



The Observer

05.03.2021

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 Q & A Session with AmBank

Last Friday (26 February), AMMB Holdings Berhad (AmBank Group) dropped a bombshell in the market with the announcement of a RM2.83 billion settlement with the Malaysian government in relation to the historical transactions involving 1Malaysia Development Berhad (1MDB) and its related entities.

This was unprecedented for the country and is probably the largest such settlement by a banking group in Southeast Asia.

The RM2.83 billion amounted to 94 sen of AmBank Group's book value per share. This provision will be reflected in its Q4FY21 results, which is expected to push the group into the red for its financial year ending 31 March 2021 (FY2021), according to analysts. As a result, there will be no final dividends distributed to shareholders for FY2021.

Subsequently, AmBank Group reached out to the Minority Shareholders Watch Group (MSWG) this Tuesday (2 March) to address our questions and concerns. It is commendable that the Group was proactive in reaching out to the financial community, its shareholders and other stakeholders. We understand that over the last weekend and the additional two-day of trading suspension, AmBank Group had reached out to 40 to 50 stakeholders to allay their concerns and address their questions.

Who should be held accountable for the settlement?

During the meeting, MSWG questioned the Bank on who should be held accountable; from whom should retribution be sought; and who within AmBank Group over the years should be held accountable.

We also asked if there was a breach of fiduciary duty by some or all the directors at the material time; and whether action would be taken by the Bank to recover the settlement amount or at least a portion of the settlement amount.

AmBank answered that they are reserving all their rights to take action against those involved. The decision on the option to pursue will be one that will be decided by the board.

Besides, we also highlighted that as the bank comes from a highly regulated industry, its governance structures and processes adopted would have been more robust, efficient and effective.

At least five levels of governance structures and processes will be involved - the compliance function, the risk function and the risk management committee, the internal audit function and the audit committee, the CEO and the C-suite, and finally the Board and the independent directors.

Surely, some of them should have, could have or would have highlighted the risks and consequences of carrying out such transactions. Was it a case of board/management overriding the controls embedded in the governance structures and processes? AmBank Group should indulge in much self-examination as to what happened.

The RM2.83 billion settlement, which is about 30% of AmBank's market capitalisation of RM9.52 billion before the announcement, will put a dent on its bottom-line.

Shareholders too will be affected as share prices plunged and there will be no final dividends for FY2021.

There must be accountability; it is not as simple as just stating 'let's just put this behind us and move on'.

The need for a two-day suspension on trading

We also asked about the need to suspend the counter for two market days given that the announcement regarding the settlement was not a complicated announcement that required two market days to digest.

It is the responsibility of a stock exchange to ensure continuous trading so that shareholders can better manage their risks by exiting/entering in a timely manner. Given the bombshell, some minority shareholders may have wanted to "get out" as soon as possible.

AmBank explained that one of the reasons for the two-day suspension was to reach out to the various groups of stakeholders to quell their concerns. We understand that AmBank Group had reached out to at least 40 to 50 stakeholders thus far.

And given the unprecedented quantum of the settlement and its material impact on the Group, the Bank felt that the two-day suspension was warranted to address concerns. Obviously, the Exchange concurred with AmBank's views.

Now with hindsight, we also realise that the shareholders may have benefited from reading the various research reports and recommendations during the two-day suspension period and as such, be in a better position to make an informed decision.

Settlement announced out of the blue

Our other question was on the suddenness of news of the settlement. There was no pre-warning, profit guidance or note of a contingent liability; there was no inkling at all.

AmBank informed that robust discussions on the settlement took place in early February 2021 and it was only given "a few days" to negotiate the settlement.

There does not appear to be any evidence of leakage of news of these discussions in terms of share price and volume movements and arguably, making an announcement without a final figure may have impacted the fair and orderly trading of the shares.

The two-day suspension can only be justified by the sheer size of the unprecedented settlement.

Allegations of insider trading

Amidst all this, there has been allegations of insider trading on the stock from December 2020 onwards. Insider trading is a serious offence under the Capital Markets and Services Act 2007. It creates an unlevel playing field; and this is not fair on minority shareholders.

The Securities Commission (SC) will probably be looking out for abnormal or abrupt trading patterns by the insiders. The SC is likely to be interested in asking for the motivation and rationale for some of these trading patterns. At this point in time, the issue of insider trading is mere allegation; we should let the regulator do their work.

What should minority shareholders do?

Based on the meeting with AmBank, we were given to understand that the settlement with the government is full and final in relation to the legacy issues.

There will be no final dividends for FY2021. There is a need for the Bank to restore the Core Equity Tier 1 (CET1) ratio that will decline to 11% after the settlement, from 13.5% as at the end of December 2020. This may affect future quantum of dividends.

Furthermore, there are possible revisions to Ambank Group's corporate credit rating and the financial institution ratings of its banking subsidiaries by the credit rating agencies. A downgrade in credit ratings will increase the cost of capital for the Bank.

As expected, on lifting of the suspension, the share price fell to accommodate the negative news.

Minority shareholders are advised to read the Bank's press release in full. They should also read the available research analysts reports and their recommendations.

According to Bloomberg, as at 3 March 2021, there were six "sell" calls on AmBank, four "buy" recommendations, and seven "hold" calls. Macquarie, which has an "underperform" recommendation on AmBank, pegs the lowest target price of RM2.50. Meanwhile, TA Securities Holdings Bhd and KAF-Seagroatt & Campbell Securities Sdn Bhd, both of which are recommending their clients to buy AmBank shares, have the highest target price of RM4.

This clearly shows that there is no consensus recommendations on the stock even amongst the research analysts.

Obviously, there is no simplistic recommendation as to whether to buy, sell or stay invested. It would all depend on the minority shareholders risk appetite and how they view things.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 8 – 12 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
08.03.21 (Mon) 10.00 am	UMS Holdings Bhd (AGM)	In FY2020, UMS revenue decreased to RM57.3 million, from RM68.0 million the year before.

		<p>Net profit dropped to RM1.4 million from RM2.1 million during the same period. The poorer financial performance was caused by the overall slowdown in the world economy and the negative Impact of the MCO implementation.</p> <p>Having said that, UMS has been experiencing a deteriorating financial performance for the last 5 financial years.</p>
08.03.21 (Mon) 3.00 pm	PLB Engineering Bhd (EGM)	The EGM is to seek shareholders' approval for a proposed joint development between PLB, Penang state government and Penang Development Corp which will allow PLB to undertake a project comprising rehabilitation works and the development of a new Integrated Recycling Centre. PLB will receive land in return for the joint development.
09.03.21 (Tue) 10.30 am	Anzo Holdings Bhd (AGM)	For the 14-month financial period ended 30 Sept 2020, Anzo recorded a pre-tax loss of RM9.17 million (FY2019: loss before tax of RM3.54 million) due to higher administration expenses, impairment losses of RM1.55 million, and loss on modification of financial assets of RM6.01 million.
10.03.21 (Wed) 10.00 am	Asdion Bhd (AGM)	<p>Asdion's FY2020 revenue plunged 81.3% to RM3.8 million (FY2019: RM20.3 million). Net loss of the Company increased to RM4.9 million from RM3.7 million the year before. It has been making losses since FY2016.</p> <p>The poor financial performance was due to the decline in stevedoring related activities at Kuantan Port, which in turn caused by the moratorium on bauxite mining.</p> <p>Given its net loss position and its net current liabilities position of RM5.6 million, its Auditors indicated that Asdion facing material uncertainty related to going concern.</p> <p>Will it ever be able to turnaround in this challenging operating environment?</p>

<p>11.03.21 (Thur) 11.00 am</p>	<p>Hubline Bhd (AGM)</p>	<p>Hubline achieved higher revenue of RM135.3 million for FY2020 (FY2019: RM124.5 million), lifted by the acquisition on Layang Layang Group, which was completed in May 2019. The new acquisition had contributed RM54.7 million of revenue to the Group.</p> <p>However, it recorded a net loss of RM60.8 million due to provision for income tax of RM10.3 million, impairments of receivables of RM30.4 million, and write-down of intangibles of RM6 million.</p> <p>Its discontinued operation (container shipping business) was concluded in FY2020. Moving forward, Hubline's result are expected to reflect only the dry bulk shipping and aviation divisions.</p>
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
<p>UMS Holdings Bhd (AGM)</p>	<p>Group revenue and profit attributable to owners of the Company (PATAMI) have both been generally declining over the last 5 financial years. Group revenue has decreased from RM96.2 million in FY2016 to RM57.3 million in FY2020 while PATAMI has dropped from RM7.8 million in FY2016 to RM1.4 million in FY2020. (Page 8 of the Annual Report - AR).</p> <p>What were the reasons for the continuing decline in revenue and PATAMI? What has the Board done to arrest the Group's deteriorating financial performance and to grow the business?</p>
<p>PLB Engineering Bhd (EGM)</p>	<p>The Company has selected China Railway Engineering Corporation (M) Sdn Bhd ("CRECM") to undertake the management, implementation and construction of the Rehabilitation Works.</p> <p>a) Please name the other contractors who tendered to undertake the management, implementation and construction of the Rehabilitation Works.</p> <p>b) What are the competitive strengths CRECM has over the other competitors in the management, implementation and construction of the Rehabilitation Works.</p>

	c) What is the expected compensation to be paid by CRECM if it fails to complete the construction of the Rehabilitation Works within the stipulated period as agreed upon?
Anzo Holdings Bhd (AGM)	<p><u>Financial Performance</u></p> <p style="text-align: right;">Financial Year Ended</p> <p style="text-align: center;">30-Sep-20 31-Jul-19 31-Jul-18 31-Mar-17 31-Mar-16</p> <hr/> <p>Loss after tax (RM'000) (9,076) (3,459) (5,917) (4,724) (10,851)</p> <p style="text-align: center;"><i>(Source: Page 4 of the Annual Report 2020)</i></p> <p>Anzo has recorded losses after taxes since FY2016. How does the Board plan to address the Group's financial performance, moving forward?</p>
Asdion Bhd (AGM)	<p>CAS Malaysia PLT has disclosed material uncertainty related to going concern in its Independent Auditors' Report. The Group incurred a net loss of RM4.0 million and is in net current liabilities position of RM5.6 million (page 47 of AR2020).</p> <p>Is there sufficient working capital to meet the Group's expenses and finance cost for the next 12 months? When is the Company expected to come out of the 'material uncertainty related to going concern'?</p>
Hubline Bhd (AGM)	<p>The Independent Auditor has highlighted a material uncertainty related to going concern in their report (Page 52 of AR2020).</p> <p>The Group incurred a net loss of RM60.8 million during the FY2020 and, as of that date, the Group's current liabilities exceeded its current assets by RM62.2 million. These events indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.</p> <p>When is the Group expected to be in a position that does not warrant a statement from the independent auditor that there is 'a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern'?</p>

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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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