MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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❖ Future-proofing Malaysian GLICs with global benchmarks

Malaysia is no stranger to witnessing one too many par excellence initiatives just fizzling out into oblivion.

Despite the change of government, let us hope that the recently unveiled Perkukuh Pelaburan Rakyat (PERKUKUH) will serve its ultimate aim of boosting the country's longer-term economic prospects and resilience by focusing on good governance to foster sustainable growth, strengthened socio-economic inclusivity and environmental sustainability.

PERKUKUH's core focus is to optimise the strategic positioning and long-term direction of the nation's government-linked investment companies (GLICs) and government-linked companies (GLCs) to ensure they are future proofed with their key objectives aligned to the broader national agenda.

Many minority shareholders invest in the shares of listed GLCs given their sheer size and adherence to higher standards of corporate governance. Thus, any positive improvements to listed GLCs will be of benefit to minority shareholders. Improvements to unlisted GLCs will also improve the government ecosystem when it comes to functioning cohesively in an efficient and effective manner.

GLICs such as Khazanah Nasional Bhd, Employees Provident Fund (EPF), Kumpulan Wang Persaraan (Diperbadankan) (KWAP) are substantial shareholders in many GLCs. Any improvements to GLICs will also find its way to improving GLCs albeit indirectly.

Slicing out all the 'rhetoric', PERKUKUH does set a new direction for future proofing Malaysian GLICs as world class sovereign wealth funds (SWFs) and institutional investors to deliver the mandate of stakeholders/shareholders while balancing the broader national socio-economic and developmental objectives.

While it can be accepted that GLICs have played a pivotal role in shaping national capital market and funding ecosystem, their quest to champion stakeholder capitalism and roles in national developmental policy have changed significantly.
Correspondingly, some GLICs have seen their returns on investment stalled in the past decade. Along with the continuous change within the global investment climate,

investors now place more emphasis more on Environmental, Social, and Governance (ESG), or ESG related matters. Should GLCs fail to keep up with such change, this could be a major investment risk to our country.

Such development gives rise to the need to recharge them so that they are capable to embrace exemplary governance practices alongside sound financial resilience in asset-liability management.

Transparency and accountability

During the COVID-19 pandemic, many fiscal-constrained governments have been tapping SWFs to help fund budgets and provide stimulus to businesses and households.

There is now a growing realisation that SWFs are no longer stand-alone institutions, but rather a part of the fiscal policy tools that are fully integrated into their macroeconomic management.

In Malaysia, Khazanah and EPF as well as other institutional investors are contributing to total fiscal stimulus and economic packages to mitigate the pandemic impact.

On the aspects of future proofing the GLICs with best-in-class governance, capabilities and strategies, it is proposed that an independent and transparent body, to be oversighted by the Parliamentary Select Committee (PSC), undertake the screening and vetting of nominated directors of GLICs and GLCs.

This is to ensure that those appointments are made objectively based on meritocracy, qualifications and requiring the appointees to pass a fit-and-proper test by the regulating entity or PSC.

The GLICs ecosystem requires effective oversight and coordination to strengthen accountability, transparency and trust in carrying out their mandated roles.

Moving forward, it is hoped that PERKUKUH would draw up a roadmap with measurable key performance indicators (KPIs) – to assess financial and society impact – in addition to a mechanism to monitor and review the initiatives in recharging GLICs to better serve their stakeholders and shareholders.

In essence, GLICs must be re-oriented not only to maintain sustainable investment and economic dividend performance but also be streamlined with socio-economic and developmental objectives.

GLIC's reaction to PERKUKUH

GLICs have reacted positively towards the government's mandate to reform, enhance and future-proof themselves.

With PERKUKUH, Khazanah has pledged to sharpen its focus by enhancing the clarity of its mandate with greater accountability of its investing through clear development-specific target outcomes and KPIs in addition to its existing financial targets.

Moreover, Khazanah is committed to build upon its Responsible Investment Policy which outlines its philosophy on ESG as well as its approach for integrating ESG considerations into the investment decision-making processes.

EPF and Permodalan Nasional Berhad (PNB) also echoed the call to optimse returns for members in a sustainable manner.

EPF is committed to support the initiative to introduce the Green Investing Opt-in Funds that will empower members to make investment choices that are reflective of their personal values and causes.

"This medium to long-term initiative will also contribute positively to the EPF's sustainability commitments as well as the national socioeconomic goal to spur the green economy and promote positive societal impact," EPF said in a media statement.

As for PNB, it believes that long-term sustainable returns can only come from sustainable practices, thus it is committed to devote substantial resources on ESG to transition its investment portfolio towards sustainable business models and practices.

Meanwhile, KWAP saw the PERKUKUH mandate as a mean to strengthen its role and accelerate its ability to provide optimum return that are sustainable via a more robust pension fund structure.

"With the new and refined mandate in place, we are optimistic that it dovetails into our core aspirations of resilience, sustainability and governance," said KWAP in a press release.

Such pronouncements by GLICs will trickle down to their investee listed companies and this will be a boon to the minority shareholders of those listed companies – and to the GLICs as investors.

Other GLICs would have also adopted similar commitment and stance and all this can only contribute to a better capital market ecosystem with substantial spill-over benefits to minority shareholders.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 23 – 27 August 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
23.08.21 (Mon) 10.00 am	Dominant Enterprise Bhd (AGM)	Dominant's pretax profit remain largely unchanged, increasing

		slightly to RM20.8 million in FY2021 from RM20.2 million a year ago.
24.08.21 (Tue) 10.00 am	SAM Engineering & Equipment Bhd (AGM)	SAM Engineering recorded RM873.7 million revenue (FY2020: RM938.7 million) and PBT of RM81.8 million (FY2020: RM99.7 million) in FY2021. Aerospace business booked a LBT of RM22.2million (FY2020: PBT of RM37.3 million) while Equipment business registerd a PBT of RM104 million in FY2021 (FY2020: RM62.3million). The demand for its products remained strong and the Group will be expanding its capacity in tandem with customers' increased demand.
24.08.21 (Tue) 02.30 pm	WCE Holdings Bhd (AGM)	WCE recorded a loss before tax of RM104.9 million during the current financial year as compared to RM55.8 million in the previous financial year. The highway concession segment has reported a loss before tax in the current year mainly due to the interest expense in relation to the project financing for completed sections of the Project.
25.08.21 (Wed) 01.00 pm	PNE PCB Bhd (AGM)	Despite a higher revenue of RM80 million recorded in FY 2021 compared to RM65.1 million in FY 2020, the Group still incurred net loss of RM4.8 million (FY2020: LAT RM8.1 million). To reduce its dependence on PCBs, it has diversified into developing air ventilators, manufacturing, sales and distribution of surgical face masks and manufacture and sale of rubber gloves.
25.08.21 (Wed) 02.00 pm	Eastern & Oriental Bhd (AGM)	E&O recorded RM304.7 million revenue in FY2021, which was a 37.4% (RM182.1 million) decrease as compared to RM486.8 million recorded in FY2020. For FY2021, the Group recorded LBT of RM48.0 million compared to RM155.6 million in FY2020, a lower loss of RM107.6 million or 69.1%.

		The lower revenue was mainly attributed to the properties segment and the hospitality segment.
25.08.21 (Wed) 03.00 pm	Alliance Bank Malaysia Bhd (AGM)	For FY2021, Alliance Bank registered strong pre-provision operating profit growth of 15.3% y-o-y to RM1.016 billion (FY2020: RM882.3 million) due to higher revenue and strict expense control. Meanwhile, net profit declined 15.43% y-o-y to RM358.78 million from RM424.26 million in FY2020 due to higher level of provision for expected credit losses on loans, advances, financing and other financial assets. The Bank aspires to be a Top 4 SME Bank in Malaysia and achieve a return on equity of between 10% and 11%.
26.08.21 (Thur) 10.00 am	Eduspec Holdings Bhd (AGM)	Eduspec reported a LAT of RM23.5 million while revenue decreased to RM9.2 million (FY2020: RM25.8 million) mainly due to significant reduction in revenue from programs income due to closure of schools in Malaysia and Philippines as part of the containment measures to curb the spread of the COVID-19 disease. Due to the changes in government policies for the provision of IT learning programs and educational services at public schools since July 2018, the Group's revenue had dropped substantially. With the new policy reversal and introduction of STEM as the new program replacing IT learning programs, the Group will see a substantial growth in revenue soon post pandemic.
26.08.21 (Thur) 10.00 am	IJM Corporation Bhd (AGM)	IJM's PBT" in FY2021 increased by 50.6% to RM779.56 million from RM517.77 million in FY2020 due to

		higher profit contribution from the Plantation Division as well as non-recurring gains recognised in the year, which comprised of unrealised foreign exchange gains of RM115.48 million, as well as gains from the disposal of ICP Jiangmen and some property, plant and equipment amounting to RM78.58 million.
26.08.21 (Thur) 11.30 am	Atlan Holdings Bhd (AGM)	Atlan reported revenue of RM388 million in FY2021, a 53.5% declined compared to FY2020, mainly attributed to the closure of most of its duty-free outlets due to lockdowns. Consequently, the Group incurred a LBT of RM33 million in FY2021 as compared to a PBT of RM28 million in FY2020, mainly due to impairments of goodwill and property, plant and equipment. Atlan expects the international and domestic travel activities will remain low and private consumption is anticipated to remain weak due to the lingering impact of movement restrictions and income loss.
26.08.21 (Thur) 10.00 am	AME Elite Consortium Bhd (AGM)	AME recorded revenue of RM460.6 million in FY2021, up 21.1% from RM380.3 million previously, contributed by all-round growth across the property development, as well as property investment and management services segments.
27.08.21 (Fri) 10.00 am	Kuala Lumpur Kepong Bhd (EGM)	The EGM will seek shareholders' approval for the proposed acquisition of 56.20% equity interest in IJM Plantations Berhad ("IJMP") from IJM Corporation Berhad for RM1.53 billion ("Proposed Acquisition") and the resultant Proposed Mandatory General Offer to acquire all the remaining IJMP shares at cash offer price of RM3.10 per IJMP share not already held by KLK after the Proposed Acquisition.

		KLK intends to maintain the listing status of IJMP unless it receives valid acceptances under the Proposed MGO or acquires offer shares resulting in KLK and its associates holding in aggregate 90% or more of the IJMP shares.
27.08.21 (Fri) 11.00 am	Southern Acids (M) Bhd (AGM)	Southern Acids is cautious on the prospect in the oleochemical business given the highly competitive market and its lack of economies of scale. It seeks to further automate processes and look to further rationalising cost to improve operational efficiencies. Meanwhile its healthcare segment is likely to face another challenging year as the country is battling the COVID-19 pandemic.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Dominant Enterprise Bhd (AGM)	In FY2021, the Distributing of wood products segment recorded another impairment loss on trade and other receivables amounting to RM1,532,327(FY2020: Impairment loss of RM429,665) (Pages 96-97 of the Annual Report 2021). a) Which trade and other receivables are involved in the impairment exercise? b) Are there any prospects of reversing the impairment loss for both receivables in FY2022? If so, what is the expected amount of the reversal of the impairment loss? c) How much of these impairment losses have been recovered to-date?
SAM Engineering & Equipment Bhd (AGM)	The Equipment business achieved 43.5% higher revenue than the previous financial year, to RM701.8 million. The increase was mainly due to stronger demand in the semiconductor and data storage industries. PBT for the Equipment business increased by 66.9% to RM104.0 million compared to previous financial year. (Page 16 of Annual Report – AR) What percentages of increases in both revenue and PBT were attributed to semiconductor and data storage

	industries respectively? For approximately how long is the stronger demand expected to last?
WCE Holdings Bhd (AGM)	1. There is an impairment loss recorded for other receivables in FY2021. The impairment loss is related to an amount of RM2,384,110 representing interest receivable from the disposal of the second tranche of 400,000,000 ordinary shares held in Talam Transform Berhad, a former associate of the Company (Pages 104-105 of the Annual Report 2021). a) Is the amount recoverable? If so, what is the expected recoverability amount in FY2022? b) What event caused the impairment to be made in FY2021 and not earlier? c) Has any of this impairment loss been recovered to-date? 2. Other income increased significantly from RM1,465,000 in FY2020 to RM9,246,000 in FY2021 (Page 54 of the Annual Report 2021). What are the reasons for the significant increase in other income? What is the outlook for other income in FY2022?
PNE PCB Bhd (AGM)	The Group has been developing other markets such as manufacturing, sales and distribution of surgical face masks in April 2021 to reduce its dependence on PCBs. Besides, the Group had on January 2021 announced that it will be diversifying into the manufacture and sale of rubber gloves after taking into consideration the current market demand for rubber gloves. (Page 36 of AR) How will the Group manage the risks of the lack of/inadequate experience and expertise in these unrelated diversified businesses and the potential oversupply of rubber gloves?
Eastern & Oriental Bhd (AGM)	The Group had awarded construction contracts of RM55.1 million in FY2021to Kerjaya Prospek Group Bhd ("KPGB"), where Datuk Tee Eng Ho is a major shareholder of the Company as well as KPGB. These contracts are related party transactions entered on terms mutually agreed between the parties. (Page 205 of AR) The Group has also awarded RM223.3 million construction contracts in relation to piling and main building construction works, bridge construction, edge protection and reclamation works at Seri Tanjung Pinang Phase 2 and other E&O projects to companies within the KPGB. (Page 97 of AR),

	a) Why are the related party transactions entered with KPGB on terms 'mutually agreed' between the parties instead of on an 'arm's length' basis? Are the 'mutually agreed' contract terms in the contracts awarded to KPGB more favorable compared to 'arm's length' terms? b) Please explain the process of awarding construction contracts to contractors including when they are at 'arm's length' and when they are 'mutually agreed' and whether there are tender processes involved.
Alliance Bank Malaysia Bhd (AGM)	Alliance Bank's credit policy prohibits lending to illegal business activities that cause environmental harm (page 32 of AR2021). What are the prohibited business activities listed in Alliance Bank's lending policies? Has the Bank integrated the environmental, social and governance (ESG) aspects in its lending policies? If yes, what are the measurable goals, targets, KPIs established to support the agenda?
Eduspec Holdings Bhd (AGM)	1. The Group's other receivables increased to RM18.6 million (2020: RM13.9 million) mainly due to increase in deposits amounting to RM9.3 million (2020: RM3.9 million) and prepayment of RM8.7 million (2020: RM4.1 million) (Note 13, page 132 of AR2021). a) What is the reason for the increase in deposits and prepayment? What is the increase in deposits and prepayments related to? b) Other receivables written off was approximately RM6 million (2020: Nil) (Note 13, page 132 of AR2021). What is the nature of the other receivables written off? What were the measures taken to recover the RM6 million prior to being written off? 2. Practice 1.2 - The Company does not have a designated Chairman and is still trying to identify an appropriate candidate for this position (page 6 of CG Report 2021). As highlighted in MSWG's letter last two years, the Chairman's position had been left vacant for many years. According to Eduspec's reply letter dated 26 August 2020, the Company has identified the potential candidate and target to officiate the appointment in early 2021.

	a) What has aborted the appointment of the identified candidate to fill the position? b) The Board has 5 independent non-executive directors, why has the Board not appointed one of them as the independent Chairman?
IJM Corporation Bhd (AGM)	**<u>Joint Ventures</u>** a) IJM recorded a share of profits of joint ventures of RM12,996,000 in FY2021 which is lower by 57.1% compared to a share of profits of RM30,272,000 recorded in FY2020 (Page 194 of the Annual Report 2021). What are the main reasons for the lower share of profits of joint ventures in FY2021? What is the outlook for the joint ventures in FY2022? b) There is an allowance for Impairment of amounts owing by joint ventures of RM27,286,000 recorded in FY2021(FY2020: Allowance for Impairment of RM6,063,000) (Page 255 of the Annual Report 2021). I. Are the amounts owing by joint ventures recoverable? If so, what is the expected recoverability amounts in FY2022? II. Have any of these amounts owing by joint ventures been recovered to-date?
Atlan Holdings Bhd (AGM)	The Group's core business, duty-free segment reported revenue of RM223.5 million in FY2021, a decrease of 63.8% compared to RM616.6 million in FY2020. The lockdowns and closure of international borders by the Malaysian Government led to the Group's retail outlets' closure at the airport and Malaysia-Thailand border since 18 March 2020. Outlets that were opened experienced an overall decline in sales due to subdued consumer demand. Consequently, the duty-free segment reported loss before tax of RM28.2 million as compared to profit after tax of RM26.0 million in FY2020 (page 20 & 21 of Annual Report (AR) 2021). a) What is the impact on the duty-free segment's operations as a result of the latest Movement Controlled Order (MCO) 3.0? b) How is the Board planning to mitigate the impact of the prolonged closure of international borders on duty-free segment's business activities? How many duty-free outlets the Group is currently operating and how many were closed in FY2021?

	c) The duty-free segment business environment is expected to remain challenging (page 22 of AR 2021). Does the Group have an e-commerce or online strategy to complement its duty-free outlets? If none, why was it not considered by the Group? d) What are the Group's strategic growth plans going forward? How will the Group prepare itself for a post-pandemic environment to ensure timely business recovery and sustainability?
AME Elite Consortium Bhd (AGM)	<u>Other income and other expenses</u> a) What are the reasons for the significant decrease in other income from RM15,836,610 in FY2020 to RM10,456,735 in FY2021 (Page 80 of the Annual Report 2021)? What is the outlook for other income in FY2022? b) What are the reasons for the significant increase in other expenses from RM482,005 in FY2020 to RM1,295,118 in FY2021 (Page 80 of the Annual Report 2021)?
Southern Acids (M) Bhd (AGM)	**<u>Oleochemical Segment</u>** **<u>FY2021</u>** **<u>FY2020</u>** **<u>Changes</u>** Revenue (RM'000) 325,541 282,410 15.3% Loss Before Tax (RM'000) (548) (3,219) 83.0% The Oleochemical segment posted a pre-tax loss of RM0.5 million as compared to a pre-tax loss of RM3.2 million for the year before. The lower segmental loss posted in FY2021 was due to higher ASPs for fatty acids and glycerine, notwithstanding lower sales and production capacity utilisation. Is the performance of the Oleochemical segment expected to improve in FY2022? What is the guidance on revenue and profit/loss before tax?

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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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