



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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The Observer

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❖ Harnessing IR power to make informed decisions

At a glance, the recent move by Bursa Malaysia Berhad to assume the role of Malaysian Investor Relations Association (MIRA) is a testament to the Exchange acknowledging the need to further enhance public-listed companies' (PLCs) visibility and accessibility to the investment community through more active investor relations (IR) engagements.

This also aligns with Bursa Malaysia's objective of becoming the sole point of reference for all IR matters, thus preventing redundancy and duplication of functions. Consequently, MIRA's operations which commenced in 2007, were discontinued effective 1 July 2023.

After all, Bursa Malaysia has stepped up its advocacy role over the years beyond that of a market regulator and influencer. In recent years, the Exchange has spearheaded several initiatives to enhance PLCs' visibility and accessibility to the investment community through more active IR engagements.

Building investors' trust

In the words of Bursa Malaysia's CEO Datuk Muhamad Umar Swift, IR is a strategic function to importantly communicate a PLC's performance and growth plans in a credible and engaging manner.

"(On its part), the exchange is committed to continue providing PLCs and IR practitioners with the necessary knowledge, training or workshops and other essential resources to effectively engage with their shareholders and wider stakeholder," he enthused.

"From July 2023 onwards, IR practitioners or professionals in Bursa Malaysia listed PLCs – including former MIRA members – can expect further capacity building support and guidance from the exchange to enhance their skills and knowledge."

In a nutshell, IR is a vital platform for companies to provide transparent and accurate information to analysts, investors and the public. IR helps the investment community develop a well-rounded understanding of a PLC and its strategies.

Furthermore, through effective IR, a company can help achieve a fair market valuation for its shares, create a body of investor support and a climate of favourable opinion. The result is a loyal shareholder base which gives the PLC the ability to approach its

capital management exercises with confidence. Ultimately, this will be reflected in the demand for the company's shares and prices of those shares.

Founded in the Malaysian Code of Corporate Governance 2021 (Engagement with stakeholders), it is the function of IR to continuously engage and communicate with stakeholders to build trust and foster understanding between the company and its stakeholders.

By providing transparent and accurate information about a company's financial performance, operations and prospects, an effective IR programme helps promote favourable opinions of the company and improve stock valuation and share price performance. Timely, open and honest communication are prerequisites (even when developments are not so favourable), so existing and potential shareholders can develop a properly informed view of how the company might be expected to perform.

The IR team oversees functions such as coordinating shareholder meetings and press conferences, releasing financial figures, facilitating analyst briefings, organising investor days and roadshows, publishing corporate filings, and managing investors' expectations.

Other goals of IR include:

- Creating and executing effective communication plans to showcase the company's financial performance and growth potential
- Crafting annual reports, presentation slides and press releases
- Providing financial and non-financial data to potential investors to promote the PLC's value
- Ensuring the accessibility of all financial information and adhering to relevant laws
- Reporting to company executives, i.e. CEO and CFO about the IR team's communications and feedback from investors/investment community.

In-house IR vs external IR

There is probably no one-size-fits-all answer as to whether it is better to have an in-house IR team or outsource IR services to an external IR firm.

One must consider the type of industry a PLC is in, its size of business, the required reach and a host of other factors including budgetary constraints.

An argument in favour of internal IR professionals would be that they are able to know the company inside-out, they are familiar with the inner workings of the PLC and the resulting smoother flow of information would mean quicker lead time for decision making.

On the other hand, an external IR professional or IR agency may boast more support staff and varied expertise. PLCs can then leverage a larger network of investment community contacts to have a wider reach with their IR programme almost from the outset.

When choosing an IR agency or external IR practitioner, it is imperative to first gauge the team and the experience of the individuals managing one's account.

Among others, it is necessary to see if they match the company in terms of culture and vision and consider how well the external IR team can work with the management and internal staff.

Besides, cost considerations regarding the overall annual IR budget and monthly retainers would play a key role in deciding whether an IR agency should be used.

Other aspects such as the reporting to management, fundraising and general reach among the investment community are also determining factors as to whether having an external IR is the way to go.

Above all else, management must understand how the agency works, its reporting style and frequency, deliverables and limitations before deciding whether this route would work for the PLC.

A consideration when choosing an external IR function is continuity or succession planning of the team or individuals who will be servicing the client.

Supposedly, if these key people leave the agency, can the existing service standards be upheld? Or will the new account manager be able to meet the client's expectations, or can they match the previous account manager who has been around for many years and knows the client and its business operations inside-out?

IR initiatives by Bursa Malaysia

Over the years, we have seen Bursa Malaysia carry out notable initiatives to elevate best practices from an IR standpoint.

On 28 March 2022, Bursa Malaysia launched the Bursa Research Incentive Scheme (Bursa RISE), which aims to improve the trading velocity and corporate profile of participating PLCs through research coverage and marketing activities.

Carried out by licensed research houses, the programme's goal is to create a better appreciation of the PLC's fundamentals, thus leading to better value recognition for PLCs. The research reports produced under Bursa RISE are available at <https://www.bursamarketplace.com>.

The programme also includes the IR and Public Relations (PR) Incentive Programme that provides IR and PR support to participating PLCs to enable better and effective engagement with their stakeholders, shareholders, the investment community, the media and the public.

In essence, Bursa RISE complements and supports the stock exchange's PLC transformation programme, which aims to encourage PLCs to be more transparent in their disclosure and performance, thus allowing investors to gain better insight to facilitate informed investment decision-making.

For this initiative, Bursa Malaysia earlier said that the share price performance for the selected 60 participating PLCs had improved due to increased research and profiling, notwithstanding the gloomy general market.

More broadly, the Bursa RISE initiative could have its roots in the Bursa Mid and Small Cap Research Scheme (MidS), which was unveiled in May 2017 to spur the vibrancy of the local bourse with coverage extended to 300 small-to-mid-sized PLCs.

Initially, some 100 PLCs with a market capitalisation of between RM200 million and RM2 billion were chosen for the first phase of the scheme. Besides market capitalisation, the selection of the companies was based on stock liquidity and a free float requirement of at least 15%.

Recall that each eligible company then went under the radar of two research houses for two years, whereby one initiation report and at least four financial results reports would be issued to investors. The scheme involved 22 research houses.

In conjunction with the launch, two indices – the FTSE Bursa Malaysia MidS Cap Index and the FTSE Bursa Malaysia MidS Cap Shariah Index – have been introduced to track the performance of the mid and small-cap stocks.

By MSWG Team

MSWG AGM/EGM Weekly Watch 31 July – 4 August 2023

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
31.07.23 (Mon) 10.00 am	Systech Berhad (AGM)	<p>The Group's overall revenue increased by 4% y-o-y to RM23.2 million (FY2022: RM22.4 million) mainly due to higher contributions from the CyberSecurity and e-Logistics solutions segment, representing the Continuing Operations.</p> <p>However, the increase was partially offset by the lower revenue from the e-Business solutions segment, which is now a Discontinued Operations.</p> <p>Driven by the higher revenue and the absence of impairment of goodwill, Systech recorded a net profit of RM0.3 million from Continuing Operations compared to a net loss of RM5.9 million in FY2022.</p>
31.07.23 (Mon) 11.30 am	Malaysian Bulk Carriers Berhad (EGM)	The EGM seeks shareholders' approval for the proposed disposal of Alam Kekal, a bulk carrier, by Kekal Shipping Pte Ltd, an indirect wholly-owned subsidiary of Maybulk, to a non-related

		<p>third party to be identified. The precise amount for this transaction will be determined at a later stage and will be settled entirely in cash.</p> <p>Following the completion of the disposal, the Company will no longer generate revenue or benefit from potential profits associated with Alam Kekal.</p>
02.08.23 (Wed) 10.00 am	Datasonic Group Berhad (AGM)	<p>Benefiting from the pent-up recovery effects from the Covid-19 pandemic, Datasonic registered a solid profit attributable to the owners of the Group at RM76.4 million for FY2023.</p> <p>This was a surge of 7.5 folds from RM10.2 million achieved in the previous year. As for the top-line performance, FY2023 revenue rose 152.7% year-on-year to an all-time high of RM344.7 million.</p>
02.08.23 (Wed) 03.00 pm	Ahmad Zaki Resources Berhad (EGM)	The Company proposed a waiver of statutory pre-emptive rights of the shareholders to be offered with new shares arising from any issuance of Placement Shares pursuant to Section 85 of the Companies Act, 2016 to be read together with Clauses 62 of the Constitution of the Company.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Systech Berhad (AGM)	<p>Cybersecurity is required to keep organisations safe as they move to digital platform, and organisations must embrace new security technologies to address the risk. One unique opportunity is embedding new technologies, such as Artificial Intelligence (AI) as the next platform in Cybersecurity solutions. (page 9 of AR2023)</p> <p>To what extent and how ready is the Group in terms of providing CyberSecurity solutions embedding new technologies, such as Artificial Intelligence (AI)?</p>
Malaysian Bulk Carriers Berhad (EGM)	<p>MBC, through its indirect wholly owned subsidiary, Kekal Shipping Pte Ltd, has identified the bulk carrier Alam Kekal for disposal consideration to a non-related third party. The specific amount for this consideration will be determined later and will be satisfied entirely in cash. Once the disposal of the bulk carrier is completed, the Company will no longer have a source of revenue and potential profit contribution from Alam Kekal in the future (page 9 of MBC's Circular 2023).</p> <p>a) Considering that the bulk carrier contributed approximately 26% to the Company's revenue in FYE 2022, how does the Company plan to address the potential loss of income resulting from the proposed disposal?</p>

	b) How does the Company plan to maintain a competitive edge against its peers in the face of lower charter rates for dry bulk and a decreasing number of bulk carriers the Company owns?
Datasonic Group Berhad (AGM)	<p>"At end-FY2023, following the various contracts secured, Datasonic's order book stands at RM339 million, providing us with promising prospects for the upcoming financial years." (page 39 of Annual Report 2023)</p> <p>a) How long is the order book of RM339 million expected to last?</p> <p>b) What was the total order book secured in FY2023?</p> <p>c) What is the order book replenishment target for FY2024?</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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