



## MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

# The Observer

*Minority Shareholders Watch Group is now on LinkedIn. The presence at LinkedIn is to create better social media presence and engage with our stakeholders more effectively. Do follow MSWG's LinkedIn account at <https://www.linkedin.com/company/mswg-malaysia/> and share your thoughts with us from time to time. Do also follow MSWG's Twitter account at @MSWGMalaysia.*

**07.10.2022**

### ❖ **Our observations of the AGMs we attended**

This week, *The Observer* will shed some light on our observations from our attendance at hundreds of meetings every year.

#### **The return of physical meetings**

For the past two years, the COVID-19 pandemic has led to various lockdowns throughout Malaysia. The pandemic had resulted in many PLCs conducting their general meetings virtually.

This has led to seasoned shareholders missing the aura and ambience of the physical meeting – with the door gifts and hospitality – and the ability to articulate their thoughts energetically to the board of directors face-to-face.

With the nationwide movement control orders (MCOs) to curb the spread of COVID-19 finally ending on 3 January 2022, PLCs have restarted to resume physical meetings after a long hiatus of close to two years.

One of the very few PLCs that held their physical annual general meeting (AGM) post-MCO was a Penang-based poultry player. Its AGM, held in March 2022, saw a turnout of 18 shareholders with everyone wearing their mask and keeping their physical distance.

All its directors were present at the meeting with a foreign director attending virtually from Jakarta. The presence of the foreign director was visibly shown to shareholders via a live video call throughout the session.

Then recently, a major gloves producer resumed its practice of holding physical AGM after a two-year hiatus. The Company which is the largest producer of nitrile gloves in the world had been on the radar of investors even as the glove industry is mired with issues of excess capacity and falling average selling prices. As such, the AGM was timely and pertinent for shareholders and investors.

The AGM was well-attended by shareholders with the presence of about 200 participants. Among the key concerns voiced by the shareholders is the future of the Company as the industry that the Company is operating in is facing a lot of headwinds. Overall, the Chairman of the Company handled the AGM well by responding to all the questions posed and presenting a good overview of the navigation of the Company.

Besides, directors were seen mingling and making small talk with shareholders before the commencement of the meeting. This added some personal touch and colour to the otherwise rather formal meeting.

### **The peculiar case of absenting chairman**

While many PLCs and directors could not wait longer to reconnect with shareholders physically after two years, we have encountered a peculiar case of a company's chairman being absent from AGMs for years.

A company's board, led by the chairman, is mandated to set strategic direction for the organization and provide governance oversight on various matters. This depicts the crucial roles being played by a chairman in a listed company. Therefore, the presence of the Chairman at AGMs, which is usually chaired by the Chairman, is essential.

The executive chairman of a listed company, which was mainly involved in the trading of duty-free and non-dutiable merchandise, was absent from AGMs for the past seven years, based on the extract of the company's minutes of meetings and our internal records.

We are baffled by his persistent absence from AGMs as a general meeting is usually scheduled well ahead and the availability of directors' attendance is sought before fixing the date of an AGM. However, when it came to board meetings, the Chairman recorded full attendance for the past 5 years.

Hopefully, the executive chairman will be present at the company's AGM moving forward. The wait is too long for shareholders to see him at AGM. The leader of the board is expected to attend AGMs – this is a reasonable expectation.

### **Interaction during virtual meetings**

As the COVID-19 pandemic wanes, the return of physical AGMs is welcomed by shareholders. However, at the same time, a vast majority of shareholders also favour the option of remote participation.

Virtual meeting provides greater flexibility and engagement opportunities for all shareholders regardless of their location. On the flip side, many shareholders found virtual meetings less engaging and less interactive.

Based on our observations, insufficient time allocated for Q&A sessions and unsatisfactory answers provided by the Board are the two common issues noted with virtual meetings. Such issues are almost never encountered with physical AGMs.

In September, a PLC involved in the business of toner manufacturing announced a five-minute break during its AGM to compile questions from shareholders. However, the

board did not even answer any question after the short interval. Instead, the chairperson explained that they would answer the questions via email as well as publish them on the company's website. The chairperson then ended the Q&A session and proceeded to the voting session.

Similarly, a property developer also requested a two-minute break to collate questions raised by shareholders.

Based on our experience, such a pause in between is rather "unusual". Generally, an AGM is conducted continuously without breaks in between till the meeting is adjourned for the voting session. The pause may give the impression that the Board is cherry-picking questions instead of responding to all posted questions during the meeting.

Both physical and virtual AGMs have their respective advantages and disadvantages. The hybrid AGM bridges both these types of AGMs and offers the best of both worlds. In the absence of hybrid AGMs, we are inclined to prefer a physical AGM.

**By MSWG Team**

---

### **MSWG AGM/EGM Weekly Watch 11 – 14 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](http://www.mswg.org.my).

<b>Date &amp; Time</b>	<b>Company</b>	<b>Quick-take</b>
11.10.22 (Tue) 02.00 pm	Hextar Global Berhad (EGM)	<p>The EGM is to seek shareholders' approval for:</p> <ul style="list-style-type: none"> <li>- Proposed disposal of land and properties (aka Klang Properties) for RM27 million to KIP REIT (Proposed Disposal)</li> <li>- Proposed leaseback of the Klang Properties from KIP REIT for the next 15 years upon the completion of the Proposed Disposal (Proposed Leaseback)</li> </ul> <p>The Proposed Disposal and Leaseback are related party transactions with Dato' Ong Choo Meng his related parties being major shareholders in both Hextar Global and KIP REIT.</p> <p>Overall, the disposal price of Klang Properties at RM27 million to KIP REIT is reasonable and fair as the selling price is in line with its market value.</p>

		<p>Besides, the rental increment rate of 3.08% for the Proposed Leaseback is in line with market range of 3% to 3.22%.</p> <p>However, MSWG would vote "against" the two resolutions due to:</p> <ul style="list-style-type: none"> <li>- Hextar Global will incur rental expenses totalling RM32.8 million for the next 15 years to lease back the Klang Properties to ensure its existing operations of agrochemicals business are not disrupted.</li> <li>- Minimal improvement in its financial performance and ratio from these transactions.</li> </ul>
12.10.22 (Wed) 03.00 pm	Hextar Industries Berhad (EGM)	The only resolution tabled at the EGM is the proposed acquisition by Hextar Industries of 100% equity interest in Hextar Fertilizers Limited from Hextar Holdings Sdn Bhd for RM480 million to be satisfied via the issuance and allotment of 1.6 billion new shares in Hextar Industries at an RM0.30 per share. The acquisition has raised some questions as CPO prices are retreating currently and demand for fertilizers faces headwinds.
13.10.22 (Thur) 10.00 am	Kein Hing International Berhad (AGM)	<p>The Group registered a remarkable revenue of RM276.7 million for FY2022 (FY2021: RM253.1 million), representing a growth of RM23.6 million or 9%. The increase in revenue was mainly attributed to a much stronger demand by the customers in Vietnam.</p> <p>In tandem with the increase in revenue, the Group achieved a net profit of RM15.8 million for FY2022 (FY2021: RM11.9 million), representing an improvement of RM3.9 million or 33%.</p>

**One of the points of interest to be raised:**

<b>Company</b>	<b>Points/Issues to Be Raised</b>
Hextar Global Berhad (EGM)	Proposed Disposal of 2 Adjoining Parcels of Leasehold Industrial Lands together with the Buildings Erected (Klang Properties) to Pacific Trustees Berhad, being the Trustee of KIP REIT for RM27 million & Proposed Leaseback of the Klang Properties from Pacific Trustees Berhad for the next 15 years upon completion of the Proposed Disposal

(Collectively refer to as "the Proposed Disposal and Leaseback" or "the Exercises")

The rationales for the Proposed Disposal and Leaseback are set out as below (page 7 of the Circular to shareholders dated 23 September 2022):

- unlock the value of its investments in the Klang Properties
- monetise its investments in the Klang Properties
- improve its financial position and financial performance
- the Proposed Leaseback allows the Group to ensure that its existing business operations (operated in the Klang Properties) are not disrupted

a) Based on the pro forma before and after effect of the Exercises on Hextar's net assets (NA) and gearing, the Exercises will affect Hextar's balance sheet and income as follows:

- increase the NA to RM216.29 million from RM212.96 million as of 31 December 2021
- Increase the NA per share to RM0.17 from RM0.16 as of 31 December 2021
- Lower the gearing ratio to 1.16 times from 1.18 times as of 31 December 2021
- Increase the EPS to 3.25 sen from 2.99 sen as of 31 December 2021
- Result in a net pro forma gain of approximately RM4.26 million

The pro forma projections above suggest that the Exercises would provide minimal boost to Hextar Global's financial ratio.

What is the urgency to dispose the properties?

b) The Klang Properties which currently house the agrochemicals business, is the most valuable property by market value under Hextar Global (page 186 of Hextar Global's Annual Report 2021).

The market value of the said Properties had increased from RM25 million in April 2018 to RM27 million currently (page 158 of Annual Report 2020 & page 186 of Annual Report 2021). This represents an increase of 8% over the four-year period, notwithstanding the impact from the COVID-19 pandemic on the property sector.

Therefore, the Proposed Disposal means the Group may lose out on any potential increase in capital value of the Klang Properties in the future.

On top of that, Hextar Global will incur rental expenses (upon completion of the Proposed Disposal), totalling RM32.8 million, for the next 15 years to lease back the Klang Properties to ensure its existing operations of agrochemicals business are not disrupted. In addition,

	<p>there is a risk of non-renewal of lease upon expiry of the 15-year lease.</p> <p>Based on these considerations, why does the Company not retain the properties under its belt?</p>
Kein Hing International Berhad (AGM)	<p><u>Vietnam Operation</u></p> <p>a) KHTV further embarks on construction of a single-storey factory namely KHTV Factory Phase II with a built-up of approximately 53,000 square feet which is expected to be completed in December 2022 (Page 23 of the Annual Report 2022). What is the progress of the construction of KHTV Factory Phase II? Is the construction work on schedule?</p> <p>b) The growth in customers' demand for parts and metal components in Vietnam has created great opportunity for the Group to expand its manufacturing business in Vietnam (Page 13 of the Annual Report 2022).</p> <p>i. What is the current state of the customers' demand for the Group's products in Vietnam?</p> <p>ii. What is the targeted growth rate for the Group's product sales in Vietnam in the next two financial years?</p>

#### MSWG TEAM

Devanesan Evanson, Chief Executive Officer, ([devanesan@mswg.org.my](mailto:devanesan@mswg.org.my))

Rita Foo, Head, Corporate Monitoring, ([rita.foo@mswg.org.my](mailto:rita.foo@mswg.org.my))

Norhisam Sidek, Manager, Corporate Monitoring, ([norhisam@mswg.org.my](mailto:norhisam@mswg.org.my))

Lee Chee Meng, Manager, Corporate Monitoring, ([chee.meng@mswg.org.my](mailto:chee.meng@mswg.org.my))

Elaine Choo Yi Ling, Manager, Corporate Monitoring, ([elaine.choo@mswg.org.my](mailto:elaine.choo@mswg.org.my))

Lim Cian Yai, Manager, Corporate Monitoring, ([cianyai@mswg.org.my](mailto:cianyai@mswg.org.my))

Ranjit Singh, Manager, Corporate Monitoring, ([ranjit.singh@mswg.org.my](mailto:ranjit.singh@mswg.org.my))

Ooi Beng Hooi, Manager, Corporate Monitoring, ([ooi.benghooi@mswg.org.my](mailto:ooi.benghooi@mswg.org.my))

Jackson Tan, Manager, Corporate Monitoring, ([jackson@mswg.org.my](mailto:jackson@mswg.org.my))

---

#### DISCLOSURE OF INTERESTS

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