



The Observer

30.04.2021

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.

The looser correlation of the FBM KLCI to the US Dow Jones Index?

The US market has always been a dominant factor in predicting the direction of the local market. However, the Covid-19 pandemic has changed this equation.

The Dow Jones Industrial Average (DJIA) which had a market capitalisation of US\$8.33 trillion (or equivalent to RM 34.4 trillion) as of 31 December 2020, is simply too big to ignore in terms of market economics. The adage that the "world catches a cold when America sneezes" best describes the symbiotic relationship between the US market and world markets.

Since the pandemic became widespread around the globe in March 2020, the DJIA had a sharp correction which saw it falling to around the 19,000 points level. However, the correction was short lived. The Dow recovered as the US government put in a slew of measures to rejuvenate the economy including injecting massive stimuli into the economy.

What has been baffling to analysts and economists is that despite the ill effects of the pandemic, the Dow continues its meteoric rise. It recorded its all-time high on 16 April 2021 at 34,200 points. Some pundits have attributed this phenomenon to the expectation that the US economy was on the recovery path and investors were confident with the navigation of economy by the Biden administration.

Another factor that has provided a shot in the arm for the Dow was that corporate earnings were recovering although not to pre-pandemic levels. This has also prompted investors to enter the market.

However, the FBM KLCI which has remained range bound between 1550 and 1650 points currently clearly has not been following the Dow which has been registering new highs very often recently.

The FBM KLCI recorded its highest level at 1,896 points in July 2014.

Foreign funds which are crucial to ensure that the Malaysian market is on an upward trajectory have been net sellers in 2021. Since March 2021, foreigners have sold RM1.17 billion worth of Malaysian equities compared to RM5.21 billion worth of stocks in 2020.

The local retail market has absorbed this amount which witnessed the volume traded on the FBM KLCI reaching its highest ever levels in 2021.

The current ultra-low interest rate environment around the world has also provided an impetus to the rise in stock market indices. Bank Negara Malaysia (BNM) has kept its Overnight Policy Rate (OPR) steady at 1.75% during its last 4 policy meetings. The low interest rate environment has prompted investors to enter the market as the banks interest rates were just not appealing.

As in any purchase, the maxim 'caveat emptor' or buyer beware is applicable. Investors should exercise caution in investing in an environment sector where risks are aplenty as the economic rebound from the pandemic is still fragile.

Previously, investors could take a cue from US markets to make their investment decisions but as the FBM KLCI is more loosely correlated from its US peer, this is not the case anymore. They must be more inward looking and studying the fundamentals of the companies they plan to invest in. This has never been more crucial.

Investors must exercise caution when investing in a market which is flushed with liquidity. The recent penny stock rally in the Malaysian market, which is based more on speculative reasons, is a case in point where the rally in a few counters is not based on company's fundamental strengths.

Although, the valuation of some Malaysian companies seems stretched now, value can still be found by the discerning investor. However, investors must separate the 'chaff from the wheat' and have the financial muscle to ride out the volatility in the market.

Ranjit Singh
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 3 – 7 May 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
05.05.21 (Wed) 10.00 am	Nextgreen Global Bhd (EGM on Proposed RCPS)	Nextgreen proposed to issue 200 million RCPS to three subscribers at 5 sen per RCPS to raise RM10 million for a tissue paper mill JV with Dengkil Paper Mill. Nextgreen will hold 51% interest in the JV.
05.05.21 (Wed) 11.00 am	Nextgreen Global Bhd (EGM on Proposed Granting of Options under ESOS)	Nextgreen proposed to grant options under ESOS to the directors of the Company. The recipients of the options include Nextgreen's INEDs.

		MSWG does not encourage the practice of giving options to INEDs as they play the independent check and balance role. They are responsible for monitoring the option allocation to employees and executive directors.
05.05.21 (Wed) 11.00 am	Amtel Holdings Bhd (AGM)	<p>Amtel's revenue of RM56.0 million for FY2020 was lower than the RM63.2 million reported in FYE2019 due to the temporary disruption in business activities during the MCO in Q2 2020. Net profit declined to RM4.06 million from RM4.83 million in FY2019.</p> <p>Moving forward, Amtel will continue to strengthen its competitive edge through various localization efforts while at the same time, integrating green features and new innovations, e.g., AI technology, to improve and expand its product range and services and broaden its customer base.</p>
06.05.21 (Thur) 10.00 am	Sime Darby Property Bhd (AGM)	The Group achieved total sales of RM2.0 billion in 2020, 43% higher than the revised sales target of RM1.4 billion. Excluding one-offs on write-downs, write-offs, impairment and provisions, it recorded Earnings Before Interest and Tax (EBIT) of RM110.4 million, and net earnings of RM77.4 million respectively.
06.05.21 (Thur) 10.00 am	Malayan Banking Bhd (AGM)	<p>Capital and liquidity conservation will remain the utmost priority for Maybank, given lingering uncertainties over a potentially weakening credit environment.</p> <p>Besides, the 2021 also marks the first year of M25 – Maybank's new five-year strategy, in which the bank is set to differentiate itself through digitalisation and data analytics to better understand and serve its customers while capturing new business opportunities.</p>

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
---------	----------------------------

<p>Nextgreen Global Bhd (EGM on Proposed RCPS)</p>	<p>Nextgreen has been raising fund from investors since 2018 (calendar year) via private placement and private investment, to fund the development of Green Technology Park (GTP) at Pekan, Pahang.</p> <p>Below are the summary of fund-raising activities that Nextgreen undertook previously:</p> <ul style="list-style-type: none"> - RM400 million investment by Hong Kong-based Asia Capital Investment Fund - Private placement announced in December 2018 which had raised RM19.39 million - Private placement announced in October 2019 which had raised RM30.29 million - Private placement announced in October 2020 which had raised RM35.8 million as of 2 March 2021 (latest practicable date) <p>a) Excluding the RM10 million gross proceeds to be raised from this Proposed RCPS, how much more capital is required to complete the GTP project? How does the Group plan to raise the required capital?</p> <p>b) When will the Phase 1 and 2 of the GTP achieve commercial operation?</p> <p>c) Considering the financial condition of Nextgreen and the current low interest environment, is it feasible for the Company to obtain financing from banks instead of raising fund via issuance of new shares to avoid the dilution impact on earnings per share?</p>
<p>Nextgreen Global Bhd (EGM on Proposed Granting of Options under ESOS)</p>	<p>In line with better corporate governance, MSWG does not encourage the practice of giving options to independent non-executive directors (INEDs) as they play the independent check and balance role (and not an executive role) in the Company and are responsible for monitoring the option allocation to employees and executive directors.</p> <p>There is also the risk that the INEDs may be fixated with the share price of the Company and this may affect their impartial decision-making, which should be made without reference to share price considerations.</p> <p>Under the Proposed Grant of Options under ESOS, there are two INEDs namely Mr. Teh Chau Chin and Mr. Tan Meng Chai, who eligible to receive the share options (Ordinary Resolution 4 and 5, Notice of EGM).</p>

	<p>a) Why is the ESOS extended to the two INEDs since they do not perform executive roles. Should not the directors' fee and other benefits they receive supposed to be adequate to compensate the services rendered by them?</p> <p>b) It is stated that the Proposed Grant of Options to NINEDs and INEDs are to recognise their contribution relating to their oversight responsibility as members to the respective board and/or board committees, which are considered vital to the governance of Nextgreen (page 3 of the Circular on Proposed Grant of Options).</p> <p>What are the performance metrics adopted by the ESOS Committee to assess the eligibility of INEDs under the ESOS?</p> <p>Who are the members of the ESOS Committee?</p> <p>c) Considering the independent and non-executive role of the two INEDs in Nextgreen, what is their view on the ESOS scheme? Are they keen to accept the shares if the ESOS option is offered to them?</p>
<p>Amtel Holdings Bhd (AGM)</p>	<p>The ICT segment remains Amtel's core business, accounting for 79.0% of its Group revenue (2019: 85.4%). Its business operations began to improve after May 2020 when the government allowed certain sectors to operate during the MCO. Since then, the Group was fast to clear most of its backlog without much interruption. This had led to higher sales in the second half of FYE 2020. (Page 17 of Annual Report - AR)</p> <p>Has the sales volume reverted to pre-Covid times? If not, what is the percentage of current sales to pre-Covid sales? What is the outlook for FYE 2021?</p>
<p>Sime Darby Property Bhd (AGM)</p>	<p>The Group recorded write-down of inventories and write-off of inventories of RM131.3 million and RM73.1 million respectively in FY2020 as compared to RM65.7 million and RM9.7 million in FY2019 respectively. (page 326 of AR)</p> <p>(a) Please provide breakdowns of write-down of inventories and write-off of inventories amounting to RM131.3 million and RM73.1 million respectively.</p> <p>(b) What were the measures taken to clear the write-down of inventories and write-off of inventories that were recorded in FY2020?</p>

Malayan Banking Bhd
(AGM)

The allowances for impairment losses on loans, advances, financing and other debts doubled to RM4.6 billion as compared to RM2.29 billion in FY2019, on the back of proactive provisioning taking into account the weakened macroeconomic variables and weaknesses in certain businesses and corporate accounts (page 39 of AR2020).

Besides, the net charge-off rate was doubled at 88 bps for FY2020 as compared to 44 bps in FY2019.

What is the outlook for Maybank's asset quality in FY2021?
Will the net credit charge-off rate and level of loan provision remain elevated in FY2021?

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)

DISCLOSURE OF INTERESTS

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

