MSWG
MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

26.02.2021

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.

❖ Boustead – a mulled privatisation that did not materialise

"The fault, dear Brutus, is not in our stars, but in ourselves, that we are underlings" (Julius Caesar, Act I, Scene III, L. 140-141).

In Shakespeare's play *Julius Caesar*, Cassius, a Roman nobleman, says this to his friend, Brutus, when he is trying to persuade Brutus to stop Caesar from becoming a monarch in the best interest of public.

In a nutshell, this means that men are the masters of their fates, people are in charge of their own destiny. They can succumb to someone else's rule, or they can make their own choices.

Some shareholders may have been caught in a similar situation when they took positions hoping that a privatisation of Boustead Holdings Berhad (Boustead) may happen at an indicative price of 80 sen. But it did not materialise.

That Boustead needs to be restructured is a given; there is consensus on this at both the Lembaga Tabung Angkatan Tentera (LTAT) and Boustead level. However, there is no one right answer as to how to restructure Boustead group of companies. Back then, privatisation was an option that was being mulled by LTAT.

What followed was the market talk of a privatisation with several offer prices being bandied about.

LTAT did the right thing in announcing that privatisation was an option being considered by the LTAT board and that the indicative offer price was 80 sen per share. This announcement was the responsible thing to do to ensure a fair and orderly market for Boustead shares. Otherwise, rumours would abound where there is a vacuum of information.

When LTAT announced that it was mulling privatisation at an indicative price of 80 sen, there was a natural tendency for Boustead's share price to rise closer to the indicative offer price.

This is a natural market reaction as some would have seen possible arbitrage opportunities. The minority shareholders were aware that privatisation was only an option being considered and that the offer price of 80 sen per share was only indicative.

The shareholders who chased the price closer to 80 sen were speculating that the privatisation offer would materialise; their risk appetite allowed them to do so.

Meanwhile, there were other shareholders who were aware that it was not a firm offer, not a 'done deal', and did not speculate on the possibility of the privatisation offer being made at 80 sen per share; they refrained due to their risk appetite.

So, if at all minority shareholders have been adversely affected by the abandoning of the privatisation option, it was a result of their risk appetite, the risk that they were prepared to take, with their eyes open.

The aborted plan

The decision not to privatise Boustead must have been taken after much thought, deliberation and discussion at the LTAT level and in consultation with Boustead. One of the reasons given for withdrawing the privatisation option was the current continuing depressed market conditions which would not have been foreseen at the time of considering the privatisation option. Circumstances change and decisions change accordingly.

The changing of the CEO-guards at both the LTAT and Boustead levels could have also contributed to different opinions.

The end-result was the abandoning of the privatisation plan and adopting an internal restructuring option; there is consensus by both LTAT and Boustead that this is the best option.

MSWG is neutral on the choice of the option as there is more than one way to restructure a company. As the combined wisdom of the boards of LTAT and Boustead and their respective managements have decided that internal restructuring is the best option and there is no need to second-guess the decision.

The duration of 9 months to come to the decision to abort the privatisation proposal is understandable as no one could have foreseen how long the current pandemic situation would persist along with the various types of lockdowns.

Furthermore, the privatisation decision was not a straightforward decision for LTAT given its interest in five PLCs (including a bank and three are held via Boustead). All decisions would have widespread ramifications.

The saying "act in haste, repent at leisure" is typically a warning that means "if you make a hasty decision, you'll have plenty of time to mull over your mistake later'; maybe LTAT was wary of this saying and took their time to make a decision.

Boustead as a holding company with much persuasive say, should look at the board composition of its listed subsidiaries. It is trite corporate governance that boards play a pivotal role in performance and governance. The right boards will solve a lot of the group's woes. Much has been said about the tone at the top.

As a holding company, Boustead has also a persuasive say in the selection of the respective CEOs and C-suites of the listed subsidiaries. This persuasive say must be expressed through the boards of the listed subsidiaries.

Getting the right boards members and the C-suite executives, as well as being transparent would definitely put the group on the right track towards a restructured Boustead group.

In addition, another takeaway from the Boustead episode is that there is no such thing as a done deal when they tell you it is not a done deal; speculate at your own risk.

On another note

On 19 February 2019, Boustead announced that it planned to dispose the Royale Chulan Bukit Bintang Hotel in Kuala Lumpur for RM197 million to SGX-listed Hotel Royal Limited. The sale and purchase agreement was signed on 15 March 2019, and then an announcement on the revised appraisal value of the asset by the valuer on 19 March 2019.

On 30 December 2020, Hotel Royal Limited, announced that the purchase price of the hotel has been revised to RM177.3 million from the RM197 million announced earlier. However, this revised price has not been announced by Boustead.

Technically, there may not be a need to announce the revision on grounds of materiality under the Bursa Securities' Listing Requirements. But it is a good corporate governance practice for the Board to keep shareholders updated if there are changes to earlier announcements.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 1 – 5 March 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
03.03.21 (Wed) 09.30 am	Notion VTEC Bhd (AGM)	Notion's revenue for FY2020 increased marginally 2% to RM242.7 million (FY2019: RM237.7 million), but net profit decreased by 16% to RM6.3 million (FY2019: RM7.5 million). Most of its product's segments recorded lower revenue apart from the Electronics Manufacturing Services (EMS) segment thanks to higher sales from a particular customer in the 4th quarter of the year. Its performance was affected by supplies chain disruption and logistic challenges due to movement restrictions. To create a more diversified income stream for future growth, it has started to produce face masks under its own brand names and diversified into the PPE business including glove manufacturing. Nevertheless, it will continue to focus on its existing core business of supplying high quality precision components.
03.03.21 (Wed) 10.00 am	MKH Bhd (AGM)	For FY2020, MKH's revenue decreased by 18.7% to RM911.9 million and pre-tax profit decreased by 26.5% to RM116.5 million. The lower profit was mainly due to lower revenue and profit recognition from its Property Development & Construction Division, Hotel and Property Investment. However, its performance was offset by higher revenue and profit contribution from the Plantation Division.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Notion VTEC Bhd (AGM)	One of the key risks related to the Group's operations is fluctuating prices of aluminium (the Group's main raw material) (page 6 of the Annual Report 2020 ("AR2020")). (a) Given that commodity prices like aluminium have been increasing since last year, how and to what extent has it impacted the Group's products' profit margins? (b) Will the Group be able to pass the increase in raw material cost to its customers? (c) This financial year, the Group has made headways in the new extruded and machined aluminium parts and are expecting more orders from its EMS segment customers (page 6 of AR2020). If aluminium prices continue to rise, how will it impact the Group going forward? (d) How will the Group address the risk of rising prices of aluminium?
MKH Bhd (AGM)	The Group has given eligible tenants at Plaza Metro Kajang and Metro Point Complex rental rebates to ease their financial burdens during the MCO and CMCO period. (a) What is the amount of rental rebates given to eligible tenants at Plaza Metro Kajang and Metro Point Complex respectively for FY 2020? (b) What are the current occupancy rates at Plaza Metro Kajang and Metro Point Complex respectively? (c) The Property Investment Division benefited from the stimulus packages announced by the Government such as wage subsidy programme and electricity bill discounts. What is the amount received by the Company for FY 2020? (d) What are the measures taken by the Company to increase the foot-fall at these two Complexes as a result of the COVID-19 pandemic?

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DISCLOSURE OF INTERESTS

•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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