MSWG MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

The Observer

15.01.2021

The Minority Shareholders Watch Group is now on Twitter. The presence at Twitter is the first step for us to create strong social media presence and engage with our stakeholders more effectively. Do follow MSWG's Twitter account at @MSWGMalaysia and share your thought on our tweets from time to time.

❖ Notable stock market trends for 2021

Considering that 2020 had been a tumultuous year economically, financially, socially and politically to many citizens of the world, the FBM KLCI had fared reasonably well to end the year 2.42% higher at 1,627.21 points (2019: 1,588.76 points).

As to how 2021 will pan out for investors – in particular, minority shareholders – below are eight trends to expect and to take cognisance of in the year of the "metal Ox":

- **More diversifications into healthcare, glove and personal protective equipment (PPE) sector**

  Judging from the previous year's experience, all the wannabes (majority of which are penny stocks) into these three areas did experience a sharp run-up in their share prices after their announcements.

  But often, the joy for investors was short-lived as their share prices tended to normalise to current level. The reason behind this phenomenon is definitely food for thought for investors.

  As pointed out in our newsletter last week, success boils down upon (i) the business segment and gestation period; (ii) the financial muscle; and (iii) the reputation of the board/management.

- **A rise in ESG awareness**

  This is an alarm bell for public listed companies (PLCs) in the labour-intensive industries, notably the manufacturing (glove making), plantation and construction/property development sectors.

  The environment, social and corporate governance (ESG) yardstick will increasingly become a prerequisite for foreign funds and institutional investors when they park their funds in a particular PLC regardless of how profitable the company is.

In Malaysia, ESG adoption began emerging prominently in 2018 when some of the country's largest asset owners, namely the Employees Provident Fund, Kumpulan Wang Persaraan (Diperbadankan) and Khazanah Nasional Bhd became signatories of the UN Principles for Responsible Investment, thus demonstrating their commitment to responsible investments.

- **Lower dividend pay-out**

  Investors who dabble in blue-chip/defensive counters hoping to reap handsome dividends which are well above the existing fixed deposit rate may be slightly disappointed.

  Many PLCs – notably banks and other high dividend yielding consumer sector stocks – are still recovering from the aftermath of last year's movement control order (MCO) which has adversely impacted their performance for at least two financial quarters.

  Having to factor in the uncertainties of COVID-19 pandemic, many PLCs may choose to conserve cash by being less generous over the next few financial quarters.

  Having said that, star stock performers like the Big Four glove makers may continue to dole out record dividend payouts.

- **Upside pressure due to re-introduction of RSS**

  The current pressure is only coming from regulated short selling (RSS), the suspension of which was lifted on 1 January. But brace for more market volatility with the return of intraday short-selling (IDSS) and intraday short-selling by propriety day trader (PDT short sale) once the suspension is lifted after 28 February 2021 when the market regulators feel that the time is ripe to lift its suspension.

  To re-cap, Bursa Malaysia and the Securities Commission lifted the temporary suspension on RSS activities from 1 January 2021 onwards premised on the objective of achieving market efficiency through a better price discovery mechanism.

  The ban on short-selling activities was first imposed on 23 March last year to mitigate potential risks arising from heightened volatility and global uncertainties triggered by the unprecedented COVID-19 pandemic.

  Whether it is the RSS or IDSS, short-selling is necessary to make the stock market more vibrant and to increase market liquidity. Bringing back short-selling activities would also make the local bourse more appealing to foreign investors.

- **Surge in the number of PN17 listed issuers after the 12-month relief measures**

  On 17 April last year, Bursa Malaysia announced that listed issuers that trigger certain criteria in Practice Note 17 (PN17) and Guidance Note 3 (GN3) of the Listing Requirements from 17 April 2020 to 30 June 2021 have been exempted from the PN17 or GN3 classification for a period of 12 months from the date of triggering the specified criteria.

Instead, the affected issuers are only required to make an immediate announcement that they have triggered the specified criteria and the relief provided.

After the 12-month period, affected listed issuers which trigger any of the PN17 or GN3 criteria will be classified as such and must comply with all the obligations under paragraph/Rule 8.04 and PN17/GN3 of the Listing Requirements.

As of 30 November 2020, there are a total of 25 companies classified under PN17 (22 companies) and GN3 (three companies) which represent 2.77% of the total number of 902 listings on the Main Market and ACE Market of Bursa Securities.

- **More privatisation exercise as market undervalues stocks**

  When major shareholders think that the price of their stocks have been bashed to an unreasonable level or that the market for their stocks have become so illiquid that raising fund becomes difficult, they would start to question the listing status.

  Against the backdrop of a pandemic-stricken economy, MSWG's main concern is that it will become a trend for companies with low price-to-book (or price earnings) ratios to be privatised at very low offer prices on the premise that it is still higher than the prevailing share price, and the offer offers an option for the shareholders to exit. What is needed is for the regulators to consider adopting the practice in Singapore where offers must be both 'fair and reasonable' before it comes to the table – if it is not, it is a non-starter.

  Currently, an offer that is 'not fair but reasonable' can come with an 'accept' advice by the Independent Advisors and is open for shareholders acceptance.

- **An acceleration of fund-raising activities**

  On 10 November 2020, the Securities Commission (SC) and Bursa Malaysia unveiled a temporary relief measure which allows eligible PLCs and REITs ("eligible listed issuers") to issue new rights shares or units to their existing securities holders on a pro rata basis, up to 50% of the total number of issued shares or issued units.

  Under this expedited process, eligible listed issuers will be granted greater flexibility to manage market uncertainties while making capital calls, and fast track secondary fundraising, subject to conditions e.g., the eligible listed issuers must have controlling securities holders who will provide an irrevocable undertaking to subscribe for their full entitlements, with not more than a 30% discount to the theoretical ex-rights price on these newly issued shares or units, and such rights issue must be a plain vanilla issuance where it can only be utilised for ordinary shares or units and not any other types of securities such as warrants or convertible shares.

  This new general mandate for rights issue is in addition to the enhanced 20% general mandate for the issue of new securities, commonly utilised for private placements. Both relief measures are valid until 31 December 2021.

Given that many PLCs are facing operational challenges – including raising working capital and repaying bank borrowings – the market regulators believe that an expedited process for rights issues will enable them to be more agile by being able to raise funds from their existing securities holders within a shorter time-frame to meet their capital and financial needs.

- **Impact from imposition of MCO 2.0**

  It is too early to tell how implementation of the latest MCO 2.0 which comes side-by-side the declaration of a state of emergency (until Aug 1) to curb the recent spike of COVID-19 infection rate will pan out.

  For now, speculation is rife that the MCO 2.0 (from 13 to 26 January) will likely extend beyond two weeks with an estimated daily loss of RM750 million/day which is much lower than RM2.4 billion/day during the first MCO from March to May 2020.

  Based on preliminary assessments, some of the sectors that might be negatively impacted include (i) brewers; (ii) consumer; (iii) gaming; (iv) REITs; (v) airlines/airports; and 6) banks (as the MCO 2.0 raises the possibility of further overnight policy rate cuts).

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 18 – 22 January 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
19.01.21 (Tue) 10.00 am	Fraser & Neave Holdings Bhd (AGM)	F&N delivered a resilient set of results in FY2020 mainly due to cost initiatives implemented and robust exports. Its revenue dipped 2.2% to RM3.99 billion, impacted by the COVID-19 pandemic. However, its net profit was flat at RM410.1 million, compared to RM410.2 million a year ago, despite lower sales and higher commodity costs. Moving forward, it expects another challenging year and will focus on new products launch, online sales and export markets to penetrate the Middle East and North Africa regions.

19.01.21 (Tue) 11.00 am	Fraser & Neave Holdings Bhd (EGM)	The EGM is to seek shareholders' approval for its proposed establishment and implementation of an employees' grant plan ("SGP 2021"). SGP 2021 is for the employees and executive directors of the group.
22.01.21 (Fri) 10.30 am	Astino Bhd (AGM)	For the FY2020, the Group achieved lower revenue of RM521million, which contracted by 10.8% as compared to RM584 million recorded in the previous financial year. The lower revenue was largely due to the COVID-19 pandemic and the Movement Control Order imposed by the Malaysia Government starting from 18 March 2020.

<table>
<tr><td colspan="2">One of the points of interest to be raised:</td></tr>
<tr><th>Company</th><th>Points/Issues to Be Raised</th></tr>
<tr><td>Fraser & Neave Holdings Bhd (AGM)</td><td>F&N announced recently that it has entered into a conditional share sale agreement to acquire the entire equity interest in each of the three companies (Sri Nona Companies), whose principal activities are the manufacture, distribution, and sale of rice cakes and condiments, for a cash consideration of RM60 million.

Could the Company share more details on its future plan and strategies to expand into more halal food segments?</td></tr>
<tr><td>Astino Bhd (AGM)</td><td><u>Financial Performance</u>
<table>
<tr><th>Item</th><th>FY2016 (RM million)</th><th>FY2017 (RM million)</th><th>FY2018 (RM million)</th><th>FY2019 (RM million)</th><th>FY2020 (RM million)</th></tr>
<tr><td>Profit Before Taxation (PBT)</td><td>38</td><td>47</td><td>36</td><td>33</td><td>28</td></tr>
</table>
<i>(Source: Page 3 of the Annual Report 2020)</i>
In FY2020, ASTINO recorded the lowest PBT since FY2016. How does the Board plan to address the Group's deteriorating financial performance, moving forward?</td></tr>
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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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