MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

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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.

❖ To accept or not to accept…that is the question

The divided opinions between FGV Holdings Berhad's five non-interested directors and independent adviser (IA) RHB Investment Bank in relation to the unconditional mandatory take-over offer of FGV by the Federal Land Development Authority (FELDA) only points to one mundane truth.

At the end of the day, it is a matter of every man (shareholder) for himself or to be more subtle – in the words of renowned personal finance author Robert T. Kiyosaki – "You and only you are responsible for your life choices and decisions".

To re-cap, five of FGV's non-interested directors have recommended shareholders to reject FELDA' offer while expressing their non-concurrence with regard to the IA's opinion to accept the offer.

For the record, RHB Investment Bank Bhd was appointed as the IA to advise the non-interested directors and holders of FGV on the "fairness and reasonableness" of the FELDA takeover offer.

In RHB Investment Bank's view, the offer is "not fair but reasonable". It said the offer was not fair as the offer price of RM1.30/share is lower and represents a discount of between 12 sen (8.5%) and 30 sen (18.8%) over the range of estimated value per FGV share derived using the sum-of-parts valuation method of between RM1.42 and RM1.60.

Nevertheless, the IA still deemed FELDA's offer as "reasonable" on grounds which included the fact that FGV has not received any alternative proposals while FELDA and the persons acting in concert have chalked up a shareholding of 54.09% (as of 15 January) "which provides them control over matters and are able to determine the outcome of resolutions sought at general meetings of FGV".

"FELDA does not intend to maintain the listing status of FGV and should FELDA be successful, the (share)holders will not be able to trade the securities of FGV on the Main Market of Bursa Malaysia Securities Bhd," justified RHB Investment Bank.

The IA added: "Further, when FELDA accumulates a higher shareholding level as a result of valid acceptances and/or further acquisitions, the liquidity of FGV shares may be constrained."

Counter-argument

Meanwhile, the non-interested FGV directors argued that firstly, the offer price of RM1.30 per share is not fair, as the offer price is below the fair value per FGV share estimated by the IA, which ranged from RM1.42 to RM1.60 per share, or 8.5% to 18.8% below FGV's fair value.

Secondly, the management of FGV had since 2019 implemented a transformation programme (that is the Business Plan 2019-2021) focusing on operational improvements and strengthening the governance and accountability in line with FGV's status as a public listed company (PLC).

Thirdly, keeping FGV as a PLC will ensure the transparency and timely disclosures of FGV, one of the largest plantation companies in the world in terms of crude palm oil (CPO) production, and a company of significant public interest and impact on the corporate world of Malaysia. FGV produced over three million metric tonnes of CPO in 2019, being approximately 15.5% of Malaysia's production and 4.1% of the world's total production.

Fourthly, debuted at the IPO price of RM4.55/share and now being offered to be acquired at RM1.30/share – and taking into consideration of the significant improvement on the quality of plantation assets since IPO, e.g., improvement in the age profile of trees via aggressive replanting effort, the "non-interested directors are unable to, with clear conscience recommend the offer as reasonable to the minority shareholders of FGV, which also include settlers and employees of FELDA and FGV respectively".

Opinions are subjective

Putra Business School's Business Development senior lecturer and manager Prof Dr Ahmed Razman Abdul Latiff summed up FELDA's position rightly by opining that it remains to be seen whether the agency will be able to turnaround both entities (FGV and FELDA) once the takeover is completed.

"When political consideration is part of its strategic turnaround, the concern is whether there will be another financial bailout by the Government at the expense of Malaysian taxpayers if things do not go as planned," he told national news agency Bernama.

Against such a backdrop, nobody can claim to have correctly advised FGV shareholders on what their next cause of action should be.

While shareholders are encouraged to better comprehend the details of both the IA circular and/or rationale put forth by the non-interested directors, they should always weigh their decision against the very fact that the market can be irrational, or that even opinions are subjective.

After all, FGV's stock price had been languishing before moving up on rumours of the FELDA takeover – or perhaps buoyed by the surging crude palm oil (CPO) price – and the bandied RM1.30 takeover price tag.

Nobody can guarantee that FGV's share price will not tank if it is not privatised.
Recall that FELDA which already owned 21.24% equity interest in FGV had increased its shareholding in the latter to 42.9% on 8 December last year by acquiring an additional 13.88% stake from the Retirement Fund Inc (KWAP) (6.1%) and Urusharta Jamaah Sdn Bhd (7.78%) at RM1.30 a share. Obviously, these large funds thought that it was worth accepting the offer of RM1.30.

On top of its RM605.8 million acquisition of FGV shares from both KWAP and Urusharta Jamaah, FELDA has thus far spent more than RM100 million purchasing the remaining shares on the open market.

This follows the issuance of an offer document on 12 January in relation to its unconditional mandatory takeover offer for all the remaining shares in FGV which it did not own except treasury shares.

According to the agricultural agency, its offer of RM1.30/share will be open for acceptance until 5 pm on 2 February unless extended or revised.

In all fairness, FGV has been a "bittersweet discovery" for its loyal investors to begin with. One would not be surprised if many long-term investors would regard investing in FGV as "a misadventure".

Recall that FGV was listed at RM4.55 (with a market capitalisation of just below RM17 billion) in 2012 and was touted as the second-largest floatation exercise in the world that year after Facebook. Fast forward 9 years and its market capitalisation has shrunk by 72% to RM4.74 billion.

Between that time span alone, the company has been plagued with a slew of legacy issues ranging from funds misappropriation to abuses such as corruption and criminal breach of trust.

Many minority shareholders are still nursing their wounds, having invested at the IPO price, or prices higher than the current FELDA's price of RM1.30.

The ultimate lesson here is that the stock market does not promise a profit – minority shareholders will have to monitor events as they unravel and make timely and informed decisions on their own accord.

At the end of the day, they should base their final decision of accepting or rejecting FELDA's takeover offer based on their respective risk appetites.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 1 – 5 February 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
01.02.21 (Mon) 10.00 am	Green Packet Bhd	Green Packet (GP) is seeking shareholders' approval to allot and issue new ordinary shares in GP ("Consideration Shares") for the proposed acquisition of the entire equity interest in Xendity for USD10.0 million, of which USD4.5 million will be paid upfront via combination of cash and Consideration Shares, while the remaining USD5.5 million will be tied to gross revenue targets which will be satisfied via the Consideration Shares if targets are met. The acquisition is to diversify into cloud computing business which e-KYC services will be an important component of GP's cloud computing product offerings.
02.02.21 (Tue) 10.00 am	Oversea Enterprise Bhd (EGM)	The EGM is to seek shareholders' approval for proposed share split of 1 existing ordinary share into 3 Oversea Shares and proposed bonus issue of warrants on the basis of 1 free warrant for every 2 Shares held on entitlement date.

02.02.21 (Tue) 10.30 am	LFE Corporation Bhd (EGM)	The EGM is to seek shareholders' approval for proposed rights issue of up to 490.57 million rights shares on the basis of 2 rights shares for every 1 existing LFE share held. LFE also proposed to acquire 51% equity interest in Cosmo Property Management Sdn Bhd for RM27.54 million, which will be satisfied via a combination of RM20.99 million cash and the RM6.55 million via the issuance of 65.5 million consideration shares. The proposed acquisition comes with a profit guarantee of RM6.12 million for two financial years up to FYE 2022.
03.02.21 (Wed) 10.00 am	BSL Corporation Bhd (AGM)	BSL recorded a revenue of RM137.14 million in FY2020, being a 14% y-o-y decrease from RM159.65 million in FY2019. In line with the lower revenue, its net profit plunged to RM0.62 million as compared to RM1.50 million in preceding year. Most of BSL's major customers contributed lower sales to the company in FY2020. As the impact from the COVID-19 pandemic continues to unfold, coupled with the challenging manufacturing landscape and stiff competition, BSL is expecting another challenging year ahead.
04.02.21 (Thur) 10.00 am	Sasbadi Holdings Bhd (AGM)	After at least four consecutive years of being profitable, Sasbadi suffered net loss of RM8.95 million in FY2020 (FY2019: net profit of RM3.26 million). It recorded a lower revenue of RM62.81 million in FY2020 compared to RM87.73 million in FY2019 due to the COVID-19 pandemic and the MCO which significantly impacted its overall operations. As education is one of the sectors facing increasing use of digital services, adapting and maximising value from the current and future

		innovations will benefit Sasbadi optimally. In FY2021, Sasbadi will continue to allocate more resources to the digital solution segments and remain hopeful that the catalytic effect of the MCO on the digital transformation will help the Group to achieve higher growth.
04.02.21 (Thur) 10.30 am	Metronic Global Bhd (EGM)	Metronic proposed to hold a private placement exercise by issuing of up to 30% shares of total number of its issued shares to independent third-party investors to be identified later. Based on the indicative issued price of 8.13sen/share, the placement is expected to raise RM30.38 million. A 96% (RM29.1 million) of the total proceeds will be used to fund existing and future engineering projects. As of 15 January 2021, its orderbook of engineering works amounted to RM117.89 million which will stretch over the next two years. Though it has RM68.94 million fixed deposits in bank as of 30 September 2020, the money was raised from rights issues and private placement exercises earlier to fund the Kuala Krai property project and smart city. Its cash and bank balances amounted to RM1.35 million during the period.
05.02.21 (Fri) 10.00 am	Solarvest Holdings Bhd (EGM)	The EGM is to seek shareholders' approval for the proposed bonus issue of 105.66 million warrants on the basis of 1 warrant for every 4 existing Solarvest shares held. Also, shareholders' approval is sought for the proposed bonus issue of up to 264.14 million Solarvest shares on the basis of 1 bonus share for every 2 existing Solarvest Shares.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Green Packet Bhd	As disclosed in Appendix IV, page 53 of the Circular, Xendity group recorded a loss after tax for the 11-month financial period ended 31 May 2020 of USD140,097. As such, the valuation of Xendity was based on the financial projections of Xendity group from 1 June 2020 to 30 June 2024 prepared by its management. a) Xendity has no historical profit track record and GPB will pay/settle 45% of the purchase consideration or USD4.5 million upfront to the sellers while the balance of USD5.5 million is tied to Gross Revenue Targets over the next 2 financial periods. GPB has agreed to commit a sum of USD1.5 million in cash or equivalent resources to execute the business plan to achieve the Gross Revenue Targets. Please explain what are the key areas that Xendity group intend to spend on. b) Please update on the latest status of Xendity's sales i.e. how many new customers/subscribers/channel partners have signed up for the prepaid e-KYC packages and/or purchase e-KYC services on the self-service portal?
BSL Corporation Bhd (AGM)	<u>Emphasis of Matter (Pages 66-67 of the Annual Report 2020)</u> The Auditors draw attention to Note 37(b) to the financial statements which discloses the bills of demand issued by the relevant authority to Crestronics (M) Sdn. Bhd. ("CMSB"), a wholly owned subsidiary company of the Company. As explained in the said note, based on the available facts and information as of the date of this report, the solicitor is of the opinion that CMSB has arguable grounds and basis to contend that there is no legal and factual basis for the Minister of Finance to reject CMSB's remission application. Consequently, no further provision has been provided. In the event that the appeal is not successful, CMSB is liable for the remaining balance of the claim of RM10,900,000. What is the latest update on this issue? What are CMSB's arguable grounds and basis to contend that there is no legal and factual basis for the Minister of Finance to reject CMSB's remission application?
Sasbadi Holdings Bhd (AGM)	As announced on 30 June 2020, the Group has entered a Memorandum of Collaboration with Huawei Technologies (Malaysia) Sdn Bhd. This collaboration enables the Group to further strengthen its digital capabilities and enhance its competitiveness as an education solutions provider. (Page 11 of AR)

	In what specific areas can the Group tap Huawei's expertise to be more competitive to grow its business? What concrete actions have been instituted since the signing of the MOU?

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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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