



The Observer

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❖ The responsibilities of being a shareholder

A shareholder is a person, company, or institution that owns at least one share of a company's stock. Shareholders own the company, and such ownership comes with certain rights and responsibilities.

There are four main responsibilities of being a shareholder, particularly of public listed companies (PLCs).

1. Ensure companies are well-run and well-managed.

Shareholders must ensure that companies holistically (rather than individual parts) are well-run and well-managed by the board of directors (the Board) and management.

Shareholders should evaluate the state of the companies that they are invested in. They should ask themselves the following questions to facilitate their evaluations:

- Do companies have good processes and systems in place?
- Are the companies adhering to laws and rules where they operate?
- Have the companies integrated economic, social, and governance elements and applied good corporate governance practices in their business?
- What is the top management and employee turnover rate?
- Is the reputation of companies in the market or industry positively viewed?
- Are the companies stable and robust in their top- and bottom-line financial performance where income is mainly generated from core businesses?
- What are the current financial positions of companies?
- Is the current debt level low?
- Are there any red flags in companies' business operations and financial statements?

The abovementioned questions are among the many questions that shareholders can ask to evaluate if companies are well-run and well-managed. On top of that, the annual general meeting is a formal avenue in which shareholders can ask relevant questions to the Board and get a direct response.

2. Vote for resolutions tabled at general meetings.

With the shares they own, shareholders are granted voting power to decide the outcome of resolutions tabled at general meetings.

It is quite common that shareholders exercise their voting power by voting 'against' resolutions such as re-election or re-appointment of directors, approval of directors' remuneration fees and benefits, if they are not satisfied with the performance of companies.

In short, they can 'hire or fire' any directors through resolutions and determine whether they are entitled to the fee and benefits payment.

The same goes for other corporate proposals tabled for shareholders' approval at general meetings. For instance, if shareholders deem that the tabled proposal is not in the best interest of companies and shareholders, they must reject it. Conversely, shareholders will vote to approve proposals that benefit companies and maximise shareholder value.

3. Help companies overcome difficulties and expand and grow their businesses.

PLCs comprise shareholders from different classes e.g., founders, institutions, majority, substantial and minority groups, who can provide capital support and plenty of valuable experience and knowledge.

Shareholders may impart their experiences, knowledge, and views and provide suggestions to the Board, which the Board and management might want to consider.

Participating in fundraising exercises is another straightforward measure where shareholders can help the business expand and grow. Whenever companies do not have enough funds to expand and grow their businesses, they may return to their shareholders for to raise funds.

For example, companies undertake rights issues to raise funds from all shareholders, often for business expansion or acquisition purposes. Shareholders should consider participating in a proposal with solid justifications that can expand and grow companies' businesses.

4. Monitor your own investment

Each shareholder should have an investing strategy as to when to realise their investment in companies.

In this ever-changing environment, many internal and external factors could adversely impact businesses. As such, shareholders must closely monitor their holdings in companies.

Apart from financial performance, updates such as business and economic news, domestic and international geopolitical situations, industry trends, etc., can help shareholders make informed decisions based on their investing strategy.

In the case of a lack of focus on monitoring their investment, shareholders might have missed some critical elements that may negatively impact their future investment return.

In short, shareholders must take precautionary measures to protect their investments against major losses.

During the monitoring exercise, shareholders may find emerging factors that can also positively or negatively impact their investment returns in the future.

Conclusion

Amongst all the various stakeholders, shareholders are the most powerful by virtue of having voting rights to determine the performance and future of a company. The clarion call is, therefore, on shareholders to exercise such rights diligently and responsibly. A good start is by attending AGMs and asking pertinent questions of the Board and voting wisely on the tabled resolutions.

Norhisam Sidek
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 2 – 6 October 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
03.10.23 (Tue) 10.00 am	Marine & General Berhad (AGM)	<p>The Group reported strong financial performance in FY2023, with revenue surging to RM307.3 million, a 39.9% increase driven by robust charter activities and rates, buoyed by economic recovery and increased oil drilling.</p> <p>Despite slightly higher direct expenses, its gross profit rebounded to RM76.2 million from losses in the previous year.</p> <p>Other income rose to RM6.8 million, mainly due to insurance compensation.</p> <p>Besides, a significant net reversal of vessel impairment loss contributed to a pre-impairment profit of RM27.4 million.</p> <p>The Upstream Division foresees an active FYE 2024, while the Downstream Division expects continued charter operations and benefits from its chemical tanker advantage.</p>
04.10.23 (Wed) 11.00 am	Analabs Resources Berhad (AGM)	<p>Despite recording higher revenue at RM133.36 million, Analabs reported a lower pre-tax profit of RM28.2 million or</p>

		27.7% lower y-o-y compared to RM39.0 million reported in FY 2022. This was primarily due to the disposal of a foreign subsidiary by the Group in FY2022, resulting in a one-off gain of RM9.6 million.
05.10.23 (Thur) 09.30 am	Hibiscus Petroleum Berhad (EGM)	Hibiscus Petroleum has proposed to consolidate every five existing shares into two new shares. The Company said this is to reduce volatility in its share price and increase market interest in its shares.
05.10.23 (Thur) 10.00 am	Bermaz Auto Berhad (AGM)	<p>Bermaz registered commendable results in FY2023, with its revenue growing by 52.6% y-o-y to RM3.54 billion (FY2022: RM2.32 billion).</p> <p>This was mainly due to the continued fulfilment of the substantial backorders received prior to the expiration of the sales tax exemption incentives on 30 June 2022 for the Group's domestic operations up to the last day on 31 March 2023, which was the last date for vehicle buyers to register their vehicles to be eligible for the said incentives.</p> <p>As such, its pre-tax profit almost doubled to RM423.3 million (FY2022: RM217.7 million), in line with the higher sales volume from its domestic operations and better gross margin for its Mazda domestic operations, which benefitted from the appreciation of the ringgit against Japanese Yen.</p>
05.10.23 (Thur) 12.30 pm	Bermaz Auto Berhad (EGM)	The EGM seeks shareholders' approval for the proposed establishment and implementation of a new employees' share scheme (Proposed ESS) and the proposed granting of Bermaz Shares pursuant to the Proposed ESS to the executive directors of Bermaz.
06.10.23 (Fri) 10.00 am	Formosa Prosonic Industries Berhad (EGM)	<p>The Company is seeking shareholders' approval for the Proposed Disposal of its 70% stake in Heracles Enterprises Limited to Wistron Technology (Malaysia) Sdn Bhd for a cash consideration of RM31.8 million.</p> <p>The Proposed Disposal would monetise the noncore assets and the proceeds will be mainly utilised in general capital expenditure and the development of AI smart speakers.</p>

06.10.23 (Fri) 11.00 am	JOE Holding Berhad (EGM)	This EGM seeks shareholders' approval for the proposed consolidation of every 10 existing JOE Shares into 1 JOE Share.
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Marine & General Berhad (AGM)	<p>The Group's trade receivables credit impaired that were past due more than 90 days have increased significantly from RM1.3 million in FYE2022 to RM2.7 million in FYE2023 (page 138 of AR2023).</p> <p>a) What were the difficulties faced by the Group in the collection of the trade receivables that were past due more than 90 days as the outstanding amount increased significantly?</p> <p>b) Who are the customers and who make up this category (past due 90 days) of the Group's receivables on FYE2023 and what are their profiles?</p> <p>c) To-date, how much of this overdue amount has been collected?</p>
Analabs Resources Berhad (AGM)	<p>The size of Analabs' margin trading loans has increased substantially over the past four years from RM9.62 million in FY2019 to over RM100 million in FY2023.</p> <p>As of FY2023, about 77.7% or RM100.81 million of Analabs' total loans and borrowings of RM129.78 million were margin trading loans which were used for acquiring quoted share investments. The increase in margin trading loans resulted in a higher debt-to-equity ratio of 0.38 times as of 30 April 2023 (FY2022: 0.26 times).</p> <p>a) What is the financing rate for the margin trading loans per annum? Was the yield sufficient to cover the financing expenses incurred?</p> <p>b) What is the condition of triggering margin calls and the likelihood of triggering this?</p> <p>c) Margin calls may result in the forced selling of shares and a hurried need to deposit additional funds into the margin account. Has the Company done any stress test to evaluate the impact of and the resilience of your risk management framework from such adverse events?</p>
Bermaz Auto Berhad (AGM)	<p>The Group launched several new models during FY2023 such as the fully imported electric vehicle, Mazda MX-30, the Kia Niro electric vehicle in July 2023 and is targeting to launch the Peugeot E-2008 electric vehicle by end 2023 or early 2024. (page 15 of AR2023).</p> <p>a) How does the Group's electric vehicle models compete against the likes of Tesla, BYD, Neta V or Chery which are</p>

	<p>priced slightly lower or much lower than the Group's electric vehicle models?</p> <p>b) To-date, what are the Group's electric vehicles sales compared to its competitors? What is the strategy to increase its market share?</p> <p>c) Will the Group's electric vehicles profit margins be better than its internal combustion engine vehicles?</p>
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•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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