



The Observer

26.03.2021

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.

❖ Of ensuring good corporate governance and conduct

The quest to maintain market integrity and good governance by driving accountability among public listed companies (PLC) is a tedious task especially with the COVID-19 pandemic having severe impact on the equity market – from both the financial and corporate governance (CG) fronts.

What this means to the market regulator is the need to enhance vigilance with continued focus to strengthen supervision and surveillance to ensure that the capital market operates in a fair and orderly manner while responding to the ongoing health crisis.

Below are the excerpts from the Securities Commission's (SC) Annual Report 2020 with regard to SC's aspirations to maintain market integrity and good governance with the interest of minority shareholders in mind:

Strengthening the corporate governance ecosystem: The Corporate Governance Council was formed to co-ordinate and align CG initiatives among members of the Council and relevant stakeholders.

Chaired by the SC, the Council comprises representatives from Bursa Malaysia, Institute of Corporate Directors Malaysia (ICDM), Institutional Investors Council (IIC), Malaysian Institute of Corporate Governance (MICG) and the Minority Shareholders Watch Group (MSWG).

The inaugural meeting of the Council was held in April 2020 with the Council's priorities for 2020/2021 identified. The Council also formed a sub-working group to review and streamline existing CG assessments and awards for listed companies.

Promoting shareholder activism: An *Annual General Meeting (AGM) Corporate Governance Checklist for Shareholders* was introduced to promote meaningful dialogue between shareholders and the board of directors at AGMs.

The CG Checklist was developed in collaboration with the IIC and the MSWG. It guides shareholders on key issues that they may need to consider or raise at an AGM before exercising their voting rights.

These relate primarily to resolutions commonly tabled at AGMs such as the appointment of directors, approval of directors' fees and the appointment of auditors.

Heightened monitoring of trading activities: The SC continues to work closely with Bursa Malaysia to monitor, detect and respond to suspected market abuses relating to prevailing areas of concern.

In 2020, the SC observed a growing trend of PLCs announcing possible ventures into health-related businesses such as gloves, facemasks, and COVID-19 vaccines. Such developments tend to garner exceptionally high trading interest in the shares of those companies.

As a result, there were increased risks of market abuse such as insider trading and price manipulation surrounding their announcements and related news flows. Trading irregularities were promptly detected and prioritised for further analysis. Where elements of possible market abuse are established, such cases were identified for further investigation.

Surveillance observations in relation to trading activities by capital market intermediaries also facilitated the SC's supervision over the intermediaries' controls and governance standards.

Fair and orderly market: To mitigate potential risk arising from exceptional levels of market volatility and global uncertainties, short selling activities covering intraday short selling (IDSS), regulated short selling (RSS) and intraday short selling by proprietary day traders (PDT) were suspended from March to end-April 2020.

The suspension did not apply to permitted short selling (PSS) given that PSS is an important market operation tool vis-à-vis market-making activities for products such as exchange-traded funds (ETF).

After the SC's continuous review of market conditions, the suspension of short selling was further extended to end of June 2020 and subsequently to December 2020. The phased approach was undertaken to allow greater agility in responding to the uncertain and challenging environment.

The extensions were to ensure that excessive speculative activities and downside risks in the marketplace were appropriately mitigated and managed.

Listed companies with unsatisfactory financial conditions: Acknowledging the difficult economic environment that businesses are operating in, Bursa Malaysia has provided temporary relief to affected listed issuers from being classified as a Practice Note 17 (PN17)/ Guidance Note 3 (GN3) listed issuer.

Listed issuers that trigger the Suspended Criteria from 17 April 2020 to 30 June 2021 will not be classified as a PN17/GN3 listed issuer.

PLCs will be accorded the relief from complying with the obligations under paragraph 8.04 and PN17 of the Main Market Listing Requirements (MMLR) or ACE Market Listing Requirements for a 12-month period from the date of triggering the specified criteria. The PLCs are only required to make an immediate announcement when the specified criteria are triggered and the relief provided.

As of 31 December 2020, 13 PLCs have benefitted from the relief measures.

As for listed issuers that triggered PN17/GN3 criteria other than the suspended criteria or did not have an adequate level of operations (as set out in paragraph 8.03A of the MMLR, known as 8.03A Listed Issuers) between 2 January 2019 and 31 December 2020, Bursa Malaysia has extended the timeframe for submission of the regularisation plan from the existing 12 months to 24 months, with effect from the date when the PLC first announced that it is a PN17/GN3 listed issuers or 8.03A Listed Issuers.

A total of 17 PN17/GN3/8.03A listed issuers have benefitted from such relief measures.

The conduct of fully virtual general meetings: As part of the relief and support measures for affected listed issuers, the SC and Bursa Malaysia allowed flexibility on the timing of AGMs and the issuance of quarterly and annual reports.

Since the issuance of the *Guidance and FAQs on the Conduct of General Meetings for Listed Issuers* by the SC on 18 April 2020, there were a total of 888 listed issuers conducted 1,017 general meetings (until 31 December 2020).

Of total, 824 were AGMs, 192 were extraordinary general meetings (EGMs) and one was meeting of unitholders. There were 541 fully virtual meetings while three were hybrid.

Relief measures on fundraising: The SC together with Bursa Malaysia had announced various regulatory relief measures to ease compliance by listed issuers and facilitate fundraising in a timely and cost-effective manner.

A total of 389 companies have benefitted from the various listing fee waivers while 47 companies have announced fundraising exercises under the increased/new general mandates.

Stock market participation: In terms of participation rate, non-residents remained net-sellers of local equities with total outflows of RM24.6 billion, as compared to an outflow of RM11.1 billion in 2019.

Correspondingly, net buy by local institutional and retail investors increased, amounting to RM10.3 billion and RM14.3 billion respectively. Cumulatively, net buy from retail investors surpassed institutional investors in 2020 as retailers sought short-term gains in assets offering higher returns, specifically in glove- and technology-related counters which rode on the pandemic wave.

Hence, the participation rate for retail investors rose sharply in 2020 to an average of 32.4% in terms of value traded. It was significantly higher than the prior year of 20.8% and the five-year average of 21.4%.

Surveillance of corporate activities: An important aspect of the SC's surveillance and supervisory function involves the monitoring of announcements and disclosures by listed companies, and financial reporting developments affecting the capital market. Based on the identified risks and focus for 2020, the SC conducted surveillance reviews into the activities of 229 listed companies.

During these reviews, 174 engagements (including physical and virtual meetings) were undertaken with directors, statutory auditors and other parties related to the affairs of the listed companies such as advisers, company secretaries and forensic investigators.

Corporate transgressions detected in 2020 included:

- Using fictitious documents to drawdown on banking facilities;
- Channelling of company's asset to another party;
- Issuing misleading announcement to induce share trading;
- Issuing shares to related parties at a price, which was unfavourable to the listed company;
- Entering into asset acquisition agreements at inflated prices;
- Recording fictitious revenue; and
- Failure to disclose material litigation.

Compliance with anti-corruption policies and procedures: Considering the corporate liability provision under section 17A of the Malaysian Anti-Corruption Commission Act 2009 which came into effect on 1 June 2020, the SC undertook a thematic review covering 255 intermediaries to assess the level of intermediaries' compliance with the requirements on anti-corruption policies and procedures.

While the SC's review found that most intermediaries had anti-corruption policies and frameworks in place, there was still room for improvement. These include the adequacy and comprehensiveness of policies and procedures risk assessment, monitoring, and training.

The SC noted that 68% of intermediaries had displayed a good overall level of compliance, having an adequate anti-corruption framework. Meanwhile, 19% of intermediaries had a satisfactory level of compliance and 13% requiring enhancements to their anti-corruption framework.

Following the thematic review, the SC will be taking the following steps to communicate its observation to the intermediaries and the industry:

- Issuance of supervisory letters to intermediaries, requiring significant enhancements to the framework to ensure relevant gaps are addressed;
- Issuance of communication to the senior management of intermediaries (by regulated activity) to share the specific observations noted from the thematic review; and
- Publication of specific observations and good practices noted from thematic review in the SC's newsletter, *The Reporter*.

Regulatory parameters on investment advice: The MCO period saw a sharp increase in trading activity by retail investors. The situation also gave rise to dissemination of investment advice by members of the public on various social media platforms.

As the provision of investment advice is a regulated activity under the Capital Market & Services Act (CMSA) 2007, the SC issued the Guidance Note on Provision of Investment Advice on 30 December 2020 to clarify the types of activities that may be tantamount to investment advice, thus requiring a licence from the SC.

Conducting the business of offering investment advice without a license is an offence under the CMSA that is punishable with a fine not exceeding RM10 million or imprisonment not exceeding 10 years, or both.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 29 March – 2 April 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
29.03.21 (Mon) 10.00 am	Digistar Corporation Bhd (AGM)	<p>Digistar's revenue decreased by 19% to RM26.3 million in FY2020 (FY2019: RM32.5 million) mainly due to the significant decrease in revenue contribution from the hospitality segment.</p> <p>The restriction on international and interstate travel had severely reduced occupancy rates which lead to the reduced revenue. it incurred a lower PBT of RM0.63 million as compared to a PBT of RM1.87 million the year before.</p> <p>The Covid-19 significantly affected its operations, especially the hospitality division. Nevertheless, its securities division has been aggressively expanding in the securities and monitoring market, this is a segment that will continue to grow.</p>
30.03.21 (Tue) 10.30 am	Visdynamics Holdings Bhd (AGM)	Visdynamics' revenue decreased by 21% to RM26.27 million (FY2019: RM33.25 million), while net profit was

		<p>RM2.45 million (FY2019: RM5.070 million). The Covid-19 pandemic and MCO have impacted its revenue, resulting in lesser sales to customers as compared to previous year.</p> <p>Nevertheless, the Group expects a continued build-up of potential orders in the pipeline and continues to have a healthy financial position.</p>
31.03.21 (Wed) 10.00 am	BIMB Holdings Bhd (EGM)	The EGM will seek shareholders' approval for BIMB to conduct a slew of internal reorganisation exercises which will see the Bank Islam Malaysia Berhad (a wholly-owned subsidiary of BIMB) taking over the listing status of BIMB on the Main Market of Bursa Malaysia.
31.03.21 (Wed) 10.30 am	Eco World International Bhd (AGM)	<p>EcoWorld International reported RM673 million revenue and RM83 million of net profit for FY2020, driven mainly by handover of units in West Village and Wardian.</p> <p>Annual sales rose 25% to RM1.4 billion on the back of strong international demand for UK properties while net gearing ratio improved to 0.35x as at October 2020 as the Group pared down its borrowings with the cash generated from handovers.</p>
31.03.21 (Wed) 10.30 am	Metronic Global Bhd (EGM)	The EGM is to seek shareholders' approval for the establishment of an ESOS program of up to 15% of Metronic's total number of issued shares.
31.03.21 (Wed) 11.00 am	LPI Capital Bhd (AGM)	<p>Notwithstanding a challenging FY2020, LPI managed to grow its topline performance with a marginal 1.72% growth in gross written premiums to RM1.55 billion from RM1.52 billion the year before.</p> <p>Net profit was up 4.46% to RM336.728 million from RM322.36 million for the same period.</p> <p>Meanwhile, its Combined Ratio (the sum of incurred losses & expenses as a</p>

		percentage of total earned premium) stood at 69.5%, which is about 20% below the industry average of 89.4%
31.03.21 (Wed) 12.30 pm	BIMB Holdings Bhd (CCM)	<p>The CCM is to seek the approval from BIMB-WA holder for a proposed payment to warrant holders by way of a scheme of arrangement (SOA).</p> <p>The Proposed SOA will entail payment of RM0.38 cash per warrant. The offer price is 46% higher than the RM0.26 offer price announced earlier.</p>
31.03.21 (Wed) 03.00 pm	Eco World Development Group Bhd (AGM)	<p>EcoWorld Malaysia recorded revenue and gross profit of RM2 billion and RM267.5 million respectively for FY2020, representing a year-on-year decrease of 19% and 43% respectively from FY2019.</p> <p>The lower revenue in FY2020 was due to the COVID-19 pandemic.</p>
31.03.21 (Wed) 03.00 pm	Permaju Industries Bhd (EGM)	<p>Permaju intends to seek shareholders' approval on the proposed private placement of up to 30% of the existing total number of issued shares of the Company at an issue price of not more than 20% discount to the 5-day VWAP of Permaju's Shares.</p> <p>The proceeds from the private placement will be used to finance the acquisition of the remaining 30% equity interest in Hardie Development Sdn Bhd (currently a 70%-owned subsidiary of Permaju).</p> <p>This exercise will have a dilutive impact on the shareholdings of existing shareholders.</p>
01.04.21 (Thur) 11.00 am	GPA Holdings Bhd	<p>The EGM is to seek shareholders' approval for a rights issuance exercise of up to 2.25 billion rights shares together with up to 1.35 billion free detachable Warrants B on the basis of 5 rights shares together with 3 free Warrants B for every 5 existing GPA shares held.</p> <p>The proceeds raised will be utilised for capex and working capital for the gloves business. GPA also proposed to</p>

		change its name from "GPA Holdings Berhad" to "JOE Holding Berhad".
01.04.21 (Thur) 02.00 pm	Dagang Nexchange Bhd	<p>The EGM is to seek shareholders' approval for the establishment of a new ESOS and issuance of share options to directors including independent non-executive directors (INEDs).</p> <p>In line with better CG, MSWG does not encourage the practice of giving options to INEDs as they do not play an executive role in the Company and are responsible for monitoring the option allocation to employees and executive directors.</p> <p>The Company will be terminating its existing ESOS which will be expiring on 24 August 2021</p>

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Digistar Corporation Bhd (AGM)	<p>The total cost incurred for the Group's internal audit function in respect of the financial year ended 30 September 2020 was RM11,567.42 (2019:RM22,880.00) (page 35 of AR2020).</p> <p>a) What is the reason for the huge decrease in fees incurred for the internal audit function of the Group? How many internal audit reports were issued during FYE 2020?</p> <p>b) Given that the fee is rather small (approximately RM963.95 per month), how does the Audit and Risk Management committee assure itself that there would be adequate coverage and that the audit function is effective?</p>
Visdynamics Holdings Bhd (AGM)	<p>Inventories of raw materials increase significantly to RM9.8 million (2019: RM5.5 million) (Note 8, page 80 of AR2020").</p> <p>a) Given the rising trend of commodity prices such as metal, aluminum, copper etc, is there any increase in raw material cost? To what extent has cost of raw materials increased?</p> <p>b) If commodity prices continue to rise, how will it impact the Group going forward?</p>

<p>Eco World International Bhd (AGM)</p>	<p>The Group had undertaken various initiatives to improve the cost structure for greater operational efficiencies and to ensure that the Group is able to weather any further storms in the future. (page 13 AR)</p> <p>a) What are the various initiatives which the Group has embarked on for greater operational efficiency?</p> <p>b) By How much have the overhead costs been reduced in FY 2020 compared to FY 2019?</p> <p>c) What are the overhead costs that the Group has successfully reduced in FY 2020?</p>
<p>LPI Capital Bhd (AGM)</p>	<p>LPI's Net Claims Incurred Ratio (CIR) improved to 41.2% in FY2020 from 43.9% in the previous year. In turn, this had contributed to lower Combined Ratio - a direct measure of insurer's profitability to 69.5% for the period January – September 2020 as compared to the industry average of 89.4% (page 19 & 22 of Annual Report 2020).</p> <p>However, the decline in the net CIR was mainly due to a moderation of Malaysian economic activities due to movement control measures.</p> <p>What is the expected net CIR for FY21 given that the Malaysian economy is recovering from the crisis in 2020?</p> <p>How will the expected performance of net CIR in FY21 influence LPI's profitability in FY21?</p>
<p>BIMB Holdings Bhd (CCM)</p>	<p>The Proposed Scheme of Arrangement (SOA) will entail the payment of cash of RM0.38 per warrant to the holders of BIMB's outstanding warrants 2013/2023 (BIMB-WA).</p> <p>a) If the resolution is unable to garner the 75% approval rate, would the Board address the outstanding warrants with new warrants in Bank Islam (page 19 of the Circular dated 8 March 2021)?</p> <p>b) Referring to Question 1(a), if the warrant replacement option is being considered, could the Board share the expected impact on the warrant-holders in terms of the value and the timing of the issuance of the new warrant?</p> <p>c) Will Syarikat Takaful Malaysia Keluarga Berhad be involved in the warrant replacement exercise?</p>

Eco World
Development
Group Bhd (AGM)

The Group has written down inventories of RM98.8 million in FY2020 (FY 2019 Nil). (page 75 of AR). Please provide a breakdown of RM98.8 million impairment?

MSWG TEAM

Devanesan Evanson, Chief Executive Officer, (devanesan@mswg.org.my)
Linnert Hoo, Head, Research & Development, (linnert.hoo@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)
Ranjit Singh, Manager, Corporate Monitoring, (ranjit.singh@mswg.org.my)
Rita Foo, Manager, Corporate Monitoring, (rita.foo@mswg.org.my)
Nor Khalidah Mohd Khalil, Executive, Corporate Monitoring, (khalidah@mswg.org.my)

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

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.