SC's CG Monitor encourages good corporate governance

KUCHING: The Securities Commission Malaysia (SC) yesterday released its inaugural Corporate Governance Monitor (CG Monitor) which highlighted positive levels of adoption for a majority of the practices recommended in the Malaysian Code on Corporate Governance (MCCG) with improvement opportunities in the quality of disclosures.

During the event, Minister of Finance, Lim Guan Eng said Malaysia has seen progress in the area of gender diversity on boards, with a seven-percentage point increase in women participation on boards of the Top 100 listed companies from 16.6 per cent in 2016 to 23.68 in 2018.

"Women also account for 28 per cent of senior management positions for all listed companies, higher than the Asia Pacific average of 23 per cent," he said. His speech was read by political secretary to the Minister of Finance Tony Pua.

"I am encouraged by the fact that since February 2019, there are no more all-male boards for our Top 100 listed companies, and this indeed sets the tone for other PLCs to follow.

"I would like to congratulate the SC on the first edition of this report and we look forward to future editions."

Apart from the encouraging progress in greater women participation on boards, Chairman of the SC, Datuk Syed Zaid Albar, said that among the 36 best practices outlined in the MCCG, 27 had an adoption level of over 70 per cent.

"In fact, mid and small cap companies are among the trailblazers in the adoption of the CG best practices. Many of them have put in place good CG practices such as disclosing remuneration of senior management, introducing a nine-year tenure limit for independent directors and having a wholly independent audit committee.

"This shows that we are moving towards the right direction with greater appreciation of the value of adopting good CG practices, even among the smaller companies," he added.

The release of the CG Monitor was made possible by leveraging advanced analytics in line with the SC's Corporate Governance Priorities (2017-2020).

This has enabled the SC to have greater insights into the progress made and challenges faced by listed companies in implementing corporate governance best practices.

These observations will inform future policy recommendations and interventions in promoting corporate governance in Malaysia.

The CG Monitor 2019 presents observations on three thematic reviews on long-serving independent directors (policies and practices), gender diversity on boards and CEO remuneration of the top 100 listed companies.

This year, the SC will review the anti-corruption measures of listed companies as part of its effort to implement the National Anti-Corruption Plan, which identified corporate governance as one of the six priority areas.

Findings of the review will be released in the 2020 edition of the CG Monitor.

Syed Zaid, Pua and SC chief regulatory officer Foo Lee Mei during the launch of the inaugural Corporate Governance Monitor.

> Women also account for 28 per cent of senior management positions for all listed companies, higher than the Asia Pacific average of 23 per cent.
>
> **Lim Guan Eng**

Globetronics' performance to pick up in 2H19

Yvonne Tuah

KUCHING: Globetronics Technology Bhd's (Globetronics) near term outlook is expected to remain weak but analysts believe that its performance could pick up again in the second half of 2019 (2H19).

In a report, the research arm of Affin Hwang Investment Bank Bhd (AffinHwang Capital) pointed out that Globetronics' first quarter of 2019 (1Q19) core profit of RM4 million was 80 per cent lower compared to 4Q18.

This was largely impacted by a combination of softer demand for its sensors due to seasonality and lower volumes for its timing device business.

"However, there is a strategic decision to gradually exit from the latter business, which would eventually see further contractions in the quarters ahead," it said.

"The timing device business accounted for circa 23 per cent of 1Q19 revenue (30 per cent in 4Q18), and we expect the introduction of new products by 2H19 to make up for the revenue slack.

"The impact to earnings should be minimal in our view, considering that most of the volume reduction would be due to Globetronics exiting a non-profitable business."

For its sensor business, production volume declines have become the norm post the Christmas holiday season although on a more positive note, the gesture sensor volumes have remained robust due to increasing demand for its end customers' wireless headphone sets.

"We understand that installed capacity for gesture sensors will further increase in April and again by mid-year," AffinHwang Capital observed.

"Light sensor volumes are projected to recover only by mid-year, once production commences for this year's model launch.

"There is strong visibility for both these sensors given that they have been designed into the next generation models," it added.

In another note, the research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) said the cessation of shipment for its product in March 2019 indicates that Globetronics' volume loadings will remain soft, at least for 2Q19.

"As such, we view that this would translate into feeble near-term share price performance.

"However, we view that the group's 2H19 outlook to improve considerably, driven by its initiative to diversify its product offering. This will also lead to lower customer concentration risk," it added.

All in, MIDF Research maintained its 'neutral' view on the stock as it believed that Globetronics' dividend yield remains attractive as compared to its peers, supported by its resilient cash holdings.

On the other hand, AffinHwang Capital retained its 'buy' call on the stock.

It said: "Globetronics remains one of our top sector picks for its steady earnings growth and attractive dividend yields of six to seven per cent."

Globetronics' 1Q19 core profit of RM4 million was 80 per cent lower compared to 4Q18.

AffinHwang Capital was mildly positive on Mitsui's investment into ADS as the investment should ease ADS' near-term funding pressure and enable ADS to collaborate with Mitsui's business units. — Reuters photo

Mah Sing plans to set up IBS plant with Chinese firms

KUALA LUMPUR: Mah Sing Group Bhd is exploring the possibility of teaming up with Chinese companies to set up a permanent Industrialised Building System (IBS) precast concrete plant in Southville City, KL South.

Mah Sing founder and group managing director Tan Sri Leong Hoy Kum said a permanent plant would be able to produce a range of IBS components including precast concrete panels, concrete slab columns, concrete wall panels and beams.

"This would enhance Mah Sing's offerings to local home buyers the sustainable way using the IBS, and may allow the group the ability to market and install IBS components for Mah Sing's own projects and other developments including the government's affordable homes and government projects," it said in a statement yesterday.

This follows the senior management team's recent visit to several cities in China including Changsha and Shanghai with Housing and Local Government Minister Zuraida Kamaruddin.

Leong said the two companies that it could collaborate with are Sany Heavy Industry Co Ltd, a Chinese multinational heavy equipment manufacturing company headquartered in Changsha, Hunan Province and Nantong Sijian Construction Group Co. Ltd, one of the Top 100 Enterprises in China's construction industry.

"Sany will potentially be able to assist in the setting up of an IBS manufacturing plant, and transfer technology in manufacturing precast concrete components, while Nantong Sijan will be training Malaysian contractors in the installation of IBS components," he said.

Leong said the reliability of IBS also makes it possible to improve planning and even completion of projects ahead of schedule in certain cases.

"This is part of our continuous efforts in enhancing the lives of the local community following the opening of the Southville City Interchange last year.

"Besides using IBS in our own projects, we can potentially bid for government projects including affordable homes and large-scale catalytic projects," he said.— Bernama

Axiata's valuations emerge from monetising digital assets

Ronnie Teo

KUCHING: Valuations for Axiata Group Bhd are being unlocked by its move to monetise its digital assets.

Axiata announced a strategic minority investment by Mitsui and Co into its digital services arm – Axiata Digital Services Sdn Bhd (ADS). The investment establishes a pre-money enterprise value of US$500 million or about RM2.07 billion for the core businesses of ADS that include Boost, ada (analytics.data.advertising) and Apigate, an emerging global API platform provider.

Separately, Axiata also recently signed up to transfer the rest of its digital portfolio, called Digital Venture (DV) assets, to an investment fund, Pegasus 7 Ventures Ptd Ltd (Pegasus 7) at a valuation of US$140 million or RM580 million.

ADS will be spinning off five of its investments in StoreKing, 11street, BIMA, FreedomPop and etobee at US$140mil to a separate vehicle managed by Singapore-based Gordian Capital while retaining Boost, ADA and Apigate.

"Assuming an investment of US$100 million in these assets, we estimate that Axiata could recognise a 1QFY19 one-off gain of US$40 million," said AmInvestment Bank Bhd (AmInvestment Bank) in its notes.

This makes up 13 per cent of its financial year 2019 forecast (FY19F) earnings, it added.

"However, our forecasts are maintained as ADS' losses are expected to be capped at US$50 million while the group's normalised earnings will not be significantly affected nor its net gearing given Mitsui's investment of US$50 million accounts for only one per cent of group net debt."

Affin Hwang Investment Bank Bhd (AffinHwang Capital) was mildly positive on Mitsui's investment into ADS as the investment should ease ADS' near-term funding pressure and enable ADS to collaborate with Mitsui's business units.

"We understand that Mitsui may invest up to 10 per cent in ADS, valuing the company at pre-money enterprise value of US$500 million. However, management has yet to share the transactions details," it said yesterday.

"We are neutral on transfer of DV assets to Pegasus 7.

"Under the deal, Axiata will transfer the DV assets to Pegasus 7 in return for non-controlling preference shares.

"Axiata will book in an one-off, non-cash profit upon the transaction and cease accounting for any profit or loss from these assets thereafter. Pegasus 7 will manage these assets with an aim to exit these businesses within 3 years.

"Axiata and Pegasus 7 will share the profit upon disposal (if any) at a ratio of 85:15."

'No solution in sight to turn around Malaysia Airlines'

PUTRAJAYA: The government has yet to decide on the fate of the ailing Malaysia Airlines as there is still no feasible solution in sight to turn it around, said Tun Dr Mahathir Mohamed.

The Prime Minister said the losses and management of the national carrier was "so terrible" that it is difficult to turn it around.

"Everyone tells me we should do it this way or that way. Nobody has come up with a proper solution that can actually succeed," he told a press conference in conjunction with the first anniversary of the Pakatan Harapan government yesterday.

Dr Mahathir said the previous government had pumped in RM6 billion, while the airline had laid off 6,000 employees and cut down its routes.

He added that currently the airline industry is very competitive and many airlines had been sold off.

"It is hard to compete with the emergence of the low-cost carriers and also Arab airlines which provide luxury facilities and all kinds of perks.

"I do not know how they make money, but people cannot challenge them.

"It is a very difficult business now," he said. — Bernama

Mahathir says the losses and management of the national carrier was "so terrible" that it is difficult to turn it around. — Reuters photo

ARB secures solar panel project with RM100 million total cash flow

KUCHING: ARB Bhd's (ARB) wholly-owned subsidiary, ARB Development Sdn Bhd (ARBD), has entered into a sales and purchase agreement (SPA) to acquire a 51 per cent stake in C&M Renewable Energy Technology Sdn Bhd (CMSB) for RM5.5 million.

CMSB had on Nov 20, 2018 entered into an agreement with USAINS Infotech Sdn Bhd ("UISB"), a wholly-owned subsidiary of University Sains Malaysia (USM) to install, operate and manage the solar photovoltaic system at USM Faculty of Engineering located on a parcel of land measuring approximately 364 acres in Nibong Tebal, Penang.

CMSB will then charge UISB at an agreed solar charging rate or any revised solar charging rate, upon the solar energy generated by the Solar PV System.

A filing with Bursa Malaysia shows that this Project is expected to generate a cash flow ranging between approximately RM5 million to RM11 million every year.

The net present value of such amount is estimated to be about RM100 million, based on a discount rate of 5.6 per cent over the project's period of 30 years.

ARB chief executive officer (investment and technology) Datuk Larry Liew said: "We are very pleased to announce the addition of this 30-year recurring income business to the Group."

Bursa Malaysia takes first step into blockchain-powered SBL

KUALA LUMPUR: Bursa Malaysia Bhd has embarked on a securities borrowing and lending (SBL) Proof-of-Concept (POC) that explores the opportunities afforded by blockchain technology to develop greater transparency and address other operational challenges associated with the SBL market in Malaysia yesterday.

Chief executive officer Datuk Muhamad Umar Swift said the project aimed to ramp up efficiency, speed and capacity in securities lending supply and borrowing demand (Lending Pool).

"Across different markets, empirical studies show that short selling helps provide additional liquidity and improves price efficiency.

"The growth potential of Malaysia's SBL market makes it a prime candidate where the power of blockchain technology can create a considerable impact. The collaboration also benefits the wider industry through new knowledge, insights and practical experience in harnessing digital innovation to support and drive the growth of the capital market," he said in a statement yesterday.

POC – which is the first of its kind in Asean – was developed in partnership with the Exchange's technology partner, Forms Syntron Information (HK) Ltd (FORMS). — Bernama