

▶▶ 2024 RECAP



Throughout 2024, MSWG observed a series of privatisation deals, contentious corporate transactions, and intriguing corporate manoeuvres in the Malaysian stock market. These developments highlight not only the dynamism of the corporate landscape but also our active involvement in safeguarding minority shareholders' interests.

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DECODING 2024 - TRIUMPHS AND TUMBLES IN GOVERNANCE AND SUSTAINABILITY

As 2024 draws to a close, it is an opportune moment to reflect on the events that unfolded and assess areas where improvements could have been made. Throughout the year, MSWG observed a series of privatisation deals, contentious corporate transactions, and intriguing manoeuvres by business executives in the Malaysian stock market. These developments highlight not only the dynamism of the corporate landscape but also opportunities for stakeholders to respond more effectively to ensure better outcomes.

Not Fair but Reasonable Takeover Offers

In 2024, several general offers were announced due to acquisition thresholds triggered or intentions of privatisation, however, not all culminated in successful privatisation or delisting.

Among the most contentious was the privatisation offer for [MPHB Capital Berhad](#) and the voluntary withdrawal of [Grand Central Enterprises Bhd](#)'s listing status, leaving many minority shareholders in a catch-22 situation. Notably, both offers were deemed "not fair but reasonable", with independent advisers recommending non-interested shareholders to accept the offer.

MSWG is all for voluntary exit offers if they are both "fair" and "reasonable" before being tabled to disinterested shareholders for deliberation.

Throughout the year, we urged minority shareholders to conduct their comprehensive analysis by examining the granular details of the proposals in offer documents and the [independent advice circular \(IAC\)/independent advice letter \(IAL\)](#).

MSWG was actively involved in advocacy works to deliberate the two takeover exercises. Minority shareholders successfully blocked the voluntary delisting of Grand Central Enterprises, while the privatisation of MPHB Capital recorded significant dissent from shareholders, reflecting strong concerns over the offer's fairness.

It is paramount for minority shareholders not to rely solely on hearsay from unlicensed and self-proclaimed influencers, non-qualified bloggers, or quack market gurus. Always consult a financial professional adviser if you have any doubts about the course of action for take-over offers. Minority shareholders must make informed investment decisions based on their respective risk appetites. **Caveat emptor!**

Disclosure of Material Information

The timely disclosure of material information remains a cornerstone of good corporate governance. Failure to disclose material information promptly opens room to insider

trading, resulting in an uneven playing field. This is detrimental to minority shareholders who are often the last to get hold of such price-sensitive material information.

Material information includes information that could affect the price, value or market activity of the issuer's securities. It can also include information about the issuer's business, assets, liabilities, financial condition and prospects. Examples of events requiring immediate disclosure are e.g. joint venture agreement, contract win or lose.

A case in point is that of P.I.E Industrial Berhad, whose share price had jumped by [47% in April 2024 within the three days](#) prior to its announcement of major order wins. Additionally, its disclosure of contract values has drawn scrutiny as these figures were provided to the media before being officially announced.

On the other hand, timeliness and transparency are crucial in today's tech-driven corporate disclosure is best exemplified by Icon Offshore Berhad which drew criticism from the public over its handling of a fatal explosion that took place on one of its platform supply vessels (PSV). The group finally addressed the tragic incident in a public announcement on 12 August 2024, [10 days after the incident happened](#).

Another interesting case with regard to material information disclosure is that of HeiTech Padu Berhad which [rescinded its decision to acquire a 30% stake](#) in Souqa Fintech, an Islamic payment firm, for RM16.17 million less than two weeks after the deal was sealed. The abrupt rescission of the Souqa deal has drawn attention to the importance of clear communication and robust governance to maintain investor confidence.

Directors' duties and responsibilities

Directors are bound to fiduciary duties to act in the company's best interests, safeguard its assets, and address conflicts of interest transparently. Yet, corporate governance lapses persist, with directors sometimes proposing questionable investments, issuing shares with significant dilutionary impacts, or receiving excessive employee share option scheme (ESOS) shares despite the underperformance of a company.

This area is very close to MSWG's heart, as evidenced by the numerous discourses we have churned out in 2024. To name a few, we discussed the [implication of cross-holding to corporate governance, the role of a board chairman in upholding integrity, transparency and accountability](#), and [the fit and proper criteria for directors](#).

One example was the [questionable appointment](#) of Leow Thang Fong as the CEO of South Malaysia Industries Berhad (SMI) only slightly more than a month after being ousted as an Executive Director at the Company's annual general meeting (AGM).

Following what has transpired at SMI, MSWG urges PLCs to respect their shareholders' voices, especially since decisions are made through a transparent voting process with results validated by an independent scrutineer.

Additionally, MSWG also highlighted the financial intrigue whereby [Ajiya Berhad extended an RM250 million loan](#) at a 7.5% interest rate per annum to its holding company, Chin Hin Group Berhad (CHGB). CHGM had a highly geared balance sheet of 1.50 times of gearing ratio, RM1.11 billion in bank borrowings, and a negative operating cash flow of RM145.90 million for FY2023.

Ajiya's financial support for CHGB ostensibly aims to fortify its financial position and ensure sustainable growth, yet such endeavour entails significant risks and potential conflicts of interest with minority shareholders' interests at stake.

Related Party Transactions (RPTs)

RPTs are often shrouded in controversy with concerns that they may benefit major shareholders or directors at the expense of minorities. Transparency and adherence to arm's-length principles are crucial to mitigate these concerns.

Recall that the Securities Commission Malaysia (SC) in its Annual Report 2021 has cautioned that RPTs among PLCs – especially those involving family groups and long-serving independent directors – may require closer monitoring to ensure that the deals are not detrimental to minority shareholders.

According to Bursa Malaysia's Listing Requirements, a PLC must obtain shareholders' approval in a general meeting if one of the percentage ratios of an RPT is at least 5% of the net asset value, net profits, market value of the counter, etc.

In November 2024, MSWG questioned DXN Holdings Bhd.'s decision to [charter a Gulfstream G550 corporate jet](#) for US\$6 million (approximately RM27 million) via an RPT. The jet, owned by a company linked to DXN's Executive Chairman, raised concerns among minority shareholders about its necessity and justification.

On another occasion, MSWG encountered an unprecedented exercise in which IOI Properties Group Berhad (IOIPG) intended to seek shareholders' consent pursuant to Section 218(1) of the Companies Act 2016. If approved, IOIPG's shareholders consented to IOIPG's Group Chief Executive Officer and major shareholder Lee Yeow Seng to engage in a competing business with IOIPG about a planned redevelopment of Shenton House in Singapore.

Prior to the EGM, MSWG raised several critical points and questions with IOIPG via AGM & EGM letters dated 28 October 2024. We then worked with Permodalan Nasional Berhad (PNB) and Employees Provident Fund (EPF) and played a key role in crystallising the situation to PNB and EPF. The hybrid EGM for IOIPG on 7 November 2024 was attended by MSWG physically. Given the issues that MSWG, PNB and EPF raised, IOIPG withdrew the resolution at the meeting.

A Thematic Approach to Advocacy: Gender Diversity and Climate Change

In 2024, MSWG adopted a thematic approach to its engagements with PLCs, introducing two questions to all covered companies: the first addressing gender diversity on boards and the second focusing on climate change initiatives.

On gender diversity, the feedback from companies was largely encouraging. Many PLCs acknowledged the importance of a balanced board composition. They detailed tangible actions, such as setting specific gender diversity targets, formalising policies to prioritise female representation, and leveraging nomination committees to identify qualified candidates.

Some PLCs went further by sharing the tangible benefits they experienced from increased gender diversity on their boards. For example, one company noted that including women directors brought fresh perspectives and enhanced decision-making, particularly in customer-centric strategies and risk management. Another company attributed improvements in board dynamics and collaboration to the presence of female leaders, emphasising how diversity fosters a more balanced and inclusive approach to governance.

The responses to climate change reflected varying levels of maturity. Larger companies reported significant strides, such as investments in renewable energy projects, energy efficiency programs, and targeted carbon reduction goals. However, smaller PLCs noted limitations due to resource constraints, often focusing on incremental improvements in compliance rather than transformative initiatives.

At the Frontline

The MSWG team attended 536 general meetings in 2024, including 439 AGMs, 96 EGMs and 1 CCM. Virtual platforms remain the preferred mode for PLCs to conduct their meetings, with about 357 (66.6%) meetings hosted virtually. Meanwhile, physical and hybrid meetings made up 171 (31.9%) and 8 (1.5%) of the total meetings attended, respectively.

Connectivity and interaction were recurring concerns for minority shareholders in virtual meetings, with many experiencing persistent glitches on certain platforms despite efforts to refresh connections. Additionally, the lack of meaningful engagement further frustrated shareholders, as questions were often sidelined or deferred to post-meeting responses. Such practices undermine the purpose of general meetings, which should serve as platforms for open dialogue and real-time accountability between shareholders and directors.

Looking Ahead: Fortifying Minority Shareholders Protection

The events of 2024 underscore the ongoing need for vigilance and advocacy in safeguarding minority shareholder rights. Whether scrutinising privatisation offers, ensuring timely disclosures, or addressing RPTs, MSWG remains steadfast in championing transparency, inclusivity, and equity.

As we look to 2025, MSWG is excited to introduce several fresh initiatives to champion our cause further. These include the launch of MSWG TV and other innovative communication channels designed to disseminate critical information and raise awareness on governance and sustainability issues. These platforms will enable more engaging and accessible outreach to stakeholders. Please stay tuned for our upcoming announcements as we continue to drive meaningful change in the corporate landscape.

[END]

Breaking down complexities

One insight at a time



Coming Soon



MSWG AGM/EGM WEEKLY WATCH

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

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.

QUICK-TAKE

Date & Time	Company	Quick-take
30.12.24 (Mon) 10.30 am	Jadi Imaging Holdings Berhad (EGM)	Jadi has proposed a capital reduction of RM63 million of its issued share capital. The capital reduction will enable the Group to rationalise its financial positions by reducing the accumulated losses. It will also enhance the Company's ability to declare and pay dividends out of the retained earnings in the future, when it returns to profitability.
30.12.24 (Mon) 01.00 pm	PNE PCB Berhad (EGM)	<p>The Company proposed to dispose a double-storey detached factory for a cash consideration of RM24.00 million.</p> <p>The Proposed Disposal aims to streamline the Group's assets, refocus resources on enhancing the financial performance of its operations in China, and unlock the value of the subject property.</p> <p>The Company intends to utilise the disposal consideration for working capital, repayment of bank borrowings and upgrading its existing production line.</p>
03.01.25 (Fri) 10.30 am	V.S. Industry Berhad (AGM)	<p>In FY2024, the Group recorded a lower revenue of RM4.25 billion (FYE 2023: RM4.56 billion) mainly due to lower orders from a key customer.</p> <p>Despite a lower revenue, the Group posted a profit before tax of RM268.47 (FYE 2023: RM262.91 million) due to higher contribution</p>

Date & Time	Company	Quick-take
		from Malaysia segment. Sequentially, the Group reported a net profit of RM246.0 million in FY2024 (FYE 2023: RM178.8 million) which included a one-off accounting net gain of RM50.49 million.

POINTS OF INTEREST

Company	Points/Issues to be raised
PNE PCB Berhad (EGM)	<p>1. The Company reported a loss before tax for the past five (5) financial years.</p> <p>Further, it was reported that the Copper Clad Laminate (CCL) costs represent more than 65% of the Group's cost of sales. As such, an increase in the cost of CCL will lead to an increase in its cost of production and affect its GP margin. (Page 47 of Annual Report 2024)</p> <p>(a) Based on the above, please elaborate on how the allocation of RM9.10 million and RM10.00 million for working capital purposes and the upgrading of the existing PCB production line, respectively, will assist the Company in achieving a turnaround?</p> <p>(b) Given the high cost of CCL, does this suggest that increasing production capacity could potentially worsen the Company's losses, especially when factoring in the additional depreciation charges that will arise upon the completion of the upgrade?</p> <p>(c) What is the current average selling price of PCB, compared to the average selling price of PCB as of 31 March 2024?</p> <p>2. <i>"We went into the business of manufacturing, sales and distribution of surgical face mask in April 2021 in response to the COVID-19 pandemic, to reduce our dependence on PCBs."</i> (Page 45 of Annual Report 2024)</p> <p><i>"Our Group had on 28 May 2021 obtained the approval from our Shareholders to diversify our existing business to include the manufacture and sale of rubber gloves."</i> (Page 45 of Annual Report 2024)</p> <p>The Group has been actively diversifying its business to reduce its dependence on PCB. However, the Company is now</p>

Company	Points/Issues to be raised
	<p>allocating proceeds from the disposal to expand its PCB production line. In addition, the Company has also allocated RM4.80 million of the proceeds from its placement exercise for expansion of PCB production lines.</p> <p>(a) Please clarify the Company's current priority. Does the Company intend to diversify its business activities, or is the focus primarily on expanding PCB production line?</p> <p>(b) What is the total capital expenditure required for upgrading the existing PCB production line?</p>
V.S. Industry Berhad (AGM)	<p>1. <i>"Notably, our first rooftop solar project has shown promising results, contributing to a leaner, more sustainable cost structure—one that we are eager to replicate across other facilities."</i> (Page 8 of Annual Report 2024)</p> <p>(a) How much cost savings per year has the rooftop solar project resulted in?</p> <p>(b) Please elaborate on how the rooftop solar project contributes to a more sustainable cost structure.</p> <p>2. Multi-tier levy mechanisms ("MLTM") shall incentivise industries to reduce dependence on foreign workers.</p> <p>(a) What percentage of the Company's employees are foreign workers?</p> <p>(b) How will the MLTM impact the Company's decision to intensify its plans to reduce dependency on foreign workers?</p>

DISCLOSURE OF INTERESTS

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

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