



# The Observer

**03.09.2021**

*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.*

## Shareholder activism in a pandemic

As of July 2021, there were 946 companies listed on Bursa Malaysia and understandably for many of them, the past two years have been a tremendous strain.

The current situation is a stark reminder of the importance of having holistic corporate strategies and adequate business continuity management processes. Having good governance means having a strategic business continuity plan to identify the potential threats, as well as having strong contingency plans to safeguard business functions in the event of business disruption. Companies should be mindful of the direction they are heading to, whether it is navigating the business out of the woods or positioning themselves for growth beyond the pandemic.

Good corporate governance is also about keeping stakeholders informed without being prompted, particularly in the current environment. Companies should be aware that timely disclosures are especially paramount during this unprecedented time. Thus, PLCs should constantly engage their stakeholders to keep them abreast of new and significant developments.

In addition, PLCs must equip the capability of holding virtual meetings and remote voting. Interestingly, numbers have shown that virtual meetings have expanded the reach for shareholders to participate in meetings. Shareholders should continue actively participating in virtual meetings so that their voices are heard by the Board and management. As for the PLCs, they should do their part in providing a sufficient notice period and explaining the procedures of virtual meetings. While MSWG advocates physical AGMs for better shareholders activism, we hope companies will continue to enable remote access i.e., a hybrid meeting, even after the COVID-19 pandemic subsides, to encourage remote participation from shareholders.

This pandemic presents a tenacious testing ground for listed entities to manage their businesses while ensuring their governance is not compromised. Amid this, companies with better governance are better prepared to survive and deal with the long-term effects of a pandemic. Their action will inevitably reflect on their reputation, leadership, investability and consequently, the future growth trajectory of our capital market.

## ❖ Sustainability is the new norm

When crisis strikes, naturally companies would focus on financial related sustainability agenda such as business continuity, cash flow, business model and employees. Other sustainability agenda such as environment and climate change will usually be sidelined. Corporates tend to consider sustainability only when there are cost savings and risks to their business long-term survival.

Now, it is not an option but a must for corporates to incorporate environmental, social, and governance (ESG) risks and opportunities into their business strategies. In this new normal, businesses are expected to be more responsible towards its stakeholders which include the employees, suppliers, customers, community and environment. The Board and management are responsible for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

Studies have shown ESG funds tend to hold up better during a downturn. As reported by Morningstar, like equity funds, ESG based equity funds suffered large and sudden losses during the first quarter of 2020. However, they held up better than conventional funds. Seven out of 10 sustainable equity funds finished in the top half of their Morningstar Categories, and 24 of 26 ESG-tilted index funds outperformed their closest conventional counterparts.

In addition, a research project by Fidelity identified a “remarkably strong” correlation between stronger market performance in companies with higher environmental, social and governance ratings. This reflects that ESG is an expectation and stakeholders will reward it.

Sustainability will matter more now and play a greater role in the new norm. In this new age, it will be about doing business sustainably and responsibly.

**Devanesan Evanson**  
**Chief Executive Officer**

---

## MSWG AGM/EGM Weekly Watch 6 – 10 September 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](http://www.mswg.org.my).

<b>Date &amp; Time</b>	<b>Company</b>	<b>Quick-take</b>
06.09.21 (Mon) 11.00 am	Lii Hen Industries Bhd (AGM) (Postponed from 16th June 2021)	The Company was marginally affected by the pandemic as it reported commendable performance for FYE 2020. The challenge for the Company moving forward is to ensure that it taps into newer markets for its

		products to ensure that its business continues to expand.
07.09.21 (Tue) 09.30 am	Hartalega Holdings Bhd (AGM)	Hartalega posted stellar results for its FY2021 where net profit crossed the RM2 billion mark. However, the Company has to address the falling ASPs for its products. Demand is expected to be strong as the pandemic spreads aggressively around the globe with newer variants. Growth for glove companies such as Hartalega is expected to continue the 'new normal' environment which is heightened the awareness for hygiene.
07.09.21 (Tue) 11.00 am	EUPE Corporation Bhd (AGM)	The Group recording a profit-before-tax for FY2021 of RM82.8 million, a 16% increase as compared to RM71.2 million in the previous financial year.  The increases in revenue and profit in FY2021 were mainly due to contribution from Parc3, its second KL project. Parc3 has now achieved a take-up rate exceeding 90%.
07.09.21 (Tue) 11.00 am	Master-Pack Group Bhd (AGM) (Postponed from 27th May 2021)	The costs incurred for maintaining the outsourced internal audit function for FY2020 amounted to only RM20,680 per year or equivalent to about RM1,700 per month. Given the low IA fee, the concern is whether Master-Pack has the adequate coverage and an effective internal audit function.
08.09.21 (Wed) 10.30 am	Sentoria Group Bhd (AGM)	The Group recorded net loss of RM171.2 million for FY2021 as compared to net loss of RM88.6 million in FY2020, mainly due to the margin compressions in the Property Development division, rising construction and development costs, and associated costs from project delays in FY2021.
08.09.21 (Wed) 11.00 am	JOE Holding Bhd (AGM)	JOE's revenue decreased by 13.7% to RM25.2 million (FY2020: RM29.2 million) due to the weakening demand in the local automotive

		<p>batteries segment, while its loss before tax was higher at RM0.98 million (FY2020: LBT RM0.65 million). In relation to its diversification into the glove business, the construction work for glove production line has yet to commence as of the end of FY2021.</p> <p>Meanwhile, the Group has RM60.7 million worth of investment securities and cash deposit (which is equivalent to 31% of its total assets) placed in securities account with a stockbroking firm in Hong Kong. The placement is meant for investment purpose but why does the Company spend substantial size of asset for this non-core business?</p>
09.09.21 (Thurs) 2.30 pm	Hong Seng Consolidated Berhad (EGM)	The EGM is to seek shareholders' approval for the proposed bonus issue of up to 894,454,358 free warrants on the basis of 1 warrant for every 3 existing ordinary shares held on an entitlement date to be determined and announced later.

**One of the points of interest to be raised:**

<b>Company</b>	<b>Points/Issues to Be Raised</b>
Lii Hen Industries Bhd (AGM) (Postponed from 16th June 2021)	<p>The Company had employed 3,333 people for FYE 2020 and has a substantial reliance to foreign labour (Page 47 of AR 2021)</p> <p>a) What was the ratio of foreign workers to local workers in FYE 2020? In line with tighter regulations to employ foreign workers by the Malaysian Government, what are the steps taken by the Company to mitigate the impact?</p> <p>b) Is the Company looking at automating some of its manufacturing processes to reduce reliance on labour since there is shortage of labour for the manufacturing sector in the country?</p>
Hartalega Holdings Bhd (AGM)	<p>The Company has a huge reliance on foreign workers. The Malaysian Government has made it more stringent to employ foreign workers recently.</p> <p>a) What is the ratio of foreign workers compared to local workers in the Company currently?</p>

	<p>b) What are the steps taken by the Company to address the Government's stricter policy in hiring foreign workers?</p>
<p>EUPE Corporation Bhd (AGM)</p>	<p>The Group's profit attributable to shareholders has been on an increasing trend FY2018 (RM9.6 million), FY2019(RM30.3 million), FY2020 (RM33.9 million) and FY2021(RM42.2 million). (Page 6 of AR)</p> <p>The Group paid 1.5 sen interim dividend for FY2020 and the Board did not declare any dividend for FY2021 even though the Group recorded higher profit attributable to shareholders in FY2021 as compared to FY2020. Furthermore, its gearing ratio has improved to 0.01 times in FY2021 from 0.33 times in FY2020.</p> <p>a) What was the reason for the Board not declaring any dividend in FY2021 even though the Group recorded a higher profit in FY2021?</p> <p>b) When will the Board declare dividends to shareholders?</p> <p>c) Will the Board formulate a dividend policy? If yes, what is the policy?</p>
<p>Master-Pack Group Bhd (AGM) (Postponed from 27th May 2021)</p>	<p>Under the Sustainability Statement (page 16 of Annual report 2020), Master-Pack had disclosed the energy and water consumption level for FY2020 and FY2019.</p> <p>a) However other key statistics such as greenhouse gas emission, plant waste, glue sludge and ink sludge were not disclosed. Does the Group keep track of the statistics for these items?</p> <p>b) What is the consumption/effluent/discharge targets Master-Pack aims to achieve? How does the Group plan achieve these targets?</p>
<p>Sentoria Group Bhd (AGM)</p>	<p>The Group's financial position has worsened in FY 2021 as it suffered a higher net loss of RM171 million as compared to a net loss of RM89 million in FY2020.</p> <p>To overcome the Group's financial difficulty, it has applied to Corporate Debt Restructuring Committee ("CDRC") under the purview of Bank Negara Malaysia to mediate with the lenders to restructure or renegotiate the respective financial facilities held by the Group and certain of its subsidiary companies in the aggregate sum of approximately RM461 million as of 31 March 2021. (Page 54of AR)</p> <p>a) What was the reason for the Group having such high borrowings of RM461 million?</p>

	<p>b) What are the chances that the CDRC will be able to get the lenders to restructure the borrowings?</p> <p>c) When does the Group expect CDRC to revert with an answer on the restructuring of the Group's borrowings?</p> <p>d) What will be the contingency plan if CDRC cannot get approval from the lenders to restructure the Group's borrowings?</p> <p>e) What are the recommendations of the consulting firm that the Company had engaged to assist in the restructuring of the Group's debts and liabilities?</p> <p>f) Please provide the name of the consulting firm and the fees payable to the firm.</p>
<p>JOE Holding Bhd (AGM)</p>	<p>On 15 July 2021, JOE Holding had invested in Pasukhas Group Berhad ("Pasukhas") for a total purchase consideration of approximately RM25 million via rights issue with a substantial shareholding of 21.58% equity interest in Pasukhas (Note 37(d), page 113 of AR2021).</p> <p>a) What was the hurdle rate adopted and approved by the Board in evaluating the investment in Pasukhas?</p> <p>b) What is the expected minimum percentage of return on investment for the Pasukhas investment?</p> <p>c) Given that Pasukhas is a loss-making company for the past 3 years up to 31 December 2020, how will the Board ensure that the investment is in the best interest of the Company and shareholders interest can be safeguarded?</p>

### MSWG TEAM

Devanesan Evanson, Chief Executive Officer, ([devanesan@mswg.org.my](mailto:devanesan@mswg.org.my))  
Linnert Hoo, Head, Research & Development, ([linnert.hoo@mswg.org.my](mailto:linnert.hoo@mswg.org.my))  
Norhisam Sidek, Manager, Corporate Monitoring, ([norhisam@mswg.org.my](mailto:norhisam@mswg.org.my))  
Lee Chee Meng, Manager, Corporate Monitoring, ([chee.meng@mswg.org.my](mailto:chee.meng@mswg.org.my))  
Elaine Choo Yi Ling, Manager, Corporate Monitoring, ([elaine.choo@mswg.org.my](mailto:elaine.choo@mswg.org.my))  
Lim Cian Yai, Manager, Corporate Monitoring, ([cianyai@mswg.org.my](mailto:cianyai@mswg.org.my))  
Ranjit Singh, Manager, Corporate Monitoring, ([ranjit.singh@mswg.org.my](mailto:ranjit.singh@mswg.org.my))  
Rita Foo, Manager, Corporate Monitoring, ([rita.foo@mswg.org.my](mailto:rita.foo@mswg.org.my))  
Nor Khalidah Mohd Khalil, Executive, Corporate Monitoring, ([khalidah@mswg.org.my](mailto: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.*