective alternative?

The same question could apply to a RPT that begins as a new commercial arrangement but is clearly intended to become recurrent, such as a long-term supply or distribution agreement.

If the transaction is genuinely part of ordinary business operations, perhaps it could be treated similarly to an RRPT from the outset, subject to appropriate eligibility criteria and safeguards.

Under such an approach, qualifying RRPTs and ordinary-course RPTs intended to become recurrent could proceed without routine shareholder approval. This would depart from

Malaysia's existing annual shareholder mandate mechanism. However, the treatment of one-off transactions would differ fundamentally.

Where a listed company proposes to acquire a business, dispose of a significant asset, provide substantial financial assistance or undertake another exceptional transaction involving a related party, independent shareholder approval should remain an important safeguard once a prescribed materiality threshold is reached.

Such transactions may involve complex valuations, significant financial commitments or potentially irreversible transfers of value.

They are also more likely to involve decisions where the company's interests and those of its related parties could diverge. In these circumstances, shareholders should retain the right to scrutinise and approve the transaction before it proceeds.

The principle is straightforward: routine commercial decisions should not be unnecessarily burdened, but significant transactions involving potential conflicts of interest should remain subject to meaningful shareholder oversight.

The Safeguards Must Remain

Of course, such an approach carries risks. A transaction should not qualify for exemption merely because management describes it as recurrent or intends to repeat it.

Otherwise, companies could potentially restructure exceptional transactions into recurring arrangements to avoid shareholder approval. Clear eligibility criteria must distinguish genuine ordinary-course commercial transactions from arrangements that create significant conflicts of interest.

Pricing should be demonstrably fair and commercially justifiable. Audit Committees should actively monitor the transactions, including their cumulative values and the company's dependence on related parties. Enhanced disclosure is also necessary, particularly when transaction volumes or pricing arrangements change materially.

Importantly, there should be mechanisms to require independent shareholder approval where an otherwise qualifying recurrent arrangement becomes exceptionally large, changes substantially in nature or presents heightened risks of value transfer.

The cumulative effect of transactions involving the same related party should also be considered, including arrangements extending beyond a single financial year. The objective is not to remove safeguards. It is to direct regulatory attention towards transactions where the risks to minority shareholders are greatest.

Such an approach would need careful study. The appropriate materiality thresholds, qualifying conditions and oversight mechanisms would all require further consideration.

There may also be merit in examining whether certain categories of transactions should be subject to stricter requirements regardless of their size or frequency.

These are not questions with easy answers, which is why they deserve a wider discussion.

Time to Start the Conversation

Hong Kong's consultation should not be viewed as a ready-made model for Malaysia. Our market has its own characteristics, including a significant presence of family-controlled and concentrated-ownership companies. The effectiveness of any regulatory reform must be assessed against these realities.

Nevertheless, HKEX has raised an important question: can transaction regulations be made more efficient without compromising investor protection? Malaysia should ask the same question.

Perhaps it is time for Bursa Malaysia, the Securities Commission Malaysia, listed companies, institutional investors, corporate advisers, governance professionals and MSWG to come together for a dedicated discussion on the future of RPT regulation.

A series of industry roundtables or a focused consultation could provide a useful platform to examine the strengths and limitations of the existing framework, consider international developments and explore alternative approaches.

The proposed distinction between routine commercial RPTs and material one-off RPTs could serve as one starting point for that discussion. It is an idea to be tested, challenged and refined, rather than presented as a settled solution.

Other possibilities may emerge, including stronger cumulative transaction assessments, differentiated materiality thresholds and more effective independent oversight. Ultimately, regulation is not meant to create more procedures. It is to protect investors, promote fair dealing and maintain confidence in the capital market.

If certain requirements impose costs without meaningfully improving shareholder protection, we should be prepared to reconsider them. Equally, if existing rules allow significant economic exposures to develop without adequate scrutiny, we should be prepared to strengthen them.

The challenge is finding the right balance. Hong Kong has started a conversation about its transaction rules. Perhaps Malaysia should start its own.

After all, the question is not whether we need more rules or fewer rules. It is whether we have the right rules.

[END]

MSWG
AGM/EGM WEEKLY WATCH

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

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.

QUICK-TAKE

Date & Time	Company	Quick-take	Voting Position
03.11.26 (Tue) 2.30 pm	Sime Darby Property Berhad (EGM)	The proposed RM418.5 million acquisition represents a 4.23% discount to SDP's independent valuation of RM437 million, but an 8.35% premium to the Vendor's valuation of RM15.92 psf, based on different assumptions. The acquisition offers RM3 billion in indicative GDV over 10–15 years. Pro forma net profit is expected to decline by RM15 million (2.9%), while net gearing rises from 0.36 to 0.40 times. Annual financing costs could reach RM17.2 million, ahead of the first development launch in 2028, with project returns yet to be determined.	MSWG will vote **FOR** the resolution considering its manageable financial impact, long-term growth potential and the independent adviser's favourable assessment.
03.11.26 (Tue) 2.30 pm	Tong Herr Resources Berhad (EGM)	Allrich Corp, Richard Holdings and their PACs who collectively hold 74.5% of Tong Herr proposed to privatise the Company via selective capital reduction at RM2.55 per share in cash.	MSWG will vote **AGAINST** the Proposed SCR on the ground of: 1. The Offer Price does not adequately reflect the underlying value of Tong Herr

Date & Time	Company	Quick-take	Voting Position
			2. The Proposed SCR is likely to utilise a significant portion of the Company's cash resources to facilitate its privatisation 3. The rationale for privatisation is not convincing given the Joint Offerors' existing controlling shareholding 4. Low trading liquidity is not a convincing rationale for the Proposed SCR 5. Tong Herr is on the verge of earnings recovery
04.11.26 (Wed) 10.00 am	Gadang Holdings Bhd (AGM)	Gadang's FY2026 revenue rose marginally to RM787.4 million, but heavy cost overruns, impairments and provisions drove a RM64.0 million loss. Cash flow was supported by working capital reductions, while equity, net assets and order book declined significantly, signalling weaker earnings and revenue prospects ahead.	Given the significant deterioration in the Group's profitability, MSWG will vote **AGAINST** for resolution 1 and 2 pertaining to the payment of director's fees and payment of benefits to independent non-executive directors as the proposed payment increase 21.6% and 20% respectively compared to last meeting.
04.11.26 (Wed) 10.00 am	IOI Corporation Berhad (AGM)	The Group's revenue for FY2026 increased by 4% to RM11.8 billion as compared to RM11.3 billion in FY2025, mainly from resource-based manufacturing and plantation segments. PBT increased by 12% to RM2,108.3 million, in line with higher	MSWG will vote **FOR** all resolutions.

Date & Time	Company	Quick-take	Voting Position
		revenue recorded as well as higher share of associates results, partially offset by lower net foreign currency translation gain on foreign currency.	
04.11.26 (Wed) 10.30 am	Hong Leong Industries Berhad (AGM)	The Group's FY2026 revenue rose 3.3% to RM3.69 billion, while PBT increased 19.4% to RM1.03 billion. The Motorcycle business remained the key contributor, supported by Yamaha's strong market position and new models. The new automated tile production line is expected to improve efficiency and expand premium tile offerings. The Group declared and paid a total dividend of RM1.00 per share for FY2026.	MSWG will vote **FOR** all resolutions.
05.11.26 (Thur) 10.00 am	MMAG Holdings Berhad (EGM)	The Group proposes a capital reduction of up to RM130 million to eliminate the Company's accumulated losses of RM128.60 million as at 30 June 2026. On an illustrative basis, the Group's accumulated losses would decline from RM168.56 million to RM38.73 million after expenses. The proposal is primarily an accounting exercise, with no material impact on net assets, earnings, liquidity or shareholders' shareholdings. Although the Group's continued losses remain a concern, the proposal itself does not appear detrimental to shareholders.	MSWG will vote **FOR** the resolution.
05.11.26 (Thur) 2.30 pm	Mudajaya Group Berhad (EGM)	Shareholders will vote on the Proposed Partial Disposal by Xelmont Limited, an indirect wholly-owned subsidiary of Mudajaya, of 45% Equity Interest in Real Jade Limited to Minyi Holdings Limited for HKD234.00 million, equivalent to RM118.45 million). The proposed transaction will strengthen the balance sheet by reducing the Group's financial risk.	MSWG will vote **FOR** the resolution.
06.11.26 (Fri) 10.00 am	IOI Properties Group Berhad (AGM)	IOIPG had a record FY2026, revenue rose 45% to RM4.44 billion and PBT 82% to RM2.65 billion. Aggressive growth has stretched the balance sheet, lifting borrowings to RM25.4	MSWG will vote **FOR** all resolutions.

Date & Time	Company	Quick-take	Voting Position
		billion and net gearing to 0.85x, heading to 1.03x after Asia Square Tower 2.	
06.11.26 (Fri) 3.30 pm	Sunway Berhad (EGM)	The Company proposes to establish an ESOS of up to 10.0% of the total number of issued shares (excluding treasury shares) for the eligible Executive Directors and eligible employees of the Group.	MSWG will vote **FOR** all resolutions.

POINTS OF INTEREST

Company	Points/Issues to Be Raised
Sime Darby Property Berhad (EGM)	SDP's independent valuer, Jones Lang Wootton ("JLW"), adopted the Comparison Approach by relying on a December 2024 transaction involving 59.12 acres land in Kangkar Pulai as its principal comparable in valuing the Kulai Land at RM18.01 psf. (Source: Pages 29 and 46 of the Circular) In contrast, the Vendor's independent valuer, Rahim & Co., arrived at a valuation of RM15.92 psf based on Mah Sing Group Berhad's December 2025 acquisition of approximately 419 acres land in Mukim Senai, Kulai, as its principal comparable. The Mah Sing land is located approximately 4 km from the subject land, making it geographically closer than the Kangkar Pulai comparable. (Source: Pages 34–39 of SD Guthrie Berhad's EGM Circular dated 29 September 2026). Could the Board clarify whether JLW considered the Mah Sing transaction, announced on Bursa Malaysia on 19 December 2025, and the key factors supporting its selection of the Kangkar Pulai transaction instead, particularly given the Mah Sing land's closer proximity to the subject land, larger land area and more recent transaction date?
Gadang Holdings Bhd (AGM)	1. The Group recorded a RM64 million loss, gross margin fell from 9.6% to 3.9%, and total equity declined by RM87 million with no dividend proposed for FY2026. However, key management compensation rose 12.8% in FYE2026, and shareholders are asked to approve directors' fees of up to RM450,000 for FY2027 in Ordinary Resolution 1, an increase of 21.62% from FY2026. *(Source: 2026 Annual Report – Financial Highlights, Page 6, Statements of Financial Position, Page 141 and Note 41 – Directors' Remuneration, Page 221)* Could the Board explain the rationale for these increases, given the Group's poor results? 2. Note 17 (c) shows RM33 million of construction materials purchased on behalf of subcontractors. Could management share which subcontractors these relate to, confirm whether any are related parties such as Boon Builder, and explain the safeguards in place to ensure full recovery? What is the offset amount as at 30 September 2026 against work done from the subcontractors? *(Source: 2026*

Company	Points/Issues to Be Raised
	Annual Report – Note 17 (c) – Trade and Non-Trade Receivables, Page 200)
IOI Properties Group Berhad (AGM)	1. The Group had approximately RM21.4 billion (SGD equivalent) borrowings as of 30 June 2026, which is 84% of its total debt. This borrowing excludes Asia Square Tower 2 ("AST2") funding and future funding for Shenton House redevelopment. A hypothetical 1% rise in SORA would add roughly additional RM214 million a year of interest on the existing SGD loans alone, and no interest rate swaps or other hedging derivatives are disclosed in the annual report. *(2026 Annual Report - Note 32 - Borrowings, page 210; Note 38.2.3 - Interest rate risk, page 218; Note 38.4.2 - Liquidity risk, page 225)* i. What is the Board's target hedge ratio and strategy to minimise the fluctuation of EPS and maintain consistent dividend payout in the future; and ii. With approximately RM13.8 billion of SGD loans falling due within the next two to three years, what refinancing has already been committed, and at what margin? 2. The ERM framework was last revised and approved in May 2021. Since then, the Group grown Singapore non-current assets to RM25.0 billion (59% of the Group) and total borrowings to RM25.4 billion (from RM16.8 billion in FY2022). A new risk appetite framework is still only planned for FY2027. *(2026 Annual Report – Statement on Risk Management and Internal Control, page 122 and 127, Note 42 – Segmental Information, page 239, Five-Year Financial Highlights, page 12 and Risk Management Committee Report, page 120)* i. How can a framework last updated in 2021 effectively assess concentration risk, cross-border regulatory exposure, and sudden liquidity shifts arising from these major transactions? ii. On what basis did the Board satisfy itself and conclude that risk management was ***"adequate and effective"*** in SORMIC when the ERM framework was not updated to accommodate the Group's massive transactions and risk appetite?









DISCLOSURE OF INTERESTS
With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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