MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

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Besides, do follow MSWG's Twitter account at @MSWGMalaysia to share your thought on our tweets from time to time.

❖ When things come to a head – the Serba Dinamik saga

On 8 November 2021, Serba Dinamik Holdings Berhad announced that it had taken legal action against the frontline regulator of capital market Bursa Malaysia Securities Berhad (Bursa Securities).

This action is unprecedented based on the facts of the case. One of the factors on which the legal action pivots, is the contents of the 'Factual Finding Update' of the Special Independent Review (SIR) conducted by Ernst & Young (EY) Consulting Sdn Bhd (who incidentally is also being sued by Serba Dinamik).

On 22 October 2021, Bursa Securities suspended the trading of securities (including all structured warrants) of Serba Dinamik and issued a directive to the Company to disclose the contents of the 'Factual Finding Update' by 26 October 2021. The non-compliance to the directive would result in the continued trading suspension of Serba Dinamik's securities on the next market day (27 October 2021) after the directive deadline.

In a media release, Bursa Securities noted that the findings from the 'Factual Findings Update' as at 30 September 2021 on the SIR have been communicated to 3 out of 4 Serba Dinamik's independent non-executive directors, on 21 October 2021.

It was also reported that the presentation by EY Consulting was also attended by representatives from Bursa Securities.

Bursa Securities was of the view that the contents of the 'Factual Finding Update' are material enough to be disseminated to the public to ensure the orderly and fair trading of Serba Dinamik's securities. However, Serba Dinamik disagreed.

Consequently, Serba Dinamik did not disclose the findings of the 'Factual Finding Update'. The Company gave its reasons why it was unable to disclose the contents. There is thus a difference of opinion between Serba Dinamik and Bursa Securities. Bursa Securities then continued to maintain the suspension on the trading of Serba Dinamik's securities due to this non-disclosure.

MSWG is not aware of the contents of the 'Factual Finding Update' and as such is unable to opine on the materiality of the findings.

On 12 November, 2021, the SC, as the statutory regulator of the capital market, has assured the investing public that it has made progress on its investigation into Serba Dinamik and additional resources have been added to the team to ensure the investigation is completed in a timely manner.

As Serba Dinamik has taken legal action against Bursa Malaysia (and EY Consulting), the issue is now in the realm of the courts and MSWG awaits the timely resolution of the case in the interest of minority shareholders.

❖ Concocting a winning formula: Convergence of Shariah and ESG investing

Environmental, Social, Governance (ESG) and Shariah-compliant investing are often viewed as distinctly separate investment approaches. This is despite both sharing similar principles: the promotion of stewardship, social responsibility and value creation.

In fact, adopting an ESG screening process with a Shariah overlay can offer attractive sustainable returns over time. After all, Shariah investing seeks to promote responsible behaviour by being good stewards of the society and environment.

In a nutshell, Shariah investing focuses on:

i. the prohibition of interest-bearing instruments, security lending and short selling;
ii. the use of negative screening to exclude high leverage companies, prohibited goods or services defined by rules of Shariah such as (industries involved in tobacco, alcohol, weapons and non-halal products).

Similarly, ESG investing seeks to promote responsible behaviour by integrating responsible investing elements to achieve sustainable outcomes. The ESG approach focuses on more intricate issues to mitigate risks, hence enhancing long-term returns.

In so doing, a screen might be used to exclude the highest emitters of greenhouse gases from a portfolio (negative screening) or to target only the lowest emitters (positive screening).

"Shariah and ESG both promote ethical considerations and social responsibility due to the selection criteria for their underlying investments," justified RHB Investment Bank's regional head of research Alexander Chia in a recent market strategy note.

"For example, Shariah principles call for justice, empowerment for all stakeholders, ethical practices and social responsibilities – the same philosophies at the centre of ESG investing."

As such, investors who are concerned about ESG factors in their investments can consider Shariah funds as an alternative considering such funds can also be classified as ESG-based investments.

"Inversely, enforcing ESG values within the practices of Shariah investments will motivate investors to not only deliberate on the Shariah principles, but also question the purposes and impacts of the business on society and the environment," opined Chia.

When comparing both investing methodologies, ESG investing tends to be a broad approach where there are no widely accepted guidelines while Shariah investing is clearly defined and regulated with clear guidelines based on acknowledged Shariah principles.

"This is due to the relative maturity of Islamic finance development as compared to the more recent emergence of ESG integration in investing," Chia pointed out.

Zooming into the future, RHB Research foresees that Shariah investing will not merely consider compliance alone but will go beyond – taking into account social and environmental impacts in order to contribute to the community as a whole.

"It should no longer be viewed from an Islamic legal perspective alone as Shariah makes no distinction between legal imperatives and moral obligations," envisages Chia. "A good starting point is Bursa Malaysia's recently launched FTSE4Good Bursa Malaysia Shariah Index which will meet the investment community's sustainable and Shariah-compliant investment needs."

Bright prospects

Globally, demand to invest in funds which focus on ESG factors accelerated in 2020, driving assets under management up 29% in 4Q 2020 to nearly US$1.7 trillion, according to industry tracker Morningstar. Inflows into sustainable funds also hit a record high during the same period, up 88% to US$152.3 billion with Europe-domiciled funds accounting for almost 80% of the total inflows.

According to Eastspring Al-Wara Malaysia's head of investments Tan Ming Han, there are currently a total 22 ESG funds with 12 Islamic funds focused on ESG. As of end-December 2020, Islamic ESG funds make up about RM2.1 billion or 1% of the total Shariah assets under management of RM216.8 billion in Malaysia.

"Going forward, the demand for Islamic ESG funds is expected to increase from both retail and institutional investors," projected Tan. "Institutional investors such as the Employee Provident Fund (EPF) have announced their commitment towards ESG best practices. The pension fund became a United Nations Principles for Responsible Investment (UN PRI) signatory in 2019."

In fact, EPF is expected to announce a sector-specific sustainability policy framework by end-2021 as part of its guidance for future investments that will comply with ESG practices.

Its chief investment officer Rohaya Mohammad Yusof said a lot of investors are now looking at integrating ESG into their investment making decisions, and that ESG practices as well as sustainability have become extremely important in mitigating risk and value enhancement.

"We have identified three important sectors in Malaysia and come up with sectoral policies as well as issue policies, and one of the key issues is climate change," she told a recent panel session on "How Malaysia has Developed an Equity Market that Emphasises Sustainability" at the virtually-staged Sustainable Finance Week held in conjunction with Malaysia's participation at the Expo 2020 Dubai.

Malaysia's first ESG index also known as FTSE4Good Bursa Malaysia index has outperformed both the FBM EMAS index and FBM KLCI index but came in second to the FBM EMAS Shariah index, suggesting that the combination of both ESG screening side-by-side a Shariah overlay can offer attractive sustainable returns over time.

Formulating the right combo

In 1996, the Malaysian Government established a Shariah Advisory Council (SAC) as part of its overall initiative to develop an Islamic banking and finance industry in the country. The primary task of the council is to advise the Securities Commission (SC) on all matters related to the development of the Islamic capital market as well as to function as a reference body for Shariah-related issues.

Given the growing importance of Islamic and ESG policy, Eastspring's Tan expects further cooperation and education between regulators and investment professionals which will lead to policies and initiatives such as promoting transparency and disclosure from investors, fund managers and companies on integrating ESG issues.

"Fiscal incentives to improve the practice plus adoption of sustainable standards for corporations and integrating Islamic principles into ESG policies would facilitate greater adoption," he reckoned.

"Both Shariah and ESG investing are becoming popular. Both Muslim and non-Muslim investors are placing increasing emphasis on the impact of climate change on their portfolios and allocating their portfolios accordingly."

As such, potential investors should consider the fact that Islamic principles combined with ESG investing offers competitive risk-adjusted returns across multiple time periods. This supports the belief that it is possible to do well while doing good.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 15 – 20 November 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.

Date & Time	Company	Quick-take
15.11.21 (Mon) 10.30 am	DPI Holdings Bhd (AGM)	DPI's net profit nearly doubled to RM11.9 million in FY2021 from RM6

		million the year before. Going forward, the challenge for DPI is to grow its export markets to strengthen its revenue. The Demand for aerosol paint is largely unaffected by the pandemic and the Company should have a commendable FYE 2022.
16.11.21 (Tue) 11.00 am	Dynaciate Group Bhd (EGM)	The EGM is to seek shareholders' approval for the acquisition of 19 million shares in MGSB, representing 74.51% equity interest in MGSB from MMAG, for RM17.83 million via cash of RM534,900 and issuance of 180,157,290 new ordinary shares at 9.6 sen each. Besides, Dynaciate also intends to settle the RM4.5 million amount owing by MGSB to MMAG via issuance of 46.88 million new DGB Shares at 9.6 sen per share.
17.11.21 (Wed) 02.30 pm	Media Prima Bhd (EGM)	The EGM is to seek shareholders' approval for the acquisition by STMB Properties Sdn Bhd, a wholly-owned subsidiary of Media Prima Berhad of two pieces freehold land in Kuala Lumpur and the buildings erected thereon from PNB Development Sdn Berhad for RM156.4 million.
18.11.21 (Thur) 10.00 am	Sime Darby Bhd (AGM)	The Group's revenue rose 20% y-o-y to RM44.5 billion (2020: RM36.9 billion), while net profit rose by 74% y-o-y to RM1.4 billion (2020: RM0.8 billion) on the back of a strong performance from the Motors Division, particularly in China. The Group declared total dividend amounting to RM1.0 billion for the year which is equivalent to 72% of the net profit for the FY2021. This is the highest dividend payout since the demerger in 2017 and is 50% higher than the payout for FY2020.
18.11.21 (Thur) 10.00 am	Dialog Group Bhd (AGM)	DIALOG remained resilient and delivered a commendable result for the financial year ended 30 June 2021. The Group closed its

		FY2021 with a net profit after tax of RM543.1 million, down by 12.3% against the net profit after tax of RM619.6 million, which excludes non-cash fair value gain, achieved in the previous financial year.
19.11.21 (Fri) 10.00 am	Bank Islam Malaysia Bhd (EGM)	This EGM is related to Bank Islam's proposal to establish a dividend reinvestment plan that provides shareholders the option to elect to reinvest their cash divided in the form of new shares in Bank Islam.
19.11.21 (Fri) 10.30 am	Poly Glass Fibre (M) (AGM)	Poly Glass Fibre achieved a 7.5% increase in revenue to RM65.11 million for FY2021 due to higher demand of glasswool by its fibre glasswool segment. At the same time, it registered a pre-tax profit of RM10.54 million for FY2021 as compared to pre-tax profit of RM5.12 million in the preceding year. The higher PBT is mainly due to higher sales volume and selling price, as well as lower manufacturing cost.
20.11.21 (Sat) 09.00 am	icapital.Biz Bhd (AGM)	The discount between icapital.biz share price and NAV continued to persist with a discount of 38.76% as compared to the Fund's net asset value (NAV) per share of RM3.87 on 3 November 2021. The Fund Manager of icapital.biz believes that the performance of icapital's market price "ultimately depends on the quality and behavior of its investors. However, we believe other factors e.g., market volatility, supply and demand of the shares, recognition of fund manager and market expectation may have also contributed to the steep discount to NAV.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
DPI Holdings Bhd (AGM)	The Company registered strong performance for FYE 2021 where net profit increased almost by 100% from RM6 million in FYE 2020 to RM11.9 million. The Company was largely unscathed by the pandemic as demand for aerosol paint remained robust during the period. (Page 15 of AR 2021) a) What are the Company's plans to further develop its business for FYE 2022? b) The Company currently is an OBM and OEM manufacturer of aerosol paint. Going forward, in which segment will the Company focus its manufacturing and why?
Dynaciate Group Bhd (EGM)	The Proposed Acquisitions of MGSB is undertaken as it allows the Company to fully consolidate MGSB Group's financial results and enjoy the potential earnings of MGSB Group in the future (Page 24 of the Circular). a) What is the expected percentage contribution of MGSB Group's earnings to the DGB Group's earnings in the future? b) As MGSB Group is a loss-making company (Page 112 of the Circular), when does DGB Group expect to achieve profit-contribution from the investment incurred in MGSB Group?
Media Prima Bhd (EGM)	As any utilization of internal funds is expected to result in the reduction of funds available for working capital purposes which may have an effect on the Group's cash flow position (Financing Risk, Page13 of the Circular), what are the strategies being developed by the Group for prudent cash flow management to avoid business failure due to cash flow crises in the future?
Sime Darby Bhd (AGM)	The Group's net profit rose by 74% YoY to RM1.4 billion (2020: RM820 million) on the back of strong performance from the Motors Division, particularly in China (page 17 of Annual Report 2021 ("AR2021")). The total dividend pay-out for FY2021 amounts to RM1.02 billion, equivalent to over 70% of the Group's net profit for the year (page 18 of AR2021). The Government introduced a special one-off tax, 'Cukai Makmur' under the recently announced Budget 2022 which is expected to impact the Group's bottom line for financial year 2022. How and to what extent will it impact the Group dividend payout for financial year ending 2022? Will shareholders be able to continue enjoying

	similar dividend payout or even better, notwithstanding the higher taxation to be paid by the Group?
Dialog Group Bhd (AGM)	The Group has entered into a Memorandum of Understanding with Diyou Fibre (M) Sdn. Bhd. in August 2021 for a proposed joint venture to build, own and operate a food grade recycled polyethylene terephthalate (“recycled PET”) pellets production facility using recycled PET flakes as raw material to produce food grade recycled PET pellets for sale to food and beverages customers. (Page 14 of AR) a) What is the Group’s share of this joint venture with Diyou Fibre (M) Sdn Bhd and its initial investment? b) When will this joint venture start contributing positively to the Group’s profit?
Poly Glass Fibre (M) Bhd (AGM)	The Group achieved a revenue of RM65.11 million in FY2021 which was 7.5% or RM4.52 million higher than in FY2020. The increase in revenue was mainly contributed by the higher demand of glass mineral wool (GW) by its fibre glasswool segment. The revenue increased mainly from the Oceania countries it exports to (Page 9 of Annual Report 2021). a) What is the prospect demand of GW, and is the Group’s product demand expected to remain high from Oceania countries in the next two financial years? b) Considering the worrying trend of supply chain disruption of ocean freight (Page 9 of Annual Report 2021), how can the Group fulfil the customer's demand or orders from Oceania countries in the future? What is the outlook for sales revenue from Oceania countries in FY2022?
icapital.Biz Bhd (AGM)	icapital has filed an application for judicial review (JR) on 2 March 2020 in the High Court of Malaya Kuala Lumpur to review the decision made by Securities Commission (SC) in respect of the 20% shareholding limit as provided under Paragraph 3.7.1(iii) of Securities Commission Guidelines for Public Offerings of Securities of Closed-end Funds and Paragraph 7.40 of Bursa Malaysia Securities Berhad Main Market Listing Requirements (page 52 of AR2021). The JR is related to the acquisition of icapital’s shares by City of London Investment Management Limited (CLIM) through its nominees. icapital claims that CLIM’s equity interest in the Fund has breached the regulatory 20% shareholding limit (page 7

	of AR2021), while CLIM stated that it has not breached any SC guideline. What is the update on the JR?

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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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