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 wrap-up of 2023

On 29 December 2023, Bursa Malaysia wrapped up the year on a muted note, with the benchmark index closing lower at 1,454.66 points compared to 1,488.54 points on the first-day of opening last year.

Throughout the year, the performance of FBMKLCI was weighed by persistent selling pressure, with significant outflow of funds recorded as a result of various rate hikes in the United States.

Despite the weakness in the local stock market, the overall IPO market continued to be robust, with 32 new listings, raising RM3.55 billion, compared to 35 IPOs that raised RM3.27 billion in 2022.

Meanwhile, 2023 was a record year for MSWG as we attended a record-high number of general meetings of 531, representing a marked increase of 16.2% year-on-year from 457 general meetings attended in 2022. Of the 531 meetings, 424 were AGMs, 105 were EGMs and 2 were court-convened meetings.

Virtual platforms remain the preferred mode for PLCs to conduct their meetings, with about 366 (69%) meetings hosted virtually. Meanwhile, physical and hybrid meetings made up 162 (30.5%) and 3 (0.5%) of the total meetings attended, respectively.

As the COVID-19 pandemic subsided, we saw more physical meetings held compared to 2022. MSWG's preference remains for hybrid AGMs and, if not, physical AGMs.

For AGMs, MSWG corporate representatives assess how well a PLC conducts its meeting in terms of timeliness, registration process, conduct of chairman, Q&A session, directors' attendance, poll voting process etc.

Our tabulation showed 21 PLCs, primarily large-cap companies, scored 90% and above in their conduct of AGMs. Meanwhile, 103 companies scored between 80% and 89% in the way they conduct AGM.

Regarding the ratio of women directors in boardrooms, MSWG found 129 PLCs or 30.4% of its monitoring portfolio, have 33% or more women sitting on their boards. Berjaya Corporation Berhad is the only PLC with a whole board of women directors. Second on the list was Innature Berhad, with 80% of directors being women.

Some observations from meetings

- **Conduct of meetings**

One of the common issues MSWG encountered in general meetings is related to the conduct of Q&A sessions. There were instances of companies skipping the session despite receiving our questions way before the meeting. Instead, they explained that they would respond to MSWG questions privately after the conclusion of the meeting. This defeats the objective of a general meeting, as questions or concerns dealt with after the meeting would not be documented in the meeting minutes.

Meeting minutes are a record that shareholders can call upon to exercise checks and balances on the board and management. They serve as legal documents that provide the management and board of directors with a sense of accountability to shareholders and regulators, as proper documentation of meeting minutes is a key corporate governance requirement.

As for virtual meetings, some PLCs presented their answers to shareholders' questions on screen for just a few seconds, giving shareholders little time to read and digest the answers. This does not facilitate effective/productive discourse between shareholders and the board/management.

- **Shareholders' questions**

Questions on door gifts, vouchers, or credit reload easily top the list of shareholders' favorite questions during general meetings. PLCs with a substantial number of shareholders often dedicate enormous time to responding to questions like this. Similarly, some minority shareholders were more concerned about door gifts despite the company they invested in was fighting uphill battles for survival. We encourage shareholders to engage in meaningful conversation as AGM is a once-a-year event.

- **Corporate governance issues**

Meanwhile, we observed some interesting developments among PLCs. A PLC was found that it routinely entered into new agreements for acquisitions and paid more than half of the purchase consideration as refundable deposits. However, it subsequently aborted and terminated the deals.

As the deposits were not placed in an escrow account, it faced difficulties recovering them. It decided to pursue legal action to recover the said amount. If it is unable to recover the deposits, the Company must impair the amount to reflect the state of its balance sheet truly.

At the same time, its external auditor exercised professional scepticism on the multiple ventures and acquisitions the Company entered earlier. The auditor was also concerned about ongoing litigation to recover the deposits paid.

Another corporate governance issue brought up by MSWG in 2023 pertained to the appointment of two new independent directors upon the retirement of two long-serving INEDs.

In response to MSWG queries on the relationship between the new and retired directors by the same family name, the Company confirmed that the new directors are close family members of the two recently retired long-serving INEDs, respectively.

The Board stressed that it confirmed both directors are independent of management and are free from any business or other relationship that could interfere with their exercise of independent judgement and the ability to act in good faith and in the company's best interests.

The instances whereby an independent director, upon the end of his or her tenure, is replaced by a family member, giving rise to a scenario dubbed as "independence can be inherited". While such an appointment is not an outright breach of regulatory requirements, it may cast serious doubts on the ability of the director to exercise objective judgment.

Independent directors elected in the circumstances above are likely to have a sense of loyalty to the controlling shareholders or the directors who have nominated them, thus potentially impairing their "independence of mind".

In short, 2023 was a fruitful year for MSWG as more companies were on our radar. The team looks forward to continuing to advocate corporate governance through minority shareholder activism.

By MSWG Team

MSWG AGM/EGM Weekly Watch 8 – 12 January 2024

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
08.01.24 (Mon) 02.30 pm	UWC Berhad (AGM)	The Group posted revenue of RM271.7 million in FY2023, compared to RM345.6 million achieved a year ago, primarily attributed to lower semiconductor sales due to technology industry cyclical downturn. Profit after taxation in FY2023 declined from RM106.8 million a year ago to RM53.8 million, dragged by lower revenue and escalating material pricing, skilled labour recruitment and minimum wage adjustment on the back of business expansion.
10.01.24 (Wed) 10.30 am	Top Glove Corporation Bhd (AGM)	Top Glove's revenue dropped sharply to RM2.3 billion from RM5.6 billion a year ago. The Group also recorded losses for the first time since it went

		public in 2001, with a net loss of RM886 million compared to a net profit of RM282 million in the previous year. The losses stemmed from glove oversupply from new expansions during the pandemic, increased competition from new overseas entrants with sizeable capacity, coupled with a lack of customer urgency to place orders, as well as prevailing low ASPs. Notably, the net loss included one-off transactions, i.e., impairment on goodwill and impairment and write-off for property, plant and equipment amounting to RM389 million.
10.01.24 (Wed) 02.30 pm	Saudee Group Berhad (AGM)	In FYE2023, Saudee Group reported revenue of RM95.58 million, representing a decrease of RM1.30 million from FYE2022. The decrease was attributable to slow food service demand and the absence of contribution from trading products. Moving forward, it foresees lower selling and promotion costs as it has completely changed to distributorship model from the direct retail selling model in 2023. The outlook remains positive with a debt-free status and ongoing production capacity expansion.
11.01.24 (Thur) 10.00 am	KESM Industries Berhad (AGM)	KESM recorded a 7% decline in revenue to RM228.3 million in FY2023 compared to RM246.7 million in the year before. The decline was largely attributable to the absence of revenue from electronic manufacturing services (EMS) and reduced volumes for burn-in and testing services. The Group reported a net loss of RM3.1 million in FY2023, from a net profit of RM1.7 million in the preceding year mainly due to higher finance costs and other expenses, while other income was lower by 10% from the previous year.
11.01.24 (Thur) 10.30 am	Trive Property Group Berhad (AGM)	The Group’s revenue decreased marginally by 5.7% to RM9.14 million

		(FY2022: RM9.69 million), mainly due to lower sales from trading of solar panels and related products. The solar division is the largest revenue contributor, making up about 78.6% of the Group's total revenue. The Group recorded a net loss of RM18.91 million in FY2023 compared to a net profit of RM14.31 million in FY2022, no thanks to the impairment of goodwill amounting to RM2.52 million following the lower occupancy rate of Persoft Tower. It also recognised an impairment of property development cost of RM15.96 million for its development project in Terengganu.
12.01.24 (Fri) 09.00 am	P.I.E. Industrial Berhad (EGM)	PIE's 99.99% owned subsidiary Pan International Electronics (Thailand) Co Ltd (PIT) has entered into a subscription agreement with Pan International Industrial Corp (PIIC) for the issuance and allotment of 4.09 million new ordinary shares at THB50 per share. Proceeds totalling RM27.14 million will be utilised to expand PIT's manufacturing facilities and production capacities. Following the share subscription, PIE's stake in PIT will be reduced from 99.99% to 55%.
12.01.24 (Fri) 10.30 am	Astino Berhad (AGM)	For FY2023, the Group registered a slight increase of 1% in revenue to RM619 million. This was mainly attributed to weaker average selling prices (ASPs), partly offset by slightly higher sales volume, which increased 13.6% to 92,000 metric tonnes. PBT decreased 41% to RM38 million, mainly due to the lower overall gross profit margin to 13.7% from 18.5% in FY2022.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
UWC Berhad (AGM)	The Group observed a significant uptick in semiconductor demand, driven by recent new product introduction activities by its clients. Also, the Group has secured a project involving the development of weldment project. Besides, UWC is currently working closely with a major client on the assembly and testing of a sophisticated product that combines mechanical, electronic, and software components. What is the current outstanding order book? How much has the Group's outstanding order book improved over the past one year?

Top Glove Corporation Bhd (AGM)	The Group recorded impairment losses of RM70.8 million on certain property, plant and equipment (PPE) and right-of-use assets owned by a subsidiary in Vietnam. (Page 144 of AR2023) a) What is the reason for the impairment loss? b) What is the production utilisation rate of the Vietnam factory in FY2023? c) What is the loss contributed by the Vietnam subsidiary to the Group in FY2023? d) What are the carrying amount of the PPE and right-of-use assets owned by the Vietnam subsidiary as at 31 August 2023?
Saudee Group Berhad (AGM)	*"Besides, the Group will foresee selling and promotion costs to continue reduce as the Group been completely change to distributorship model completely during year 2023 from direct retail selling model." (Page 16 of AR2023)* 1. How does the Company plan to drive revenue growth in the context of the change to a distributorship model? 2. Please provide a comparative analysis of the performance under the direct retail selling model versus the distributorship model.
KESM Industries Berhad (AGM)	The Group's revenue was lower by 7%, from RM246.7 million in the preceding year, to RM228.3 million for the current financial year ended 31 July 2023 ("FYE 2023"). This was largely attributable to the absence of revenue from electronic manufacturing services ("EMS") which was scaled down, and reduced volumes for burn-in and testing services. (page 5 of AR2023) What was the utilisation rate of the Malacca plant for FYE 2023 and to-date?
Trive Property Group Berhad (AGM)	Solar Division: 1. For FYE 31 July 2023, the solar division is the largest revenue contributor at approximately 78.6% (page 9 of AR2023). The Group aims to grow this division by offering competitive pricing, quality products and services, a wider range of offerings, and venturing into new sustainable solutions to capitalise on the ongoing shift towards renewable energy (page 13 of AR2023). What are the new sustainable solutions that the Group plans to venture into for financial year ending 2024? 2. Revenue from the solar division decreased to RM7.19 million (2022: RM7.72 million) mainly due to the lower sales from the trading of solar panels and related products. (page 9 of AR2023) Given that the Group's solar division only has one single customer from Singapore which represents 100% contribution to the Group's revenue (Note 34, page 134 of

	AR2023), what are the Group's plans in expanding its customer base?
Astino Berhad (AGM)	For FY2023, the Group registered a slight increase of 1% in revenue to RM619 million. This was mainly attributed to weaker average selling prices (ASPs), partly offset by slightly higher sales volume, which increased 13.6% to 92,000 metric tonnes. (page 5 of Annual Report (AR) 2023) 1. How much was the decline in ASPs in FY2023 compared to FY2022? 2. How was the trend of the ASPs over the last 12 months? Please provide a chart on the movement of ASPs over the last three years. 3. What was the Group's production capacity and average utilisation rate in FY2023? What is the expected average utilization rate for FY2024? 4. What is the budgeted capex for FY2024 and its breakdown?

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DISCLOSURE OF INTERESTS

• *With regard to the companies mentioned, MSWG holds a minimum number of shares in all* the companies covered in this newsletter.