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

The Observer

Minority Shareholders Watch Group is now on LinkedIn. The presence at LinkedIn is to create a better social media presence and engage with our stakeholders more effectively. Do follow MSWG's LinkedIn account at https://www.linkedin.com/company/mswg-malaysia/ and share your thoughts with us from time to time. Do also follow MSWG's Twitter account at @MSWGMalaysia.

11.11.2022

❖ Commendable improvement in CG scoring despite challenges and disruption

Amidst the COVID-19 pandemic, restrictions imposed by governments globally in handling the COVID-19 outbreak have brought significant challenges to corporate governance (CG).

Notwithstanding these daunting challenges, local PLCs continue to make strides in improving their CG practices and reporting in annual reports.

Based on our annual CG assessment project to assess all Malaysian PLCs, our PLCs recorded a commendable increase of 5.4% in the overall CG scores to 83.58 points from 79.28 points (out of 130 points).

Meanwhile, the upward trend is also observed in the Top 100 PLCs (based on CG ranking) and ACE Market PLCs, which recorded 2.82% and 4.79% increases in their average scores to 104.6 points and 79.7 points respectively.

Besides, it is heartening to see 787 companies or 91% of the total 864 companies assessed recorded CG scores above 71 points, compared to 692 companies (or 81% of the total companies assessed) in 2020.

The annual MSWG-ASEAN CG assessment project appraises all Malaysian PLCs, excluding companies listed on the LEAP Market, Practice Note 17 (PN17) and Guidance Note 3 (GN3) companies. The assessment is performed in accordance with the ASEAN CG Scorecard.

The 2021 assessments are based on PLCs' disclosures in their latest annual report, CG report and sustainability report for the financial year ended 30 April 2020 to 31 March 2021. Other sources of information include information on corporate websites, announcements through the stock exchange and publicly available information, including media reports.

Dividend payment and policy

On the subject of dividends, billionaire John D. Rockefeller once said his only pleasure in life was seeing his dividends come in. While shareholders can plead for dividends, PLCs are not obliged to pay dividends to their shareholders.

Out of the 864 companies assessed, 458 or 53% of them paid dividends to shareholders during the period under review. The number of companies that paid dividends was 3% higher compared to 445 companies in 2020. This also represented a rebound after two consecutive periods of decline. In comparison, there were 460 and 499 dividend-paying companies in the 2019 and 2018 assessments, respectively.

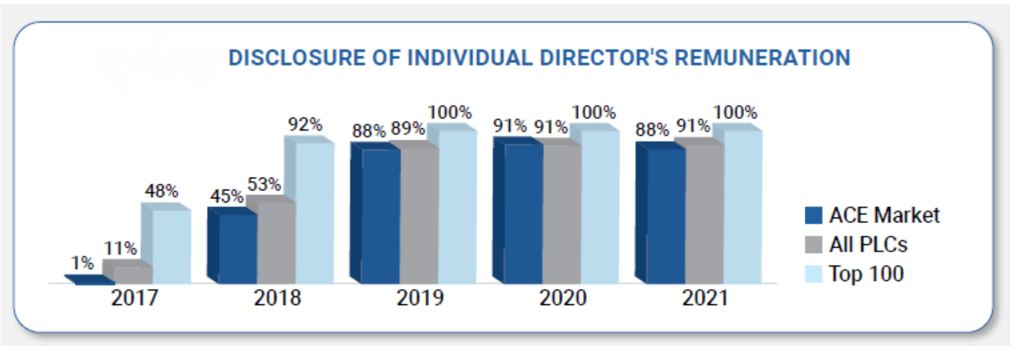
While it is encouraging to see more PLCs distributing dividends to shareholders, only 145 companies or 17% of the overall, disclosed their dividend policy in their annual reports.

Shareholders typically view dividends as a sign of a PLC's cashflow sustainability and of the boards' positive expectations around its future earnings. As such, a dividend policy provides shareholders with a certain degree of certainty and assurance concerning the amount and timing of dividend payments.

Of the 458 companies which paid dividends, about 14% of them paid cash dividends within 30 days or implemented their dividend reinvestment plans (DRPs) within 60 days. The remaining companies took longer than the scorecard-stipulated period to pay their dividends or implement their DRPs.

Disclosure of directors' remuneration

For the Top 100 PLCs and all PLCs, the percentage of companies that disclosed their directors' remuneration on an individual basis was constant at 100% and 91%. However, a slight drop was recorded in the disclosure of directors' remuneration among ACE Market PLCs. The ratio has declined from 91% to 88%.



Source: MSWG-ASEAN Corporate Governance Report 2021

In spite of the mandatory requirement to disclose the exact remuneration of each director, on a named basis, including a breakdown of the remuneration (as per Para 11, Part A of Appendix 9C, Main Market Listing Requirements), 74 companies still disclosed their directors' remuneration on a lump-sum basis or in bands.

In addition to the listing requirement, Practice 8.1 of the Malaysian Code on Corporate Governance also encourages the good CG practice of providing detailed disclosure of directors' remuneration on a named basis.

Regarding directors' remuneration, we noted that, on average, executive directors (EDs) in six of the 13 sectors (by Bursa Malaysia's sector classification) recorded increases in their remuneration.

The Telecommunications & Media sector recorded the most significant increase of 74% in average ED's remuneration to RM2.25 million compared to RM1.3 million. Meanwhile, EDs from the Utilities sector saw the most significant decline in their average remuneration, down by 42.25% to RM2.68 million from RM4.64 million in 2020.

On the other hand, almost all 13 sectors recorded declines in the average remuneration of non-EDs, except the Real Estate Investment Trusts and Utilities sectors.

Tenure of independent directors

Issues relating to the re-appointment of long-serving independent directors (IDs) have always been a concern among shareholders.

Of the 6,086 director positions during the period under review, 49% of them are IDs. Our 2021 assessment found that the longest tenure of service was 42 years, while the shortest was less than one year.

Practice 5.3 of MCCG recommends that the tenure of an ID does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an ID may continue to serve on the board as a non-ID.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval through a two-tier voting process.

Nevertheless, come 1 June 2023, the tenure of an ID on the boards of Bursa Malaysia-listed companies will be limited to 12 years, following amendments to the Main Market and ACE Market Listing Requirements issued by Bursa Malaysia Securities. By then, all long-serving IDs impacted by this enhancement must resign or be re-designated as non-IDs.

On another note, it is encouraging to see that the number of companies that adopted a strict tenure limit of nine years for IDs has leapt 85% to 148, compared to 80 companies in the 2020 assessment.

Conclusion

The MSWG-ASEAN Corporate Governance Assessment 2021 is based on PLCs' CG practices and disclosure when they underwent a tumultuous period as the COVID-19 pandemic wreaked havoc on the global economy.

The improved scoring demonstrates that our PLCs are committed to upholding better CG practices to align with international standards.

The detailed findings of our 2021 CG assessment are available in MSWG's Malaysia-ASEAN Corporate Governance Report 2021. The report can be purchased via MSWG website at www.mswg.org.my.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 14 – 18 November 2022

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
15.11.22 (Tue) 09.30 am	Affin Bank Berhad (EGM)	The EGM is to seek shareholders' approval for a proposed variation to the utilisation of proceeds raised from the divestment of Affin Hwang Asset Management to enable the distribution of part of the proceeds as a special dividend to Affin Bank's shareholders.
15.11.22 (Tue) 10.00 am	Sime Darby Berhad (AGM)	The Group's revenue y-o-y declined by 4.1% to RM42.5 billion (FY2021: RM44.3 billion) mainly due to lower revenue from the China operations for both the Industrial and Motors Divisions. Its net profit of RM1.1 billion was 22.6% lower than FY2021's net profit of RM1.4 billion, which included a one-off gain from the divestment of Tesco Malaysia. The business outlook is forecast to be more challenging in the coming months as interest rates continue to rise with central banks tightening their monetary policy to combat inflation.
15.11.22 (Tue) 10.30 am	DPI Holdings Berhad (AGM)	DPI's FY2022 net profit fell by 56.5% to RM5.2 million (FY2021: RM11.9 million) on the back of an 18.8% decline in revenue to RM50.7 million (FY2021: RM62.5 million). Higher raw material prices and logistics costs

		impacted profit margins, while the Full Movement Control Order affected sales orders in 1QFY2022.
16.11.22 (Wed) 11.00 am	Ingenieur Gudang Berhad (EGM)	Ingenieur Gudang will seek shareholders' approval for the corporate exercises below: - Proposed acquisition by Magnitude Resources Sdn. Bhd. of Puncak Alam Land from Yuwang Development Sdn Bhd for cash of RM30.45 million - Proposed disposal by Ingenieur EPCM Sdn Bhd (IESB) to Dynaciate Engineering Sdn. Bhd. (DESB) of Johor Premises for cash of RM16.6 million - Proposed disposal by IESB to DESB of Pahang premises for RM9.4 million in cash
17.11.22 (Thur) 10.00 am	Dialog Group Berhad (AGM)	The Group closed its FY2022 with revenue of RM2.32 billion, 44% higher than the RM1.61 billion recorded in the previous year. The higher revenue was contributed by local and foreign operations, which saw increased business activities. Meanwhile, its net profit was 6.8% lower at RM505.9 million compared to RM543.1 million. The lower net profit after tax was mainly caused by higher project costs and losses in some engineering, construction, and maintenance projects.
18.11.22 (Fri) 09.00 am	Axiata Group Berhad (EGM)	Axiata is tabling for shareholders' approval for the proposed merger of the telecommunication operations between Celcom Axiata Berhad and Digi.com Berhad.
18.11.22 (Fri) 10.00 am	RGT Berhad (AGM)	FY2022 was a busy year for RGT as it had completed a slew of acquisitions by spending RM113.9 million the past 12 months.

		With the completion of these acquisitions, RGT has diversified its activities to the Automation and Precision Engineering (APE) segment on top of the current manufacturing business.
18.11.22 (Fri) 02.00 pm	DIGI. Com. Berhad (EGM)	The purpose of the EGM is to seek shareholders' approval for the Proposed Merger of Celcom Axiata Berhad and Digi.Com Berhad, and the proposed exemption for Axiata Group Berhad and persons acting in concert ("PAC") with it, from the obligation to undertake a mandatory take-over offer to acquire the remaining ordinary shares in Digi not already owned by it and its PACs upon completion of the Proposed Merger.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Sime Darby Berhad (AGM)	Inventory write-down and provision (net) increased to RM73 million (2021: RM44 million). (page 185 of AR2022) a) What comprises the inventory that has been written down? How much of the written down inventory is still saleable? b) Given that the Group inventories have increased to RM9.2 billion (2021: RM8.3 billion) (page 180 of AR2022), what is the probability of higher inventory write-down and provision in financial year ending 2023?
DPI Holdings Berhad (AGM)	In response to higher raw material prices, the Group had increased its selling prices in 3QFY22 in order to preserve profit margins (page 14 of AR2022). Despite the increase in selling prices, the Group's profit margins have been trending lower (as reported in 4QFY22 and 1QFY23). a. Please explain your views on the impact of raw material prices (as well as other key costs and expenses) on profit margins and balancing between selling price increases and profit margins. What is your strategy for improving profit margins and when do you expect a recovery? b. Do you expect raw material price increases to moderate or stabilize going forward? Please give us your outlook for the raw material market conditions. c. What is the current average selling price (ASP) and cost per can of your aerosol spray paints, and how much have they changed since 3QFY22?

<table>
<tr><td></td><td>d. How do your ASPs compare to that of your competitors and what are your competitive pricing strategies?</td></tr>
<tr><td>Dialog Group Berhad
(AGM)</td><td>1. The Group’s borrowings denominated in Singapore dollar has increased to RM1.129 billion in FY 2022 from RM0.953 billion in FY 2021.
The Singapore dollar borrowings constituting 60.6% of the Group’s borrowings in FY 2022. (Page 71 of Financial Statements)
a. Why the Group borrowed a huge amount of borrowings denominated in Singapore dollar as more than 57.4% of the revenue in FY 2022 comes from Malaysia?

b. The Singapore interest rate has risen rapidly recently, and the Singapore dollar has also strengthened against the Ringgit. What is the expected increase in interest cost and amount arising from the increase in interest rate?

c. Please provide a breakdown of the Singapore dollar borrowings into fixed and floating rates for FY 2022.

2. The Group’s gross profit margin is 14.2% in FY 2022 as compared to 23.0% in FY 2021. (Page 17 of Financial Statements)

a. What was the reason for the lower gross profit margin in FY 2022?

b. Which business segment recorded lower gross profit margin in FY 2022 as compared to FY 2021?</td></tr>
<tr><td>Axiata Group Berhad
(EGM)</td><td><u>Proposed Merger of the telecommunication operations of Celcom Axiata Berhad (“Celcom”) and Digi.Com Berhad (“Proposed Merger”)</u>

Axiata group’s earnings before interest, tax, depreciation and amortization (EBITDA) derived from its Malaysia mobile segment was fairly stable in the past three years as shown below:

<table><tr><th>Financial year ended</th><th>2019
RM’000</th><th>2020
RM’000</th><th>2021
RM’000</th></tr><tr><td>EBITDA</td><td>2,618,458</td><td>2,589,948</td><td>2,825,957</td></tr></table>
a. The Proposed Merger will see Axiata losing direct control over cashflows (as shown in the table above) from its wholly owned Celcom, which has been contributing about a quarter of Axiata’s total group EBITDA. Moving forward, to what extent Axiata’s group cashflows will be impacted as it will depend on dividend from MergeCo, whereas MergeCo will also has its own capex needs? Does MergeCo intend to formalize a dividend policy?</td></tr>
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	b. Upon completion of the Proposed Merger, Axiata group will place stronger reliance on cashflows and earnings from Sri Lanka, Nepal, Indonesia, Bangladesh and Cambodia which will expose the Group to greater risks (more volatility risks than Malaysia). Given the current challenging global macroeconomic environment (inflationary pressure, higher interest rates, currency volatility), how will profitability be impacted going forward and how does the Group manage and mitigate these business risks? c. The Proposed Merger will create significant value from synergies realised through the integration of Celcom's and Digi's networks, information technology and sales & marketing departments (page 15 of Circular dated 28 October 2022), is there potential significant capex savings as both Celcom and Digi share the same network infrastructure? If yes, how much?
RGT Berhad (fka Asia Knight Berhad) (AGM)	The Group achieved a revenue of RM121.2 million in FY2022, representing a drop of RM9.2 million or 7% from RM130.4 million in FY2021. The decrease in revenue was mainly due to weaker demand for Hygiene Care Products this year (page 14 of Annual Report 2022). The manufacturing and sale of hygiene care products such as soap, sanitiser and fragrance dispensers (under the moulded plastic products segment) are the mainstays of RGT. Would the normalised COVID-19 pandemic continue to weigh down demand for RGT's products? Has the decline in the demand for your hygiene products normalised? Are we going to see a recovery in demand in the near term?
DIGI. Com. Berhad (EGM)	The MergeCo Group expects to incur additional costs and expenditures in its performance of the Undertakings to the Malaysian Communications and Multimedia Commission ("MCMC") dated 28 June 2020 given by Celcom Axiata Berhad and Digi Telecommunications Sdn Bhd, which is expected to dilute the earnings and EPS of the MergeCo Group in the immediate years after completion of the Proposed Merger. After performing an initial estimate of the potential synergy values from the Proposed Merger, as well as of the additional costs for the Merger Integration Activities and to fulfil the Undertaking, the Proposed Merger is expected to contribute favourably to the medium to long term earnings and earnings per share of MergeCo Group (page 41 of the Circular). a. How much are the estimated potential synergy values from the Proposed Merger? b. How much is the indicative total cost required to fulfil the Undertakings to MCMC?

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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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