



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

Deloitte is holding the inaugural Asia Pacific Conduct Watch Survey to gain insights into the region's attitudes and capabilities toward whistleblowing. Senior Management, 'C-Suite', or Board-level individuals with some form of responsibility or oversight related to whistleblowing are encouraged to participate in this survey. The survey results will be published on 23 June 2023 in the 2023 Asia Pacific Conduct Watch Survey Report.



Please click the [link](#) or scan the QR code on the right to access the survey.

28.04.2023

❖ An “unfair yet reasonable” privatisation offer for Boustead from LTAT

As a highly geared holding company whose subsidiaries are mired in a myriad of business challenges from the issues in relation to the RM9.13 billion littoral combatant ships (LCS) contract in Boustead Heavy Industries Corporation Berhad (BHIC) to the Practice Note 17 (PN17)-affected Pharmaniaga Berhad, it is understandable why some minority shareholders would welcome the conditional voluntary takeover offer by the Armed Forces Fund Board (LTAT or the Offeror) to acquire the remaining shares in Boustead Holdings Berhad.

Kenanga Investment Bank Berhad (KIBB), the independent adviser of the Offer, has deemed the offer price of 85.5 sen per share by LTAT as “not fair but reasonable”.

The Offer is deemed not fair as this translates to a discount of between 45.3% and 51.7% to the estimated value of Boustead's sums-of-parts (SOP) valuation of between RM1.563 and RM1.751 per share.

Nevertheless, the adviser recommended Boustead's shareholders accept the Offer, for it deemed the Offer to be reasonable in that it represents a premium of between 15.64 sen (22.39%) and 23.63 sen (38.19%) over the five-day, one-month, three-month, six-month and one-year volume-weighted average price of Boustead shares – up to and including the last trading day (1 March 2023, prior to the date of the takeover offer notice received by Boustead's board) – of between 61.87 sen and 69.86 sen. This must probably be the most compelling reason to accept the Offer. As of 27 April, shares of Boustead were traded at 85.5 sen.

Secondly, KIBB further noted that LTAT also does not intend to maintain the listing status of Boustead. As such, the Offeror will not be taking any steps to address any shortfall in the public shareholding spread of Boustead in the event Boustead does not meet the public spread requirement after the closing date.

With LTAT's shareholding in Boustead crossing the critical 75% mark to 75.08% (as of 26 April 2023 as per announcement to Bursa Malaysia), the public shareholding spread of Boustead is now below the 25% threshold required under Paragraph 8.02(1) of the Listing Requirements to maintain a listing status.

Lastly, the reasonableness of the Offer lies in the fact that there is no competing offer or alternative offer for Boustead shares or its business, assets and liabilities.

Background information

Based on the outstanding shares of 822.51 million or 40.58% of Boustead, LTAT is expected to spend RM703.25 million in the privatisation exercise.

The Offeror has maintained that its takeover offer is not conditional upon any minimum level of acceptance as it already holds more than 50% of the voting shares in Boustead.

However, the Offer is conditional upon the Finance Minister's approval subject to Bank Negara Malaysia's (BNM) recommendation and its approval under Section 87 of the Financial Services Act 2013 (FSA) as well as Section 99 of the Islamic Financial Services Act 2013 (IFSA) to allow the offeror to acquire up to 100% equity interest in Boustead.

Additionally, LTAT said the Offer is conditional upon waiver from the central bank from complying with Section 110 of the FSA and Section 122 of the IFSA in relation to the requirement for LTAT and/or its nominated company to be approved as a financial holding company of Affin Bank Berhad and other relevant licensed entities.

"These conditions must be fulfilled within 21 days after the first closing date, as stipulated in the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission."

Above all else, LTAT explained that the exercise will provide the fund greater flexibility to implement the turnaround plan for Boustead as part of its objective of ensuring the sustainability of the fund for the benefit of Malaysian Armed Forces and veterans in line with LTAT's ongoing transformation plan.

For clarity, the Offer will not result in a mandatory offer by LTAT to acquire all the remaining voting shares in Boustead's various subsidiaries, namely Affin Bank, Boustead Plantations Berhad, BHIC and Pharmaniaga that LTAT does not already hold in view that LTAT already has statutory control over Boustead.

The verdict

Based on the reasons highlighted previously and without a competing/alternative offer, it makes sense to regard LTAT's offer as an opportunity for Boustead shareholders to cash out at the offer price of 85.5 sen per share.

Such a move is also lauded by KIBB and its non-interested directors considering LTAT having no intention to maintain Boustead's listing status.

This itself can be a cause for concern insofar as minority shareholders are concerned, especially with LTAT holding the bulk of the voting shares in Boustead and with no

alternative proposal in place. With LTAT's substantial stake (75.08% as of 26 April 2023) in Boustead, any alternative proposal will not be successful unless with the blessing from LTAT.

More broadly, Boustead shareholders may consider this a relief factor for them given that Boustead's 65%-owned BHIC has been struggling with the completion of an RM9.13 billion contract awarded by the Malaysian government in 2011 to build six littoral combatant ships (LCS) whereby none of the vessels has been delivered to-date.

Additionally, the Group owns a 52% stake in Pharmaniaga, which was classified as a PN17-affected listed issuer after it suffered a net loss of RM644.4 million in its 4QFY2022 ended 31 December 2022 amid an RM552.3 million provision for slow-moving COVID-19 vaccine inventory.

Besides, Boustead's high gearing level of 1.28 times based on debts over equity may not sit well with shareholders. As a perspective, its total borrowings amounted to RM6.79 billion, with close to 60% or RM4.04 billion of them being short-term borrowings due in the next 12 months. At the same time, Boustead's total equity amounted to just RM5.3 billion as of 31 December 2022.

On top of that, it is worth noting that its RM1.6 billion Islamic medium-term notes are due for repayment in FY2024, and outstanding perpetual sukuk of RM607 million carries high profit rates ranging from 9.75% to 11.6% per annum (with a step-up rate of 1% per annum, subject to a maximum of 15% per annum).

Given the Group's volatile earnings in the past five years, coupled with the potentially time-consuming divestment process, obtaining support from financial institutions to refinance its existing debts and redeem the perpetual sukuk could be challenging.

Perhaps a lesson that minority shareholders can learn from this LTAT takeover exercise is that statutory funds or any fund or major shareholders can always opt for the privatisation route as a way out of misery when a PLC continues to find itself in bad financial shape despite numerous resurrection efforts.

Each minority shareholder will have a view as to whether they should accept the offer or wait. And this depends on a myriad of factors, such as whether the share price will ever reach the offer price or, if it does, when it will do so.

Should shareholders choose not to accept the Offer, they might end up holding shares in an unlisted entity if Boustead is delisted from Bursa Malaysia and thus may have limited opportunities to realise their investment in Boustead.

Lastly, given the burgeoning issues Boustead faces, it would take some time to sort things out – maybe more than some time.

There are compelling reasons to justify the acceptance of the Offer by minority shareholders.

As always, minority shareholders should make their own informed investment decisions according to their respective risk appetites.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 1 – 5 May 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
03.05.23 (Wed) 09.30 am	British American Tobacco (Malaysia) Berhad (AGM)	The Group's FY22 revenue fell 1.5% year-on-year to RM2.60 billion due to a 2.0% drop in sales volume, mainly caused by the delisting of two mid-tier tobacco brands. The Group's earnings declined at a higher rate of 8% year-on-year to RM262.5 million due to higher interest expenses, one-off restructuring expenses of RM18.5 million, and higher tax expenses (an effective rate of 32% versus an actual rate of 24%) due to the impact of the Prosperity Tax.
03.05.23 (Wed) 10.00 am	Malayan Banking Berhad (AGM)	2022 has been a positive year for Maybank as it achieved a record net profit of RM8.23 billion on the back of higher net operating income y-o-y and robust loan growth across key operating countries. It rewarded shareholders with full-year dividend of 58 sen per share, translating into a dividend payout ratio of 84.6%, exceeding its policy rate of between 40% and 60%.
03.05.23 (Wed) 01.00 pm	Malayan Banking Berhad (EGM)	Maybank will seek shareholders' approval for the establishment of an Employees' Share Grant Plan (ESGP) of up to 3.5% of the Issued Ordinary Shares in Maybank at any point in time, as well as the proposed grant of new Maybank shares of up to maximum of 4.9 million Maybank shares to Dato' Khairussaleh Ramli.
03.05.23 (Wed) 02.00 pm	Westports Holdings Berhad (AGM)	The Company's revenue for FY2022 increased by 2% to RM2.07 billion. It handled a lower container

		<p>throughput of 10.1 million TEUs from 10.4 million TEUs a year ago; the reduction emanated from lesser transshipment containers.</p> <p>Nevertheless, the conventional segment enjoyed a record-breaking throughput of 12.1 million MT in FY2022 from 11.3 million MT a year ago.</p> <p>Financially, Westports reported a lower pre-tax profit of RM944 million, dragged by higher fuel cost, the absence of insurance recoveries, and higher human resources cost.</p>
05.05.23 (Fri) 10.00 am	Borneo Oil Berhad (EGM)	<p>Borneo Oil will seek shareholders' approval for its proposed private placement of up to 1.94 billion new shares, representing approximately 20% of the Company's total number of issued shares. Borneo Oil plans to raise up to RM30.85 million for working capital.</p>

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
British American Tobacco (Malaysia) Berhad (AGM)	<p>The Group's operating profit trended upwards in the first three quarters of 2022 with a decline in the final quarter due to the timing of marketing spend as it geared towards the launch of the tobacco heating product glo Hyper X2 in the first quarter of 2023 (page 32 of AR2022).</p> <p>a) What was the amount spent on marketing in the final quarter of 2022? If the marketing expenditure was excluded, would operating profit have continued to trend upwards, or were there other variables at play?</p> <p>b) What are the reasons behind the Group's decision to reintroduce glo in the market, given that it was discontinued in 2020 due to low consumer demand and a limited outlook for tobacco heated products?</p> <p>c) What are BAT Malaysia's targets and expectations for future financial performance?</p>
Malayan Banking Berhad (AGM)	<p>With growing scrutiny on how banks conduct their lending activities, some major banks faced greenwashing accusations in that they are actively promoting green initiatives while hiding information about their continued financing of high carbon footprint companies.</p> <p>a) How does the Bank guard against greenwashing?</p> <p>b) How is the use of proceeds of the financing tracked? How does the Bank ensure that customers utilise the facilities as</p>

	<p>intended and that its utilisation is aligned with the Bank's sustainability targets?</p> <p>c) How does the Bank verify or certify that its ESG-focused loans/financing/investments have delivered on their promises? Is such verification independently and/or externally certified?</p>
Malayan Banking Berhad (EGM)	<p>The ESGP Shares on ESGP Vesting Date may be settled by way of allotment and issuance of new Maybank Shares or by cash at the sole and absolute discretion of the Nomination and Remuneration Committee (NRC) of Maybank.</p> <p>a) Under what circumstances will the NRC settle the ESGP shares via cash? How does a cash settlement of ESGP shares align with the interest of the Eligible Employees to Maybank shareholders by way of common ownership?</p> <p>b) Of the 52.06 million shares, which comprise 11.578 million vested shares and 40.484 million shares to be issued pursuant to the vesting of the Existing ESGP Shares, what is the percentage and number of ESGP shares settled by way of cash settlement?</p>
Westports Holdings Berhad (AGM)	<p>At the 29th AGM of the Company last year, it was shared that Westports hoped to finalize and conclude the concession terms for Westports 2.0 expansion by the 4th quarter of 2022. What is the current status of the concession agreement for Westports 2.0, the expansion plans of which were unveiled in August 2017 when the company received approval in principle from the government to expand its container terminal facilities?</p>
Borneo Oil Berhad (EGM)	<p>Borneo Oil has had frequent fundraising activities in recent years with a summary below:</p> <ul style="list-style-type: none"> - A share subscription agreement with Macquarie Bank Limited in November 2020 to subscribe 1.2 billion Borneo Oil shares, raising proceeds of RM36.33 million. - A private placement of 1.05 billion Borneo Oil shares completed on 13 December 2022, raising gross proceeds of RM22.4 million. <p>At the same time, Borneo Oil established an employees' share option scheme (ESOS) in June 2020, with up to 15% of Borneo Oil's total issued shares to be issued to employees and directors.</p> <p>a) While the Proposed Private Placement is adequate in addressing the immediate financial needs of the Group, it is unsustainable to rely persistently on equity fundraising to fund working capital and businesses. What are the solutions to ensure the long-term sustainability of the businesses without relying heavily on equity fundraising?</p> <p>b) Given that the Proposed Private Placement will have a significant dilution impact, i.e. 20% dilution to the existing shareholders and the discount of not more than 15% to be</p>

	<p>given to independent investor(s) for the Proposed Private Placement, why were the existing shareholders not given the opportunity to participate in the Company's fund-raising exercise?</p> <p>Please explain how the dilution impact and discount are not detrimental to the existing shareholders of Borneo Oil.</p>
--	--

MSWG TEAM

Devanesan Evanson, Chief Executive Officer (devanesan@mswg.org.my)

Rita Foo, Head, Corporate Monitoring (rita.foo@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)

Ooi Beng Hooi, Manager, Corporate Monitoring (ooi.benghooi@mswg.org.my)

Jackson Tan, Manager, Corporate Monitoring (jackson@mswg.org.my)

Clint Loh, Manager, Corporate Monitoring (clint.loh@mswg.org.my)

DISCLOSURE OF INTERESTS

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