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

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Beware the Investment Gurus - When freedom of speech has its limitation

Hercule Poirot, the fictional Belgian detective created by detective maestro Agatha Christie, was renowned for leveraging psychology and his extensive knowledge of human nature to solve complex crime cases.

Indeed both the elements of psychology and knowledge of human nature are powerful tools that can be subtly applied across a wide array of fields, not necessarily limited to the criminal sphere.

Investors who follow certain stocks would have come across a re-enactment of B.F. Skinner's reinforcement theory with some shareholders cum investment gurus consistently feeding both existing and would-be investors with an ultra-positive outlook which is tantamount to hard-selling in the marketing realm.

Some local investment gurus cast their nets wide and far by leveraging digital medium including social media (i.e. their blogs, Facebook and popular stock information platforms like I3investor, among others, to conduct their sophisticated and systematic brain-washing processes which are so tantalising that even an investor with massive will-power will ultimately be tempted to hitch a ride on their bandwagon.

For the record, these so-called investor-investment gurus – who are also persuasive stock market influencers – churn out several postings to boost the price of stocks while hiding behind the "buy at your own risk/peril" caveat.

Such modus operandi is sometimes accompanied with a claim that they are doing all this with the good intention of helping investors at large.

The hype is sometimes based on some or a combination of the following assertions:

- that investors are unlikely to lose money when foreign funds are queuing up to buy the company so aggressively (can't go wrong!).

- that these gurus have posted the most buy recommendations for this particular stock than any other stocks previously (this is the one, don't miss it!),

- taking a snipe at those who have sold earlier by declaring that they cannot expect to buy back at cheaper prices nor find another stock with a similar profit growth prospect (don't miss out!).

- that the gurus have borrowed to invest in that stock (see how confident I am!)

Self-censorship

Just because a company is thus far financially healthy, investors are advised not to throw caution to the wind. Investors who follow such influential shareholder cum investment gurus closely must be aware of how they sometimes have 'dumped' another counter prior to aggressively promoting the current counter.

Some of these investment gurus gentlemanly admit their mistake in over-estimating the true potential of an earlier company, but many retail investors who followed their footsteps back then were caught with their pants down as the stocks plunged. In some instances, these plunges may be as much as almost 70% to 80%. Such gentlemanly admissions are of little comfort to the shareholders who have lost substantially.

At the end of the day, investors must conduct their own due diligence and trust their own instincts as it is their money and they are the master of their own destiny.

While it is not a crime to encourage others to buy the stocks that one owns, below are few measures that listed companies, market regulators, substantial shareholders and self-proclaimed stock gurus should take heed of:

- Investor Relations: Perhaps companies through their Investors Relations unit could initiate some heart-to-heart talk with those investors cum market gurus who are trying to 'talk-up' the share price so that these gurus do not go overboard with incessant promoting of the company's stock in the public sphere.

After all, actions of these gurus can be a misdeed to companies given that these gurus may be deemed as being in cohort with companies to push up share price.

- Intervention by market regulators: Recall that Securities Commission (SC) and Bursa Malaysia had previously warned investors over the increased use of blogs, forum and social media platform to spread false and misleading information on certain companies to perpetrate "pump and dump" schemes.

Following the effort by SC and Bursa Malaysia, an investment blog had been removed in March 2018 due to the publication of various articles that contain statements and forecasts that were misleading and deceptive, and this is an

offence under Section 178 of the Capital Markets and Services Act 2007 (CMSA).

The authorities should continue to monitor closely bloggers and investment gurus whose market views have strong underlying buying tones especially if they are also prolific influencers to check for market breaches (their actions can be a subtle form of market manipulation).

In the words of André Kostolany, a prominent stock market investor who made most of his fortune during the reconstruction of Europe after World War II, "Facts only account for 10% of the reactions on the stock market; everything else is psychology."

Why should assets held by a company be acquired under the name of a director?

That is exactly the same question we had when perusing Trive Property Group Bhd's Annual Report for 2019.

Nestled in page 103, under Note 14, of the Financial Statements under Short-term investment, investments in quoted shares in Malaysia (at cost) was shown as RM3.26 million.

But the impairment was a humongous RM2.35 million resulting in a net value of investment of RM875,595 – an impairment of 73% of total investment in quoted shares. But what was puzzling is the note below these figures which states "Investments in quoted share are acquired under the name of director'.

So, who is the legal owner of these shares – the Company or the Director?

That is the question that MSWG raised at the Company's AGM on 13 January. The Board replied that the '*shares placed under Dato' Kua, Dato' has executed a trust deed filed with a lawyer to facilitate the monitoring process with shareholders interest in safeguard*'. Dato' Kua Khai Shyuan is the executive director of the Company.

This then begs the question, why was the 'trust agreement' not mentioned under Note 14 of the Financial Statement, and why go about acquiring investments in quoted shares in such a round-about way.

The Company could have acquired the shares in its own name.

By Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 20 January 2020 – 24 January 2020

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
20.01.20 (Mon) 10.00 am	Fraser & Neave Holdings Bhd (AGM)	Next key area of growth – dairy farming (zero experience).
21.01.20 (Tue) 09.00 am	Bright Packaging Industry Bhd (AGM)	Declining trend in cigarette volume - a challenge to the Company to maintain its sales
21.01.20 (Tue) 10.30 am	Chin Teck Plantations Bhd (AGM)	High level of cash per share (RM3.20 per share), for future expansion? For dividend? RM27 million was used to purchase investment securities - Rate of return?"
21.01.20 (Tue) 11.00 am	NWP Holdings Bhd (AGM)	The Group has been loss-making for the past five years. When will the Company turn around?
21.01.20 (Tue) 03.00 pm	PLB Engineering Bhd (AGM)	Financial performances of waste management and solar energy segment have improved. Focus of the property segment will be on affordable housing.

Some of the questions raised to PLCs prior to the AGM/EGM are as followed: -

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Fraser & Neave Holdings Bhd (AGM)	1) Export sales of F&B Thailand to Cambodia experienced a huge drop of 49% (RM90.62 million) to RM94.11 million in FY19 from RM184.8 million in FY18 (page 186 of AR2019). What caused the decline and how does the Company plan to stem the decline?
Bright Packaging Industry Bhd (AGM)	1) The Group's core business is focused on the high margin tobacco and liquor packaging segments (page 7 of AR2019). In addition, contribution from Customer A made up 95% of Bright Packaging's revenue (2019: RM67.89 million) in FY19, compared to 92% of RM54.28 million in FY18 (page 103 of AR2019). a) With less rosy outlook in the tobacco industry moving forwards, (as predicted by industry analysts that global cigarette volume will decline by 8% by 2020, page 12 of AR2019), how does the Company deal with this challenge as a decline in cigarette volume would inevitably lower the demand for aluminum foil paper? b) From the perspective of risk management, how does the Company manage the risk of relying on this single largest customer? What are the efforts put to diversify its clientele base and business segment over the years?
Chin Teck Plantations Bhd (AGM)	During FY2019, the Group subscribed for additional shares in Global Formation Sdn Bhd ("GFSB") and Chin Thye for a total cash consideration of RM 11,606,120 (Page 18 of Annual Report (MD&A)) Due to the disruption in routine harvesting of FFB and the continued losses incurred by GFSB, the Company had provided for impairment loss of RM27 million in its investment in GFSB (Page 116 of the Annual Report), (a) Given the continued unrest in Indonesia and losses incurred by GFSB, will the Company continue to inject capital to GFSB, moving forward? (b) Will GFSB expected to contribute positively to the Group in the near future?
NWP Holdings Bhd (AGM)	Under Ordinary Resolution 1, the Group is seeking shareholders' approval for the payment of Directors' fees of up to RM400,000 for the financial year ending 31 August 2020 and other benefits

	payable of up to RM150,000 for the period commencing from 21 January 2020 up to the next Annual General Meeting of the Company. a) Please provide the breakdown of the fees and other benefits. b) Directors' fees of up to RM400,000, which is being tabled for shareholders' approval, increased substantially from the previous year's of RM24,000 (Page 19 of the Annual Report 2019). Please explain the justification for the increase in Directors' fees especially since the Company is still a loss-making.
PLB Engineering Bhd (AGM)	PLB Eco Solutions Sdn. Bhd. ("PLBES"), a 77.78% owned subsidiary reported a much lower revenue of RM0.73 million in FY 2019 as compared to RM5.74 million in FY 2018. PLBES reported a loss of RM4.53 million in FY 2019 as compared to RM1.25 million in FY 2018. (pages 86 & 87 of Annual Report) (a) What are the reasons for the lower revenue and higher losses? (b) What measures have been taken to increase revenue and profit of PLBES? (c) What is the outlook for PLBES in FY 2020?

Details of the other questions to the companies can be obtained via MSWG's website at www.mswg.org.my.

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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.

DISCLAIMER

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