MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

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❖ ESG investing regains focus

As some global headwinds subside, the environment, social and governance (ESG) space could regain interest among fund managers as a focal investment point.

Domestically, the renewable energy (RE) space is seeing unprecedented rapid development and news flow with clarity emerging on how industry players plan to achieve their net-zero carbon goals while also actively working to attract more foreign direct investments (FDIs) to develop the RE industry.

The post-pandemic recovery has put ESG in the spotlight with ESG frameworks gradually acquiring centre stage as PLCs acknowledge that ESG compliance does boost long-term organisational growth.

We have seen some positive developments in the domestic ESG space of late:

PETRONAS tackling transition risks: In June 2022, national oil corporation PETRONAS established Gentari Sdn Bhd to diversify its income stream to clean energy. By the end of 2022, Gentari achieved 1.6GW of global RE capacity in operations and under development (vs 8.7GW of RE installed capacity in Malaysia for perspective).

Sarawak leading the way in SAF: Back in May 2023, the Sarawak government unveiled the world's first sustainable aviation fuel (SAF) derived from algae. Tan Sri Abang Johari Tun Openg, Sarawak Premier said there is a large potential and addressable market for SAF given its current supply scarcity, a rebound of long-haul air travel demand and increasing regulatory push towards decarbonising the aviation sector.

Growing RE capacity and EV adoption: For solar, the government has unveiled the Corporate Green Power Programme (CGPP) with an 800MW quota size, which boasts an estimated solar EPCC (engineering, procurement, construction, and commissioning) opportunities in the range of RM2 billion - RM3 billion if the CGPP is fully allocated.

Separately, the Government recently lifted the RE export ban which had been in place since October 2021. Singapore is anticipated to be the main RE export target market given its proximity, scarcity of land and projected increase in energy demand.

For electric vehicles (EVs), favourable national policies are expected to push for broader adoption of EVs among Malaysians, coupled with the introduction of EV makes like Tesla to the local market.

Way forward for ESG

It is believed that ESG is here to stay. Of all, fiduciary duty has been a primary driver for institutional investors to incorporate ESG factors into investment decisions.

In a 2021 survey of 805 global institutional investors by RBC Global Asset Management, most respondents (57%) selected fiduciary duty as their top reason for considering ESG factors, followed closely by risk-adjusted returns (52%).

In essence, corporate directors and officers have a duty to act in the best interests of the corporation and institutional investors such as pension trustees have an obligation duty to act in the best interests of those whose money they are entrusted with.

On top of that, funds are ramping up their in-house ESG expertise given increasing stakeholder pressure from asset owners as well as the need for technical expertise to analyse the increasingly complex and rapidly evolving ESG standards.

In addition, we have seen an increasing level of money being invested in ESG space. Evidently, when the United Nations-backed Principles for Responsible Investment (PRI) was launched in 2006, it had 63 signatories responsible for US$6.5 trillion in assets under management.

But by end-2021, the PRI had racked up an astounding 3,826 signatories managing some US$121 trillion in assets and the growth continues – a testament that the financial sector is committed to ESG.

In another demonstration of the financial force behind ESG, Mark Carney and partners launched the Glasgow Financial Alliance for Net Zero (GFANZ) in 2021 as a "forum for leading financial institutions to accelerate the transition to a net-zero global economy." The GFANZ includes separate net-zero pledges for asset managers, asset owners, banks, insurers and service providers that have drawn support from more than 450 financial sector organisations representing US$130 trillion in assets.

On the other hand, corporations with strong ESG performance tend to incur a lower cost of capital. In other words, they have access to cheaper debt and equity financing because lenders and investors view strong ESG performance as an indicator of lower risk.

A 2021 study published in the journal *Critical Perspectives on Accounting* examined the cost of debt in 6,018 cases across 15 European countries over an 11-year period. It was found that firms with stronger ESG disclosures and more robust ESG performance had a lower cost of debt, thus concluding that "as ESG performance increases, the amount of interest that lending institutions are willing to receive for a pound of debt for such firms decreases".

Meanwhile, consumers demand products to be manufactured sustainably, expecting companies to step up and address sustainability challenges. For instance, a 2021 study by Ernst & Young found that a strong majority of 69% of Canadian consumers expect companies to solve sustainability issues.

Deloitte also found similar results in the US market with 65% of consumers expecting CEOs to do more to progress on societal issues such as reducing carbon emissions, tackling air pollution, and making business supply chains more sustainable.

These data make clear that consumers are increasingly driving corporate ESG performance while their rising expectations of corporations suggest that ESG and climate action are now a component of companies' social licence to operate.

By MSWG Team

MSWG AGM/EGM Weekly Watch 16 – 20 October 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
16.10.23 (Mon) 10.00 am	Aeon Credit Service (M) Berhad (EGM)	AEONCR is seeking shareholders' approval for: - Proposed JV between AEONCR and Aeon Financial Services Co. Ltd (AFS) to undertake the business of a digital Islamic Bank - Proposed bonus issue of 255.31 million shares in AEONCR on the basis of 1 bonus shares for every 1 AEONCR share held
17.10.23 (Tue) 09.00 am	Apollo Food Holdings Berhad (AGM)	The Group recorded revenue of RM257.11 million for FY2023, an increase of 36.56% compared to RM188.27 million in the previous year. The reopening of Malaysia's borders has increased the demand for Apollo's products, resulting in higher sales recorded. The local market contributed a large proportion of its revenue, accounting for 68.38% of total revenue. Consequently, its net profit jumped by 217.45% to RM31.65 million from RM9.97 million a year ago.
18.10.23 (Wed) 10.00 am	Kein Hing International Berhad (AGM)	The Group's revenue increased by 21% y-o-y to RM334.9 million (FY2022: RM276.7 million), mainly attributed to pent-up demand, especially in Q2 FY2023 and stronger customer demand for parts used in printer products.

		In tandem with the increase in revenue, the Group achieved a higher net profit of RM24.8 million during FY2023 compared to RM19.3 million in the previous year. Notably, it completed Phase II construction of its third Vietnam factory in FY2023, which will cater for its future expansion plan in Vietnam.
19.10.23 (Thur) 10.30 am	MNC Wireless Berhad (AGM)	MNC Wireless reported a lower revenue of RM12.436 million in FY2023, from RM15.025 million in the preceding year due to reduced demand for its wireless and multimedia services. Meanwhile, its net loss decreased significantly from RM17.772 million to RM6.708 million due to cost optimisation measures. Amid challenges, the Group anticipates benefiting from the automation wave, 5G rollout, and digital marketing trends, particularly in bulk SMS for diverse industries.
20.10.23 (Fri) 10.00 am	Pintaras Jaya Bhd (AGM)	The Group turned lossmaking with a net loss of RM2.1 million (FY2022: net profit of RM41.2 million), in line with lower revenue of RM333.1 million from RM443.1 million a year ago. Its losses stemmed from the culmination of labour shortages, material price increases, high energy costs and supply chain disruptions, adversely impacting operations costs and timely delivery of projects. The construction segment reported a loss of RM5.0 million compared to a profit of RM48.0 million in the previous year.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Apollo Food Holdings Berhad (AGM)	What were the top three raw materials or ingredients used by the Group in FY2023? What are the price trends of these materials in the current financial year to date, compared to those in FY2023? Does the Board expect the strong earnings achieved in FY2023 to be sustainable in FY2024?
Kein Hing International Berhad (AGM)	Kein Hing Muramoto (Vietnam) Co., Ltd. ("KHMV") had on 5 May 2023 entered into a Transfer Agreement with the Company to acquire the entire Charter and Contributed

	Capital in Kein Hing Thai Nguyen (Vietnam) Co., Ltd. ("KHTV") as an internal restructuring exercise which in turn will enable both KHMV and KHTV to enjoy the synergies, enlarged capacity and the spillover of KHMV customers' orders. (Page 12 of Annual Report 2023) After the internal restructuring exercise, the Company's effective ownership interest in KHTV will be reduced from 100% to 75%. Since both KHMV and KHTV are subsidiaries controlled by the Company, the Company may divert KHMV customers' orders to KHTV if deemed necessary. Kindly further elaborate on the reasons why would the Company give up its 25% ownership interest in KHTV following the internal restructuring exercise given that there has been significant growth of Vietnam operation revenue in the last two financial years.
MNC Wireless Berhad (AGM)	M N C is optimistic about the future of bulk SMS, anticipating strong demand in marketing and notifications across diverse industries, including banking, insurance, healthcare, property, travel, retail, automotive, and government agencies (page 13 of Annual Report (AR) 2023). a) What percentage of businesses in the mentioned industries (banking, insurance, healthcare, etc.) currently utilize bulk SMS, and how has this penetration grown over the past few years? b) How is the bulk SMS market adapting to emerging trends in communication technology, and what is the outlook for bulk SMS in the face of competition from popular messaging platforms such as WhatsApp and Telegram? c) With growing concerns about privacy, how is MNC navigating user preferences and regulatory requirements in the context of bulk SMS, and how does this compare to messaging apps known for their end-to-end encryption?
Pintaras Jaya Bhd (AGM)	Liquidated damages imposed for late delivery of projects were also substantial. The Group remains in a cautious mode in tendering activities while completing jobs in hand. These unprofitable projects should be completed by 1H2024. (Page 37 of Annual Report 2023) a) What is the amount of liquidated damages imposed to the Group in FY2023 as compared to FY2022? b) As at 30 June 2023, what is the number of unprofitable projects on hand and what is the remaining contract sum of the unprofitable projects?

	c) What is the expected loss arising from these unprofitable projects and had the expected loss fully recognised as expenses as at 30 June 2023?

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DISCLOSURE OF INTERESTS

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