



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.

13.01.2023

❖ **Restratigise business models amid elevated ESG concerns**

With news that local companies are failing to comply with the environmental, social and governance (ESG) requirements which have been on the radar in recent years, it is easy to discern that Malaysian companies have not upped their game in incorporating ESG issues into their business.

However, it would be unfair for us to paint all companies with the same brush. We have seen many instances of companies changing course to better adapt themselves in an evolving business climate that revolves around the ESG agenda.

For instance, in a recently concluded AGM, an East Malaysia diversified conglomerate told shareholders that it is reviewing its exploration and mining activities due to elevated concerns towards ESG. The Company embarked on the gold mining business in 2015, before the ESG topic gained investors' attention.

The Company said it is looking to work with parties who are capable of extracting gold in a more sustainable and environmentally friendly manner rather than the widely-used but highly controversial cyanide leaching method. In addition, it does not rule out the possibility of exiting the mining business entirely.

Cyanide is commonly used in the carbon-in-leach process to extract gold from ore. However, the chemical compound is highly toxic, causing potential hazards to the environment, ecosystems, and people, as we have seen in the case of the Bukit Koman, Pahang gold mining issue back in the late 2000s and early 2010s.

Should the Company decide to pull out from the gold mining business, this would be a costly venture for the Company and its shareholders as millions of ringgits have been raised and spent on this venture over the years.

On top of that, there is a risk that the Company may be required to impair and write off the carrying amount of exploration expenditure recognised as part of its assets in the balance sheet.

In another instance, Bursa Malaysia-listed Perak Transit Berhad recently walked away from a joint venture (JV) that undertakes limestone and silica sand mining activities in Perak. Perak Transit is tasked to carry out project management services for the mining sites under a JV agreement with its JV partner Gemas Perunding Sdn Bhd.

Perak Transit in an announcement to Bursa Malaysia dated 7 December 2022 said the JV agreement was terminated due to concerns about the environmental impact caused by the limestone and silica sand mining operations. It hopes the cessation of the mining management operations (a non-core business) would improve its ESG and corporate governance standards and reduce its overall carbon footprint.

Conclusion

The mining industry is often considered a “villain” in the context of environmental sustainability, notwithstanding their contribution to providing the necessary raw materials for economic activities.

Hence, it is not surprising to see companies re-strategise their business models due to anticipated or actual intense pressure from key stakeholders, including regulatory authorities, investors and lenders. This has prompted them to rapidly integrate sustainable practices into their decision-making processes.

With that, businesses have no choice but to seek new avenues for future earnings growth, pressed by the ESG agenda, which puts a strain on the operations of high carbon footprint activities.

As it is, it is up to leaders to walk the talk. By setting the tone at the top and acknowledging the importance of ESG and sustainability to businesses, management and boards can better address ESG issues as a strategic imperative for long-term performance.

Shareholders' activism also plays a critical role in advocating ESG causes, with investors doing their part by scrutinising companies' commitments and efforts to emission reduction, net zero emission, and decarbonisation.

Lastly, we are also seeing the emergence of detailed reporting standards, frameworks and recommendations that put resource-intensive companies, e.g., mining, minerals, utilities, and oil companies, under tremendous pressure to keep tabs and report on their emissions and carbon footprint in detail.

After all, it takes collective effort to foster corporate cultures that take sustainability matters seriously.

Lim Cian Yai
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 16 – 20 January 2023

For this week, the following are the AGMs/EGMs of companies 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
17.01.23 (Tue) 10.00 am	Fraser & Neave Holdings Bhd (AGM)	<p>For this meeting, F&N shareholders would likely focus on its maiden venture into the upstream dairy farming business and the efforts to strengthen the Halal packaged-food segment to a major revenue driver for the Group.</p> <p>F&N is reported will spend RM700 – RM800 million of capital expenditure on the farming business.</p> <p>The Board and management are expected to divulge more details on its new plan in this AGM.</p>
17.01.23 (Tue) 11.00 am	Homeritz Corporation Berhad (AGM)	<p>Homeritz posted more robust financial performance in FY2022 with 47.5% and 83.9% growth in revenue and net profit.</p> <p>The improved topline was driven by higher volume of furniture products sold and a stronger US dollar.</p> <p>Meanwhile, the jump in profit was attributed to a higher level of sales recorded which enabled it to achieve better economies of scale.</p>
17.01.23 (Tue) 03.00 pm	PLB Engineering Berhad (AGM)	<p>For FY2022, PLB posted a marginally lower revenue of RM189.26 million compared to RM190.73 million in the preceding year.</p> <p>However, it turned loss-making in FY2022 due to a one-off provision of impairment amounted to RM30 million made for property, plant and equipment, compared to a pre-tax profit of RM9.58 million in the preceding year.</p>
18.01.23 (Wed) 10.00 am	ELK-Desa Resources Berhad (EGM)	<p>The EGM is to seek shareholders' approval for a proposed bonus issue exercise of issuing up to 151.6 million new shares on the basis of 1 new ELK-Desa share for every 2 existing ELK-Desa shares held.</p>
19.01.23 (Thur) 10.00 am	My E.G. Services Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposed distribution of 84 million shares, representing 25.8% equity interest that My E.G. owned in Agmo Holdings Berhad to shareholders.</p>

		<p>The proposed distribution will be done in two tranches by way of dividend-in-specie ("Proposed Dividend-in-Specie").</p> <p>The Proposed Dividend-in-Specie is not subject to shareholders' approval. However, My E.G. voluntarily is seeking shareholders' approval.</p>
19.01.23 (Thur) 10.00 am	SYF Resources Berhad (EGM)	<p>SYF Resources is seeking shareholders' approval for the following proposals, which are related to its exit from the furniture business and venture into the financial services business:</p> <ul style="list-style-type: none"> (i) proposed disposal of furniture business (ii) proposed disposal of freehold land (iii) proposed special dividend and/or capital repayment (iv) proposed acquisition of M & A Securities Sdn Bhd (v) proposed rights issue (vi) proposed restricted issue (vii) proposed exemption (viii) proposed name change to M & A Equity Holdings Bhd.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Fraser & Neave Holdings Bhd (AGM)	<p>Since FY2020, the revenue of F&N has been in a growth trajectory, growing from RM3.99 billion to RM4.13 billion and then to RM4.47 billion in FY2022 accordingly. However, the profits (both pre-tax and net) were declining year after year. Meanwhile, the PBT margin declined from 13.1% in FY2020 to 11.6% and 10.2% in FY2021 and FY2022 respectively.</p> <p>As for FY2022, F&N profit-before-tax declined further to RM454.1 million from RM479.4 million a year ago, notwithstanding higher revenue recorded from product price adjustments in FY2022. (Source: pages 84 & 85 of Annual Report 2022)</p> <ul style="list-style-type: none"> a) On average, what is the quantum of price adjustments made on your products in FY2022? b) A declining profit and margin suggest that the extent of raising product prices was insufficient to fully offset the impact from rising costs. Will the Company further raise product selling prices to preserve its profit margin? If yes, what is the quantum that the Company is looking at?

	<p>As commodity prices e.g., aluminium, tinplate, palm oil and freight costs are softening, does the Company foresee better margins going forward?</p> <p>c) What is the room to further streamline the cost of sales and other expenses to improve profitability?</p>
Homeritz Corporation Berhad (AGM)	<p>The outlook for the furniture sector is expected to be challenging amid a slowdown in furniture imports as importers liquidate their over-inventoried positions. This trend is expected to continue as rising interest rates is causing a downturn in the housing market and consumer discretionary spending.</p> <p>a) Given this challenging environment, please explain your sales outlook for FY2023. How much of a decline in orders (in percentage terms) are you expecting in FY2023?</p> <p>b) Homeritz is mainly focused on medium to high-end upholstered furniture products, while its local peers are primarily involved in wood-based furniture. Given this product differentiation, would Homeritz be more insulated from the overall slowdown in furniture orders? If yes, please explain.</p>
PLB Engineering Berhad (AGM)	<p>The Group had decided to discontinue and handover the management of Pulau Burung's landfill operations to Majlis Bandaraya Pulau Pinang ("MBPP") and Majlis Bandaraya Seberang Perai ("MBSP"). (Page 9 of AR)</p> <p>a) What were the challenges faced by the Group in operating the landfill operations that eventually leads to the discontinuance of the landfill operations?</p> <p>b) How long the Company has been operating the landfill operations?</p> <p>c) How much was the accumulated profit/(loss) recorded by the Group from the commencement of the operation of the Pulau Burung's landfill operations till its discontinuance.</p> <p>d) What are the estimated recoverable values from the property, plant and equipment respectively resulting from the discontinuance of the landfill operations?</p> <p>e) Has the Group identified any new business venture after the discontinuance of the landfill operation? If yes, kindly provide some details of the new business venture.</p> <p>f) What is the Company's plan on the Company's staff who have been made redundant after the Company stopped operating the landfill at Pulau Burung.</p>

MSWG TEAM

Devanesan Evanson, Chief Executive Officer, (devanesan@mswg.org.my)

Rita Foo, Head, Corporate Monitoring, (rita.foo@mswg.org.my)

Norhisam Sidek, Manager, Corporate Monitoring, (norhisam@mswg.org.my)

Lee Chee Meng, Manager, Corporate Monitoring, (chee.meng@mswg.org.my)

Elaine Choo Yi Ling, Manager, Corporate Monitoring, (elaine.choo@mswg.org.my)

Lim Cian Yai, Manager, Corporate Monitoring, (cianyai@mswg.org.my)

Ooi Beng Hooi, Manager, Corporate Monitoring, (ooi.benghooi@mswg.org.my)

Jackson Tan, Manager, Corporate Monitoring, (jackson@mswg.org.my)
Clint Loh, Manager, Corporate Monitoring, (clint.loh@mswg.org.my)

DISCLOSURE OF INTERESTS

• *With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.*

DISCLAIMER

This newsletter and the contents thereof and all rights relating thereto including all copyright is owned by the Badan Pengawas Pemegang Saham Minoriti Berhad, also known as the Minority Shareholders Watch Group (MSWG).

The contents and the opinions expressed in this newsletter are based on information in the public domain and are intended to provide the user with general information and for reference only. Best efforts have been made to ensure that the information contained in this newsletter is accurate and current as at the date of publication. However, MSWG makes no express or implied warranty as to the accuracy or completeness of any such information and opinions contained in this newsletter. No information in this newsletter is intended to be or should be construed as a recommendation to buy or sell or an invitation to subscribe for any, of the subject securities, related investments or other financial instruments thereof.

MSWG must be acknowledged for any part of this newsletter which is reproduced.

MSWG bears no responsibility or liability for any reliance on any information or comments appearing herein or for reproduction of the same by third parties. All readers or investors are advised to obtain legal or other professional advice before taking any action based on this newsletter