



The Observer

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❖ The return of the glove and PPE craze

It all started during the height of the COVID-19 pandemic in 2020 with many non-healthcare public-listed companies joining the personal protection equipment (PPE) bandwagon as a mean to drum up their share price.

Amid much fanfare – which somehow bear semblance to the dotcom era – these minnow companies rolled out impressive business plans and unfortunately not all materialized.

This nevertheless caught many newbies and unsuspecting investors off-guard; their joy was short-lived with the stock prices of many PPE aspirant stocks eventually regressed to pre-announcement level.

The emergence of PPE 2.0 players

While many of the first batch debutants have vanished into oblivion as the fly by night nature of their venture got better of them, the second-generation PPE (PPE 2.0) players – seem to be doing things by the book compared to their predecessors.

This is judging from their clarity in the engineering, explanation and execution of their business strategies. In fact, it will not be an overstatement to say that some of their business plans sounded both convincing and viable.

In all fairness, the recent PPE proposals – as per their Bursa Malaysia filings and media statements – are very systematically drafted with details of how the PPE venture will be executed alongside their partners. In fact, they also showed conformity to regulatory requirements.

Below are some recent new PPE ventures whose business details were made public via Bursa Malaysia filings /media statements:

Date of announcement	Company	Business plan	Rationale	Value	Existing business
12 April 2021	Luster Industries Bhd*	<p>Glovconcept Sdn Bhd - a 60%-owned subsidiary of Luster's 56%-owned subsidiary, Glovmaster Sdn Bhd, has entered into an agreement with American Nitrile LLC to provide EPCC services and technology solutions to construct glove production lines for the latter.</p> <p>The first phase of work included the construction of 12 high speed nitrile glove production lines, with another 72 additional lines within the first 24 months of the Agreement.</p>	This is in line with US administration's direction to reduce the dependency and reliance on imports of PPE which is seen as an essential tool to combat the spread of the COVID-19 pandemic	Based on the average cost of USD3.62 million to construct a glove production line, the construction of up to 84 production lines will generate approximately US\$304 million (or equivalent to RM1.25 billion) worth of work.	Manufacturing; property development and construction; gaming and leisure
8 April 2021	Iconic Worldwide Bhd**	<p>Iconic Medicare Sdn Bhd, a wholly-owned subsidiary of Iconic Worldwide has entered into a MOU with Hong Kong-based Limmas Corporation Ltd for the sale and purchase of 1.2 billion Iconic Powder Free Nitrile Examination Gloves over a 12-month period.</p> <p>However, the company's manufacturing facility for gloves and face masks has only reached 70% completion – which is way ahead of schedule (although the group claimed that it has already started installation of its glove production machinery).</p>	Offer new business opportunities that will expand its revenue base and enhance shareholders' value and reduce the reliance on existing business ventures	N/A	Tourism, property development and manufacturing of PPE
9 April 2021	Parlo Bhd	Entered into a MoU with a four-month validity period with PPE supplier SimplyK Sdn Bhd to explore a joint venture or acquisition of SimplyK on the back of potential rising demand for PPE in view of the ongoing COVID-19 pandemic.	N/A	N/A	Travel management and services group

*Luster announced a diversification of the existing principal activities to include manufacturing, sales & distribution of gloves on 19 October 2020

**Iconic Worldwide had on 10 June 2020 announced its proposal to venture into the manufacturing of face masks

Interestingly, with investors now wary of the PPE hype, there is lesser excitement in the air when a PLC announces its PPE venture. As such, the share price of Luster Industries, Iconic Worldwide and Parlo did not 'shoot up' upon when the three companies publicly announced their ventures.

Abidance of disclosure guidance

On 12 June 2020, Bursa Malaysia cautioned all listed companies to avoid using "exaggerated", "flamboyant" or "overstated" words in their disclosures on COVID-19-related investments to prevent unwarranted price movements.

The disclosure guidance was issued in response to the increased COVID-19-related disclosures where PLCs were taking advantage of the business opportunities arising from the pandemic.

These were observed by way of various memorandum of understanding, letter of intent and distributorship agreement by the companies seeking to manufacture PPE devices in the form of face masks, hand sanitisers, gloves, distribution of Covid-19 rapid diagnostic test kits, development/distribution of health supplements, ventilators, to name a few ventures.

Stressing on the need to provide fair and accurate disclosure, Bursa Malaysia said that any disclosure on COVID-19 related investments should contain several material information to aid investors in making an informed investment decision.

These include total capital and investment outlay, plans to bring the venture on-stream, impact on its profitability, relevant regulatory approval required, business risks or exposure and prospects of such investments.

"Further, listed issuers should proactively monitor and provide regular updates on the COVID-19 related investments, in the event of any material development or on a periodic basis as required under the Main Market and Ace Market Listing Requirements," added the market regulator.

In this regard, it seems that the majority of the PPE 2.0 players have taken heed of Bursa Malaysia's disclosure guidance - the ultimate aim of which is to ensure that the players deliver their part of the bargain to investors.

Once bitten, twice shy

However, investors and minority shareholders alike are still advised to exercise diligence, for all that glitters may not be gold.

They must not trust what they read/see on the surface; they must be able to read between the lines and make informed decisions. Some areas to consider include the

company's financial strength, its performance track record and the reputation of the board and major shareholders.

Likewise, they must refrain from blindly following the advice of the so-called investment gurus who are out to tempt them with the potential-yet-unviable ventures of the PPE 2.0 players. There is a good chance that these gurus could be wrong or worse still, working in cahoots with other market manipulators. It is best for investors to conduct their own research on the company that they wish to invest in.

Whenever there is doubt on the validity of a claim, investors should take further initiative to verify the claims and apply a huge dose of common sense. Often enough when our instinct tells us that something is too good to be true, it is likely to be so.

It is uncanny how often our initial gut-feel is right.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 19 – 23 April 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
20.04.21 (Tue) 10.00 am	Petronas Gas Bhd (AGM)	<p>Petronas Gas' revenue increased 2.5% y-o-y to RM5.6 billion in FY2020 due to higher revenue recorded from the Regasification and Gas Transportation segments, which was in line with new tariffs for Regulatory Period 1 (RP1) effective 1 January 2020.</p> <p>Its higher PBT of RM2.6 billion was driven by higher gross profit offset by lower other income and unfavourable movement on foreign exchange coupled with lower investment income.</p> <p>Moving forward, it expects the Covid-19 pandemic to have less impact on its earnings as the group's business model and long-term contracts</p>

		ensure steady revenue streams, across all business segments.
21.04.21 (Wed) 10.00 am	OSK Holdings Bhd (AGM)	OSK registered a PBT of RM410.8 million on the back of a total revenue of RM1.1 billion in FY2020. Included in the PBT is a one-off gain on disposal (including realisation of foreign currency translation gain) of RM7.7 million for the disposal of OVI Cables (Vietnam) Co., Ltd. ("OVI").
21.04.21 (Wed) 10.00 am	MISC Bhd (AGM)	<p>MISC's revenue improved by 4.9% y-o-y to RM9.4 billion in FY2020, thanks to higher contribution from on-going heavy engineering projects and recognition of construction revenue for a FPSO project.</p> <p>However, it registered a LBT of RM123.6 million (FY2019: PBT RM1.5 billion) mainly due to:</p> <ul style="list-style-type: none"> - the provision for litigation claims amounting to RM1.05 billion; - write-off trade receivables and loss on re-measurement of finance lease receivables of RM846.2 million in relation to the adverse decision on arbitration dispute between Gumusut-Kakap Semi-Floating Production System (L) Limited and Sabah Shell Petroleum Company Limited.
22.04.21 (Thur) 09.30 am	British American Tobacco (M) Bhd (AGM)	<p>BAT continues to face the great challenge from the rampant illicit cigarette market. It said the illicit market grew to 63% in 2020 and will continue to grow due to cheaper priced cigarettes and lack of enforcement.</p> <p>It has repeatedly urged the government to take stern action against the illicit activities, but results are far from encouraging.</p> <p>Malaysia is having one of the biggest illicit cigarette markets in the world. Until stringent measures are taken to curb the illegal market, legal tobacco companies will continue to lose out.</p>
22.04.21 (Thur) 10.00 am	United Plantations Bhd (AGM)	UP posted a record PAT of RM402 million in FY2020 (FY2019: RM284

		<p>million), due to a significant increase in the Groups CPO and PK production and the significantly higher prices for CPO and PK compared to 2019.</p> <p>The total dividends paid to shareholders for FY2020 would amount to 85 sen per share (FY2019: 67.5 sen per share), which is an increase of 25.93% y-o-y.</p> <p>However, the acute labour shortages remain a challenge for the Group in 2021, special attention will be given towards addressing the issue.</p>
22.04.21 (Thur) 10.00 am	Petronas Chemicals Group Bhd (AGM)	<p>PCG's revenue for FY2020 was 12% lower at RM14.4 billion due to lower crude oil prices as well as softening demand amidst the Covid-19 pandemic.</p> <p>PAT fell 43% to RM1.6 billion because of compressed margin, declining crude oil prices, softer market demand and higher net share of loss from joint ventures and associates.</p> <p>It anticipates market recovery will continue providing stable demand for its products.</p>
22.04.21 (Thur) 10.00 am	S P Setia Bhd (AGM)	<p>Notwithstanding the COVID-19 pandemic, S P Setia surpassed its sales target of RM3.80 billion in FY2020 with a total of RM3.82 billion sales recorded during the year.</p> <p>Revenue amounted to RM3.23 billion in FY2020, however an impairment provisions of RM475.9 million caused it to register a pre-tax loss RM156.7 million during the year.</p>
22.04.21 (Thur) 10.30 am	KLCC Property Holdings Bhd (AGM)	<p>KLCCP was not spared from the lingering effect of the COVID-19 pandemic.</p> <p>Its profit attributable to holders of Stapled Securities, excluding fair value adjustments declined 25.3% y-o-y to RM547.1 million in FY2020 from</p>

		RM732.8 million in 2019 due to the significant impact of the pandemic on its retail and hotel segments.
22.04.21 (Thur) 3.00 pm	Maxis Bhd (AGM)	<p>Maxis service revenue declined by 0.9% y-o-y to RM7.72 billion in FY2020, mainly due to termination of network sharing agreement, decline in mobile termination rate and lack of international roaming income. However, data usage rose an average 23.3GB per month, compared to 15.4GB in 2019, largely driven by MCO, stay-at-home and work from-home requirements.</p> <p>Moving forward, Maxis aims to position itself as the "preferred ICT solution provider" in the marketplace as it is not merely a mobile provider</p>

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Petronas Gas Bhd (AGM)	<p>1. In the Consolidated statement of profit or loss and other comprehensive income, the group has shown administrative expenses of RM125.4 million in FY2020 (FY2019: RM94.8 million) and other expenses of RM22.3 million in FY2020 (FY2019: Nil) (page 81 of Governance and Financial Report 2020).</p> <p>a) What were the reasons for the significant increase in administrative expenses by 32% in FY2020? Please provide a breakdown.</p> <p>b) What would be the expected level of administrative expenses going forward?</p> <p>c) What were the other expenses in FY2020 amounting to RM22.3 million?</p> <p>2. In Note 20 – write-off of inventories has increased to RM12.7 million (FY2019: RM1.4 million) (page 142 of Governance and Financial Report 2020). What were the reasons for the significant increase in write-off of inventories for FY2020?</p>
OSK Holdings Bhd (AGM)	<p>The Group is divesting the retail podium of Melbourne Square for AUD\$70.0 million (equivalent to RM216.3 million) to Primewest. (page 4 AR)</p> <p>a) What is the expected gain from the disposal? When is the transaction expected to be completed?</p>

	<p>b) Why is the Group not keeping the retail podium of the Melbourne Square for recurring rental income?</p> <p>c) What is the expected yearly rental income from the retail podium of Melbourne Square?</p>
MISC Bhd (AGM)	<p>In FY2020, the Group made a provision for litigation claims amounting to RM1,049.2 million due to an unfavourable arbitration decision relating to the dispute between MISC's wholly owned subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited (GKL) and Sabah Shell Petroleum Company Limited (SSPC) (page 127 of AR 2020). To-date, the suit is still on-going and GKL has pursued an application to set aside a substantial portion of the Award and the hearing of GKL's setting aside application is expected within Quarter 2, 2021 (page 463 of AR 2020).</p> <p>a) What are the legal grounds that GKL have to challenge the decision by the Arbitral Tribunal?</p> <p>b) What is the Group's view on the probable outcome of this legal suit?</p>
British American Tobacco (M) Bhd (AGM)	<p>During the tabling of Budget 2021, the government had said that it will enforce more stringent measures to clamp down on the illicit cigarettes market. The illicit market commanded 63% of the market share in 2020.</p> <p>The Company's profitability was severely affected by the illicit market as cigarettes in this market were priced lower than the Company's products.</p> <p>a) What are the estimated losses to the Company from the burgeoning illicit cigarettes market in 2020?</p> <p>b) The enforcement measures taken by the Government have been unsuccessful to curb the growth in of the illicit cigarettes market. What are some of the measures that the Company has proposed to the Government to quell the growth of the illicit cigarettes market?</p>
United Plantations Bhd (AGM)	<p>Subject to the Malaysian Government's approvals, the Group is pursuing every means of safely bringing back 224 guest workers who wish to return to Malaysia and resume their jobs on the plantation but who right now are prevented from doing so (page 19 of AR2020).</p> <p>a) To-date, has there been any progress in bringing back the said guest workers?</p> <p>b) If the acute labour shortages persist in 2021, what will be the foreseeable extent of crop losses?</p>

<p>Petronas Chemicals Group Bhd (AGM)</p>	<p>It was stated in the MD/CEO's Review, the crash in oil prices impacted the petrochemical industry, as petrochemical prices are strongly linked to the crude oil price (page 35 of Integrated Report (IR) 2020). In FY2020, the Group revenue decreased by 12% to RM14.4 billion, lower than the previous year, due to lower product prices (page 36 of IR 2020).</p> <p>a) The Group sales performance is highly correlated to global crude oil price movement, particularly for the Olefins and Derivatives segment, what is the Company's view on the outlook for petrochemical prices in 2021?</p> <p>b) Revenue from Olefins and Derivatives segment & Fertilisers and Methanol segment have declined by 17.6% and 13.8% respectively in FY2020 (page 116 of IR 2020). What are the Company's view on the recovery of sales volume and market demand for its products in 2021?</p>
<p>SP Setia Bhd (AGM)</p>	<p>The Battersea Group of Companies recorded a write down in inventories of RM842 million in FY2020 as compared to nil in FY2019. (page 265 of AR)</p> <p>a) Please explain the reason for the high value of inventories write down.</p> <p>b) What are the measures taken to clear the inventories and how successful are the measures in terms of number and value of inventories sold?</p>
<p>KLCC Property Holdings Bhd (AGM)</p>	<p>Due to the prolongation of the redevelopment of the City Point Podium and the current weak economy, the Group made an impairment to the investment property under construction ("IPUC") amounting to RM81.4 million and RM2.8 million in FYs 2020 and 2019, respectively.</p> <p>a) What is the Company's plan for the IPUC? Does the Company plan to complete the IPUC? If the plan is to complete the IPUC, when is it expected to be completed?</p> <p>b) Any further prolongation of the redevelopment of the IPUC will potentially incur further impairment charge to the IPUC.</p> <p>c) Is the prolongation of the redevelopment of the IPUC due to the Company being unable to find an anchor tenant for the IPUC? Why did the Company decide to construct this property without securing an anchor tenant?</p>

	d) What is the stage of completion of the IPUC as of March 2021?
Maxis Bhd (AGM)	In its bid to continuously build its talent capacity and capabilities, Maxis undertook two major acqui-hires in 2020. The first was with Malaysian-based Microsoft Gold Partner and cloud solutions company, Infrastructure Consulting and Managed Services (ICMS) to augment its talent pool of cloud specialist professionals. It followed up with a second acqui-hire of Audeonet, a Malaysian-based unified communication and voice cloud solutions company. (Page 25 of IAR) To date, how, and to what extent, have these acquisitions contributed to the Group's revenue, whether directly or indirectly?

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•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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