MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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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 sailing through uncharted waters

While the re-imposition of Movement Control Order (MCO 2.0) on six key states which boast high COVID-19 infection rates was very much anticipated, the declaration of a state of emergency till 1 August surely came as a shocker to say the least for the financial markets.

Despite assurances that Malaysia remains open for business – albeit strict adherence to the standard operating procedure (SOP) protocol – a combo of MCO 2.0-cum-Emergency will surely impact certain economic sectors severely than others, or even the perception of foreign investors with regard to Malaysia's economic prospect.

In all probability, there is now a need to return to the drawing board to reassess when the country can expect to reopen its economy and borders – or to fully benefit from the dispensation of COVID-19 vaccines.

Below are some pointers for minority shareholders to ponder in the quest of safeguarding their investments:

- **No curfews:** In the words of the Prime Minister, this is not the typical 'Emergency' as many would have envisaged.

To re-cap, the only nationwide declaration of emergency under the Emergency Ordinance 1969 took place during the May 1969 racial riots which lasted 21 months (which thankfully, did not derail the country's growth trajectory in subsequent years).

According to the Swiss-based Centre for Civil and Political Rights, about 79 countries have introduced varying degrees of emergency status since last year. They include the US, Australia, New Zealand, France, Finland, Indonesia, the Philippines and Thailand.

What will not take place during this six-month period will be Parliamentary sittings, by-elections or even a General Election.

In short, the government wants to stay focused or empowered itself in its efforts to curb the COVID-19 pandemic without being distracted by political-related diversions.

- **Economic loss:** CGS-CIMB Research estimates daily economic losses stemming from MCO 2.0 (from 13 – 26 January) at RM750 million/day which is significantly lower than the RM2.4 billion/day during MCO 1.0 from 18 March to 3 May last year.

As such, the research house expects each fortnight of MCO implementation to reduce its full-year GDP growth forecast of 7.5% for 2021F by RM10 billion, or 0.7%.

- **Affected businesses:** At a glance, business which are not allowed to operate or negatively impacted under the MCO 2.0 include leisure-related industries, retailers of non-essential goods and number forecasting operators (NFOs).

Even as more businesses are allowed to operate, the services sector would generally have to endure a rather depressed sales as demand would be curtailed by the mobility restrictions and consumer confidence.

As for the external sector, the recovery in trade activities may soften in the near term, weighed by the tightened COVID-19 curbing measures abroad, creating further hurdles to the restoration of global supply chain.

- **Unemployment looms:** With the above developments, a likely spill-over impact can be in the form of cost-cutting measures among businesses that would lead to wage cuts and layoffs of workers.

As it is, Malaysia has to deal with 764,400 people currently unemployed and possibly around one million new entrants to the job market (taking into account the 2020 cohort coming out of the education system (*The Star*, 13 January 2021).

- **Weak fiscal front:** Deficit is expected to remain elevated with the MCO 2.0 and a state of emergency put in place.

Despite the current tight fiscal condition, the government has rolled out its fifth fiscal stimulus measures vis-à-vis the RM15 billion *Malaysian Economic and Rakyat Protection* (PERMAI) assistance package on 18 January.

Thus far, RM305 billion has already been allocated to the funding of stimulus packages and recovery plans in 2020 (namely, PRIHATIN, PRIHATIN SME+, PENJANA and KITA PRIHATIN) in addition to the various COVID-19 measures under Budget 2021.

Low interest rate environment: For now, the central bank has maintained the rate at the current 1.75% level as per the latest outcome from its Monetary Policy Committee meeting.

But given the latest development, there is higher likelihood now for Bank Negara Malaysia (BNM) to slash the overnight policy rate (OPR) by another 25 basis points (bps) to 1.50%.

In fact, Kenanga Research does not discount the possibility of an additional 25bps cut to 1.25% if needed.

- **Market risks:** The state of emergency declaration could delay the potential return of foreign funds to Malaysia's equity market on grounds of political uncertainty. This is considering the recent withdrawal of support by two UMNO MPs for the Perikatan Nasional (PN) Government (thus leaving the Government with a backing of only 109 MPs out of 220 MPs currently).

In the same light, the MCO 2.0 will elevate corporate earnings risk, while the state of emergency could negatively impact foreign investors sentiment on Malaysia.

In a similar note, there could also be indirect negative impact on the banking sector which is viewed as bellwether for economic resilience considering that (i) potential OPR reduction by the Malaysian central bank to cushion adverse effect from the MCO 2.0 could affect banks' net interest margins; (ii) increase in non-performing loans; (iii) likelihood of loan moratorium extension or re-introduction should MCO 2.0 gets prolonged; and (iv) negative loan growth as MCO 2.0 could reduce business activities.

- **Delay in administration of COVID-19 vaccines:** A potential delay now looms in the Government's 18-month projection to inoculate 70-80% of the Malaysian population by end-2021.

Given the risk that the MCO has been extended to 4 February, additional policy support may be needed to realise such expectation.

Conclusion

Fingers crossed, Malaysia will walk out unscathed from the MCO 2.0 and state of emergency quagmire.

As of now, however, no economists nor stock market analysts could foretell the actual impact on the financial markets – or even the daily livelihood of Malaysians – given the MCO 2.0 can stretch for an indefinite period, subject to how soon the country is able to break the chain of COVID-19 transmission.

Only time will tell.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 25 – 29 January 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
25.01.21 (Mon) 03.00 pm	Borneo Oil Bhd (EGM)	Borneo Oil proposed to place 1.2 billion new shares in the company to Macquarie Bank Limited at an indicative price of 3.6 sen to raise RM43.41 million. The proceeds will be used to expand its food & franchise and mining business.
27.01.21 (Wed) 10.30 am	Chin Teck Plantations Bhd (AGM)	Chin Teck's revenue increased 6.3% y-o-y to RM129.8 million in FY2020 as compared to RM122.1 million a year ago, thanks to higher average selling prices for FFB, CPO and palm kernel. Overall, profit after tax increased by 12.10% to RM36.0 million from RM32.1 million. During the year, Chin Teck recorded a lower production of FFB, CPO and PK. However, shareholders need not be alarmed as the decrease in production reflects the seasonality of production and the paced replanting of older stands. Going forward, its performance will hinge on the movement of CPO selling prices.
29.01.21 (Fri) 09.00 am	Bright Packaging Industry Bhd (AGM)	Bright Packaging saw a y-o-y 25.18% decline in revenue to RM50.8 million in FY2020 as compared to RM67.9 million in the year before. The substantially lower revenue was due to excise tax-driven price increases and pandemic-related measures on adult smoker average daily consumption. Its packaging products were primarily sold to tobacco companies.
29.01.21 (Fri) 09.30 am	Johan Holdings Bhd (EGM)	Johan proposed to dispose its entire equity stake in Diners Club (Singapore) Pte Ltd for approximately RM313.98 million. This exercise is deemed a

		major disposal which will result a loss of major revenue contributor to Johan. Having said that, DCS has been loss-making for the past three years. In addition, the prospect of card business is not rosy due to the declining usage of charge card and credit card) globally. MSWG will vote "For" for the resolution.
29.01.21 (Fri) 11.00 am	Homeritz Corporation Bhd (AGM)	A 94% of Homeritz's revenue for FY2020 was denominated in USD. Its ability to manage its forex exposure will be vital in ensuring that it does not lose out to currency fluctuations. This is especially telling as the USD has depreciated significantly since 3Q 2020. Its profitability would be greatly impacted if it does not adequately hedge against currency volatility.
29.01.21 (Fri) 3.00 pm	PLB Engineering Bhd (AGM)	PLB's revenue in FY2020 was at RM171.17 million as compared to RM243.41 million in the year before. It turned loss-making during the year with LBT of RM2.54 million as compared to PBT of RM 12.40 million in FY2019. The poorer financial performance was primarily due to impairment losses of on land held for development, inventories and investment in associates of RM8.61 million.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Borneo Oil Bhd (EGM)	**<u>Proposed Subscription of up to 1,205,827,550 new ordinary shares in Bornoil by Macquarie Bank Limited</u>** Bornoil Group will earmark up to RM10.00 million from the RM43.41 million raised from the Proposed Subscription to expand and to identify any new business opportunities within the Food and Franchise Operations (FFO) business segment. Since Bornoil already has a number of brands under its portfolio, e.g., Broasted Chicken, Borneo Eco Fish, Hot Saucy Kano under the SugarBun brand, and "Sarawak Laksa", "Fisherman's Favourite" and

	"Chicken Rendang" pizzas under Pezzo, what are the other business segments that Borneo Oil intends to explore?
Chin Teck Plantations Bhd (AGM)	Harvesting of the mature fields in the oil palm plantation located in South Sumatera Province, Indonesia has been delayed due to the unrest in the villages neighbouring the estate. Existing staff force has been maintained to enable commencement of harvesting pending clearance from the relevant authorities (page 17 of AR2020). a) What is the expected timeframe for the Group to obtain clearance from the relevant authorities? b) In relation to the Group's investments in palm oil plantations in Indonesia, it seems that the unrest in the surrounding villages which have disrupted harvesting of FFB have been persisting for many years and the Group continues to suffer an overall loss of RM8.4 million from its share of results in its Indonesian investment for FY2020, while an additional RM4.7 million has been invested as working capital for the joint ventures in Indonesia (page 17 of AR2020). Given the actions and steps that the Management has taken over the years, why is the unrest issue unresolved?
Bright Packaging Industry Bhd (AGM)	The cost incurred for the IA function for FY20 was RM14,000 as compared to RM20,000 in FY2019 (page 37 of AR2020). What are the areas audited by the IA function in FY2020? How many internal audit reports were issued for FY2020? Was the scope of reviews by IA reduced due to the lower IA fee in FY2020? Given that the IA fee is rather small (RM1,166 per month), how does the Audit and Risk Management Committee assure itself that there would be adequate coverage and an effective internal audit function?
Johan Holdings Bhd (EGM)	Johan Investment Private Limited (JIPL), a wholly-owned subsidiary of Johan has proposed to dispose its entire equity interest in DCS to Ezy Net Pte. Ltd, Candypay Holdings Pte. Ltd and Genesis Business Holdings Pte. Ltd. for S$103.57 million (or equivalent to approximately RM313.98 million). DCS is in the provision of charge card and credit card services, which are currently under Johan's hospitality and card business segment.

	The proposed disposal is deemed a Major Disposal which may result in the listed issuer being no longer suitable for continued listing on Bursa Malaysia (Paragraph 10.02 (eA) of Main Market Listing Requirements). a) DCS and another subsidiary collectively contributed approximately 86.03%, 85.15% and 84.05% of Johan's total revenue for the past three financial years up to FY2020 (page 5 of the Circular). How does Johan plan to mitigate the significant impact of revenue loss in the near-term? b) To what extent will the three remaining business segments, i.e., general trading, the provision of management and secretarial services, hospitality businesses be able to cushion the short-term financial impact? c) If the Company is classified as an Affected Listed Issuer under Paragraph 8.03(A)(2) of the MMLR after the Major Disposal (which states that a listed corporation may not have a level of operations that is adequate to warrant continued trading or listing on Bursa Malaysia), how will Johan rectify the situation and ensure that its listing status unaffected?
Homeritz Corporation Bhd (AGM)	The Company has not had a Chairman since its listing and this is not in line with Practice 1.2 of the Malaysian Code of Corporate Governance that stipulates that PLCs appoint a Chairman who will instill good corporate governance practices, leadership and ensure the effectiveness of the Board. The Company has stated in its CG Report that it intends to maintain the current board composition until the need for a Chairman arises. Does the Company have any plans of appointing a Chairman, and if yes, by when?
PLB Engineering Bhd (AGM)	The Group recorded Impairment loss on inventory properties, (RM7,133,797), Impairment loss on investment in associate, (RM1,200,030) and impairment loss on property, plant and equipment, (RM1,138) as a result of the Covid-19 outbreak. a) The impairment loss on inventory properties is in respect of land held for development. Please provide the location of the land and the land size?

	b) Please provide the name of the associate with the impairment loss and the nature of business.

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)

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

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