



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

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❖ A quick glimpse into Budget 2023

As the 15th General Election (GE15) looms, the tabling of Budget 2023 on 7 October will be closely watched and monitored by all.

Faced with the threat of increasing inflationary pressures, as well as the impending election, the government must find ways to strike a balance between ensuring people's wellbeing and economic sustainability.

The Budget is expected to be focusing on improving Malaysian's income and social protection, while beefing up the nation's resilience against future shocks and consolidating the government's fiscal position.

A people-friendly budget

In view of current political dynamics and impending election, economists largely expect the Budget 2023 to be people-friendly in the form of prioritising the issue of rising cost of living, especially when headline inflation has started to trend higher.

This means the government will likely continue dishing out cash assistances to low-income households and bonuses for civil servants, amid current inflationary pressure.

Malaysia's inflation, measured by the consumer price index (CPI), increased 4.7% year-on-year (y-o-y) in August 2022. Notably, August 2022's CPI marked the sixth consecutive month of y-o-y increase since March 2022, as the inflation gauge steadily crept up over the past few months. CPI grew 4.4% in July, 3.4% in June, 2.8% in May, 2.3% in April, and 2.2% in March.

As it is, the Producer Price Index (PPI) has also seen a double-digit increase in 1H 2022, attributed to the build-up of cost-push factors such as the persistent uptrend in input costs and distortion from global supply chain disruptions as well as rising global commodity prices.

While Budget 2023 is likely to be market-friendly, the quantum of handouts and pump-priming initiatives might be tempered by a shrinking fiscal headroom, arising from higher government operating expenditure and rising fuel subsidy bill.

On top of that, the global economic outlook is murky and uncertain as the world might edge towards a recession next year amidst looming geopolitical risks.

Commenting on the country's fiscal condition, Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz previously said Malaysia still has some fiscal space to manage the challenges of price pressures given that the country's debt to gross domestic product (GDP) ratio was at 60%.

He said although the statutory debt ceiling limit has been increased to 65% of GDP from 60% previously, the government remained steadfast in capping the fiscal deficit target at 6.0% of GDP.

GST to make a comeback?

The debate on the re-introduction of goods and services tax (GST) was reignited when Prime Minister Ismail Sabri said the government is studying the possibility of reintroducing the tax as part of the major fiscal reforms to strengthen the country's collection capacity, despite the negative perception surrounding the GST.

A broad-based consumption tax like GST will definitely contribute to the country's coffer, but the idea of re-introducing GST in an inflationary environment might not necessarily be a good idea, as rightly pointed out by The World Bank. Instead, the Bank believes our government would wait for the right time to launch major revenue reform initiatives such as the GST.

Although the GST is not expected to be re-introduced in Budget 2023, Maybank IB Research foresees the government to begin conveying a message to consumers and businesses on the needs for GST in 2024 or after GE15. In a note dated 25 September 2022, the research house also expects the government to make a transition to 'targeted' from 'blanket' fuel subsidy next year.

A prolonged absence of GST would raise the prospect of taxation on wealth and capital gains in the future, adding to Budget 2022's proposed reinstatement of taxation on foreign source income, which is now postponed until 31 December 2026.

Should the GST make a comeback in Budget 2023, Ernst & Young Tax Consultants Sdn Bhd (EY) expects the government to consider a rate of between 4% and 6% following a stringent assessment of the potential revenue that it could collect to support its spending.

EY stresses that the GST rate must be reasonable and not burdensome to taxpayers and consumers. In addition, the implementation and compliance of the tax regime should be simplified with minimal disruption to businesses.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 3 – 7 October 2022

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
05.10.22 (Wed) 11.00 am	Analabs Resources Berhad (AGM)	<p>Analabs posted a record net profit attributable to shareholders of RM29.46 million in FY2022, representing a 70.3% jump from RM17.3 million in FY2021.</p> <p>The record bottomline performance was mainly attributed to higher other income comprised of higher dividend income from quoted investments, one-off gain from disposal of foreign subsidiary (RM9.6 million) and one-off waiver of debts amounting to RM4.43 million.</p> <p>Now the question is, will the Company be able to maintain such robust performance moving without the one-off disposal gain and waiver of debts while its other business segments posted lower profit y-o-y due to challenging prospects?</p>
06.10.22 (Thur) 10.00 am	Bermaz Auto Berhad (AGM)	<p>Bermaz Auto's revenue y-o-y increase marginally by 1.6% to RM2.32 billion (FY2021: RM2.29 billion), however pre-tax profit y-o-y increase 28.9% mainly due higher profit contributions from operations as a result of better margin from sales mix of CKD vehicles, the strengthening of the MYR against the JPY and reversal of provisions no longer required.</p> <p>Nevertheless, the Group is cautious and expects the automotive sector to remain challenging for the financial year 2022/2023 and will remain focused on the sales of Mazda, PEUGEOT and Kia vehicles so as to compete effectively in the market with more affordable pricing.</p>

06.10.22 (Thur) 10.00 am	Citaglobal Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposed acquisition of the entire equity interest in Citaglobal Engineering Services Sdn Bhd (CESSB) for RM140 million, to be satisfied via the issuance of 736.84 million new Citaglobal shares at an issue price of 19 sen each.</p> <p>It also proposes to consolidate every five Citaglobal shares into one Citaglobal share.</p>
06.10.22 (Thur) 10.00 am	Berjaya Corporation Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposed listing of Singapore Institute of Advance Medicine Holdings Pte Ltd ("SIAMH") on the Catalist Board of the Singapore Stock Exchange Securities Trading Limited.</p> <p>The proposed listing is expected to raise gross proceeds of up to SGD30.0 million. Assuming a minimum initial public offering price of SGD0.20, BCorporation's equity interest in SIAMH of 51.62% is expected to be diluted to 38.13% upon completion of the proposed listing.</p>

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Analabs Resources Berhad (AGM)	<p>For FY2022, Analabs' revenue has been flat at RM117.59 million (FY2021: RM117.49 million) with 60% of the revenue contributed by the manufacturing, formulation and sale of resin, chemicals and building materials segment.</p> <p>Meanwhile, the revenue from the business segment has declined to RM71.57 million from RM89.54 million in the previous year. It also posted a lower pre-tax profit margin of 11.02%, compared to 16.03% in the year before (page 119 and 123 of AR2022).</p> <p>Analabs has been focusing on enhancing its revenue stream by expanding its clientele base and investing in R&D activities.</p> <p>a) What is the tangible result seen from Analabs' efforts to expand its clientele base?</p> <p>b) During the financial period, a stronger US dollar against ringgit has caused the surge of raw material prices which are purchased in US dollar.</p>

	<p>Can the Company pass on the cost increase to customers based on current supply and demand dynamics? On average, what is the increase in product selling prices?</p> <p>c) Does the Company expect a recovery in the financial performance of this segment in FY2023?</p>
Bermaz Auto Berhad (AGM)	<p>The Group registered a revenue of RM2.32 billion (FY2021: RM2.29 billion) and profit before tax of RM217.7 million (FY2021: RM168.9 million) (page 20 of AR2022). Despite a marginal increase in revenue, the Group's pre-tax profit had improved by RM48.8 million or 28.9% mainly due to the higher profit contributions from its operations as a result of better margin from sales mix of CKD vehicles, the strengthening of the MYR against the JPY and reversal of provisions no longer required (page 15 of AR2022).</p> <p>a) With the rising cost of raw materials and labour cost, interruptions in production and limited supply, did the Group raise its vehicle prices since January 2022? If yes, by how much?</p> <p>b) For the financial year 2022, how much of the Group's purchases were in JPY?</p> <p>c) Reference to Bank Negara Malaysia website, JPY/MYR rate was 3.6201 on 3 January 2022 and the latest available rate as at 27 September 2022 is 3.1934. Given that the JPY has weakened against MYR significantly by 11.79%, to what extent has this affected the Group?</p> <p>d) In light of the weakened JPY, are there any opportunities for the Group to capitalise on?</p>
Citaglobal Berhad (EGM)	<p>What is the targeted return on the investment, and what is the Group's targeted duration to recoup all its investment in the Enlarged CESSB?</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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