



The Official Newsletter from MSWG Observer

FRIDAY | 9 AUGUST 2024

ROWS
AND
ROWS
OF
SILENCE

The background of the central section is a photograph of rows of empty, dark-colored chairs in a large hall or auditorium. The chairs are arranged in a perspective that leads the eye towards the back of the room. The text 'ROWS AND ROWS OF SILENCE' is overlaid on this image in a large, white, sans-serif font, with 'AND' and 'OF' in smaller sizes than the other words.

AGMs are crucial opportunities for shareholders to engage with management and make informed decisions, with their success depending on both the company's conduct and active shareholder participation.

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Breaking the silence: Why AGMs should be exciting

They say speech is silver, but silence is golden. While being a good listener is essential, silence can be dangerous, particularly in general meetings, where it can be misconstrued as complacency or approval. A quiet room may seem like a sign that all is well, but the reality can be far more complex.

At MSWG, our analysts attend hundreds of general meetings every year. So far this year, we have participated in around 250 annual general meetings (AGMs), conducted in various formats—virtual, physical, and hybrid. While some meetings were dynamic and insightful, a disturbing trend has emerged: too many AGMs lack energy, with shareholders and boards seemingly disengaged from meaningful discussion.

The rise of virtual meetings has often been cited as a reason for this quietness, as the format can hinder interaction and stifle expression. In some instances, directors have even leveraged the virtual setting to sidestep shareholder questions. However, this is only sometimes the case.

Take Company F, a tower crane operator, for example. Its AGM in June 2024 attracted about 400 shareholders and proxies. Despite the absence of a performance review and prospects briefing, shareholders eagerly questioned the management via chatbox about industry trends, profitability, and business strategies. The Managing Director responded with patience and clarity, turning the hour-long Q&A session into a lively exchange of ideas. This AGM exemplified how virtual meetings can be engaging and informative, offering valuable insights that transcend geographical boundaries.

In contrast, the physical AGM of IT solution provider Company P was the opposite. Despite a larger turnout of about 200 shareholders, the Q&A session was marked by an awkward silence. However, the voting results told a different story—one of quiet dissent. A few minority shareholders voted against the resolutions, yet they chose not to voice their concerns during the meeting. Their ballots spoke of dissent, but their silence during the proceedings echoed louder.

The culture of silence

In Malaysia, it is not uncommon for shareholders to remain silent during AGMs, particularly in physical settings. Several factors contribute to this phenomenon.

Asian cultures, deeply rooted in collectivism, often prioritise social cohesion and harmony over self-expression. Many shareholders prefer to avoid conflict, fearing that being outspoken might be perceived as disruptive, especially when others choose to remain silent.

Moreover, Malaysia ranks exceptionally high on the “Power Distance Index” (PDI), a concept introduced by Professor Geert Hofstede in the 1970s. The PDI measures the extent to which individuals in a society with less power accept and expect that power is

distributed unequally. In high PDI-ranking countries like Malaysia, hierarchical structures are readily accepted, and challenging authority is often frowned upon.

Lastly, many shareholders, particularly novice investors, may need guidance on what to ask during meetings. The AGM Corporate Governance Checklist, published by the Securities Commission Malaysia, MSWG, and the Institutional Investors Council, can guide minority shareholders on critical issues to consider or raise at an AGM before exercising their voting rights. MSWG's questions featured in meetings can also serve as a starting point for shareholders to initiate conversations with the board and management.

How to Be an Effective Shareholder

1. **Stay Informed:** It is important for shareholders to stay informed about growing economic trends and matters that may affect the market, sector, and the company itself. Additionally, staying updated on issues related to economic, social, and governance (ESG) practices or sustainability is crucial, as these factors can significantly impact the company.
2. **Read the Annual Report:** Review the annual report well in advance of the AGM. Focus on key areas like revenue trends, profit margins, cash flows, segment performance, outstanding order book, key audit matters, outlook, and expansion plans. Look out for significant changes or potential red flags that could impact the company's financial and operational health.
3. **Review the Proposed Resolutions:** Scrutinise each resolution proposed at the AGM. For the appointment or reappointment of directors, inquire how these directors add value to the firm. Assess their backgrounds, industry expertise, and any past involvement in corporate governance issues. Consider whether they may be overextended by holding multiple board positions or full-time executive roles elsewhere.
4. **Prepare Questions in Advance:** Draft specific and relevant questions before the meeting. These could include follow-up questions based on the previous meeting minutes, usually available on the company's website.

Engage and empower

It has been observed that some minority shareholders may attend AGMs primarily for the door gifts—whether they be goodies, vouchers, e-wallet credits, or cash incentives—rather than fully engaging in the opportunity to gain valuable insights into their investments. The provision of meals further enhances the appeal of attending in person. In some cases, shareholders may register for the meeting to receive the door gifts, but unfortunately, some choose to depart before the meeting commences.

AGMs should not be treated as mere checkboxes on the corporate calendar. They are vital opportunities for shareholders to make informed decisions based on their interactions and conversations with the board and management.

Moreover, many small and mid-cap companies, despite their potential, often fly under the radar of media and analysts, leaving a wealth of opportunities unexplored. AGMs provide a golden opportunity to dive deep into these hidden gems.

Ultimately, the success of an AGM lies in both the company's conduct and shareholders' participation. Boards and companies must also take responsibility for improving the conduct of AGMs, ensuring they are platforms for meaningful dialogue and engagement.




AGM CORPORATE GOVERNANCE CHECKLIST FOR SHAREHOLDERS

Source: <https://www.sc.com.my/api/documentms/download.ashx?id=b59a0f5d-c414-4c27-b1c2-37ad15072d47>

ANNUAL GENERAL MEETING

CORPORATE GOVERNANCE CHECKLIST

FOR SHAREHOLDERS



As shareholders, are you prepared to participate effectively at an Annual General Meeting (AGM)? This Checklist highlights questions for shareholders to consider in preparation for an AGM. It covers primarily issues related to resolutions commonly tabled at AGMs such as the appointment or reappointment of directors, approval of directors' fees and the appointment of auditor.

Where shareholders have concerns, including finding gaps in the disclosure or information provided by the company

– they should raise these concerns at the AGM and ensure that the information required is provided. While the Checklist was developed for shareholders, other stakeholders such as consumers and potential investors are encouraged to use the Checklist to understand and evaluate the performance, policies and practices of companies.

Note: This Checklist is not exhaustive but merely serves as a general guidance for shareholders.

PRE-AGM

A. NOTICE OF AGM

1. Did you receive the notice of AGM at least 28 days before the meeting as recommended in the *Malaysian Code on Corporate Governance (MCCG)*?
2. Are the proposed resolutions supported by sufficient information, explanation and/or justification?
3. Is the venue, timing of the AGM and other administrative preparations convenient?
4. Does the company leverage technology to enable remote shareholders participation (e.g. broadcasting the AGM, using digital platform)?

B. DIRECTORS: APPOINTMENT OR REAPPOINTMENT

1. Was the information on the board candidate sufficiently provided (e.g. qualification, experience)?
2. Did the company provide reasons to support the nomination of the board candidate and do you agree with them?
3. Is the board candidate involved with a competitor or connected to a failed or problematic company?

4. Does the board candidate appear 'stretched' in terms of his/her commitment (e.g. sitting on multiple boards or has full time executive position in another company)?
5. How was the board candidate identified? Did the company use independent sources (e.g. search firms, independent directors' registry)?
6. If all board candidates are male, were women candidates considered in the selection process? If not, why?
7. For the reappointment of a director, are you satisfied with his/her performance as a board member?
8. Does the company adopt the MCCG best practice for the reappointment or retention of independent directors with tenure of more than 9 years? If not, why?

✦ Refer to Practice 4.2 of the MCCG.

C. REMUNERATION

1. Do you know the company's remuneration policy?
2. Does the remuneration policy or structure encourage executive directors and members of senior management to consider a longer-term horizon of the business?
3. Is justification clearly provided to support the remuneration for the board and senior management including any significant changes in the remuneration?

✦ The justification provided should help shareholders understand the link between remuneration and performance, including how remuneration is aligned with the company's strategies and priorities.

4. Did the company disclose the remuneration of the top five members of senior management?
 - ✦ The MCCG recommends the detailed disclosure of the senior management's remuneration including breakdown of each component e.g. director's fees, salaries, bonuses, commission, benefits-in-kind (Practice 7.2 & Step Up 7.3 of MCCG).
5. Do you agree with the remuneration received by the Chief Executive Officer (CEO)?
6. If the Employee Stock Option Scheme (ESOS) / share grant is granted to non-executive directors, what was the basis or justification provided by the company?

D. ANNUAL REPORT

1. Have you read the company's annual report?
2. Was the information provided in the annual report meaningful?
 - ✦ The standard for meaningful should not be simply a listing of the company's activities rather substantive discussion on significant actions.
3. Are you satisfied with the financial and non-financial performance of the company?
4. Was explanation clearly provided to explain the performance of the company?

E. ADOPTION OF CORPORATE GOVERNANCE BEST PRACTICES

1. Have you read the company's *Corporate Governance Report*? Are you satisfied with the explanations provided?
2. Are you satisfied with the company's adoption of the MCCG?
3. In relation to the company's departure(s) from the MCCG, do you agree with the alternative practice and timeline for adoption? Is the company meeting the timeline it has committed to?
4. Have you compared the company's corporate governance performance against other listed companies as reported in the SC's *Corporate Governance Monitor (CG Monitor)*?

✦ The CG Monitor is an annual publication of the Securities Commission Malaysia which highlights the adoption of the MCCG and quality of disclosures in the CG Reports.

F. SUSTAINABILITY

1. Is the company taking into consideration material sustainability issues in its operations (e.g. economic, environmental and social consideration)? Is there oversight by the board on these matters?
2. Are the company's sustainability efforts centred solely around charity, donations or community service?
3. Are any of the operations of the company negatively impacting the environment?
4. Does the company have clear and measureable Key Performance Indicators (KPIs) to indicate the effectiveness of its management of sustainability matters?

G. AUDIT, RISK MANAGEMENT AND INTERNAL AUDIT

Audit

1. Did the audit report highlight any issue(s)?
2. Are there any key audit matters raised by the auditor?
3. Are you aware of the fees paid to the company's auditor for non-audit services?
4. Do you agree with the fees paid to the company's auditor?

★ *The fees paid to the auditor can be found in the annual report.*

Risk Management and Internal Audit

1. Have you read the 'Statement of Risk Management and Internal Control' prepared by the board?
2. Are you satisfied with how the risks are identified and mitigated?
3. Is the company's internal audit function adequately resourced considering the size and complexity of the company's operations? Is the internal audit function carried out effectively?

H. ANTI-CORRUPTION

1. Does the company have an anti-corruption policy? Is the policy adequate?
2. What was the company's assessment of corruption risk for the year?

AT THE AGM



1. Are all board members (including CEO if he/she is not a board member), present at the AGM? If not, were reasons provided by the Chairman for their absence?
2. Did the company explain the voting procedures for the meeting?
3. Are questions posed by shareholders pre-AGM highlighted at the meeting?
★ *For example, questions posed by the Minority Shareholders Watch Group (MSWG) or the Institutional Investors Council (IIC).*
4. Was sufficient time provided for questions and answers?
5. Are you satisfied with the responses provided by the board?
6. Apart from the Chairman, do other board members respond to questions?
7. Did the company's auditor present the audit findings at the AGM? Were there problems highlighted in relation to the audit?
8. If there is a change in auditor, is the outgoing auditor present?
9. Are there any current allegations or has the company been charged for any breaches of the law? If yes, what is the status and implications on the company and its stakeholders?

POST AGM



1. Have you read the 'Key Matters Discussed'?
★ *Listed issuers are required to publish the 'Key Matters Discussed' on its website which is a description of issues discussed and outcomes decided at the AGM.*
2. Do the 'Key Matters Discussed' reflect the discussions and outcomes of the AGM accurately?
★ *The 'Key Matters Discussed' should not be a mere listing of resolutions and voting outcomes of the AGM.*
3. Are shareholders provided with an accessible and effective mechanism to maintain communication with the company?

MSWG AGM/EGM Weekly Watch 12 – 16 August 2024

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.

Date & Time	Company	Quick-take
15.08.24 (Thur) 11.00 am	Eduspec Holdings Berhad (AGM)	<p>The Group's revenue for FYE2024 increased to RM22.05 million (FYE2023: RM8.94 million) mainly due to additional income from E&E business and ICT projects, coupled with the increase in Digital School Solutions income as a result of progressive school resumptions.</p> <p>However, loss after tax increased to RM10.06 million compared to -RM1.26 million recorded in FYE2023 as the other income decreased to RM4.31 million from RM17.93 million reported in the previous year, in the absence of one-off recovery of bad debts and gain on disposal of subsidiary and associates reported in the previous year.</p>
15.08.24 (Thur) 02.00 pm	Eduspec Holdings Berhad (EGM)	The EGM seeks to obtain shareholders' approval for the proposed new shareholders' mandate for recurrent related party transactions of a revenue or trading nature.
15.08.24 (Thur) 3.00 pm	Eduspec Holdings Berhad (EGM)	The EGM seeks to obtain shareholders' approval for the proposed diversification to include the E&E Testing Business. Besides, it also seeks approval for the proposed private placement of up to 234.9 million new Shares, representing up to 20% of the existing total number of issued Shares, to independent third-party investor(s) to be identified later. The issue price will be priced at a discount of not more than 20% to the 5-day VWAP of the shares up to and including the last trading

Date & Time	Company	Quick-take
		day immediately preceding the price-fixing date.

Points of interest:

Company	Points/Issues to Be Raised
<p>Eduspec Holdings Berhad (AGM)</p>	<p>1. 5T3M Edutainment Business:</p> <p>a) 5T3M Stem Based Edutainment Centre and Academy at Starling Mall, which started its business in early 2020 is a world of imagination that inspires a love for robotics, coding, artificial intelligence & internet of things, sciences and entertainment technology. (page 14 of AR2024)</p> <p>We note that 5T3M Stem Based Edutainment Centre and Academy at Starling Mall has been closed, and why?</p> <p>b) Another of the Group’s plans under the B2C model is the development and operation of the STEM EduPark in Port Dickson, which aims at creating a theme-park-like-experience while introducing STEM-based education to the public. This park is targeted to start operations sometime in quarter 4, 2024. (page 15 of AR2024)</p> <p>On 28 June 2024, the Company announced that 5T3M Edupark Sdn Bhd (“SE”), a wholly-owned subsidiary of Eduspec, had entered into a Deed of Settlement with Palm Springs Development Sdn Bhd (“PSD”) to formalise the settlement of the claim of RM14,776,992. SE shall sell and transfer all its legal and beneficial ownership in the project known as STEM EduPark which is constructed on a parcel of land located in Pekan Sungai Menyala, Port Dickson, Negeri Sembilan (“Demised Land”), including the Water Play Section along with various buildings / structures and water play items and equipment on the Demised Land (collectively, the “Project”). The sale and transfer of the Project to PDS was deemed completed on 28 June 2024 under the terms of the deed. (Source: Bursa announcement dated 28 June 2024 and page 11 of Circular dated 11 July 2024)</p>

Company	Points/Issues to Be Raised
	<p>Given the delay in the opening of the STEM Edupark over a few years since 2022, how much money did Eduspec put into the STEM Edupark? What were the total losses from the investment in the STEM Edupark?</p> <p>c) The Group is also seeing better sales this year with the award of few Digital school projects. As such projects require heavy investment in initial hardware investment, the Group has explored and adopted leasing options to reduce the dependency on internal outright project investment. (page 16 of AR2024)</p> <p>What would be the estimated cost of investment for the Digital school projects for the financial year ending 2025?</p> <p><u>Sustainability Matter</u></p> <p>In relation to the Bursa Malaysia's Enhanced Sustainability Reporting Framework under the ACE Market Listing Requirements, some of the enhanced sustainability disclosures will be applicable to ACE Market listed companies' annual reports issued for the financial year ending on or after 31 December 2024. Has Eduspec started its initiative to gather data for the Enhanced Sustainability Reporting Framework despite not falling within this reporting cycle?</p>

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Understanding IFRS S1 and IFRS S2



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WEDNESDAY




9.00 AM - 5.00 PM




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Khalidah
+6017 630 0754
khalidah@mswg.org.my

Minority Shareholders Watch Group
Badan Pengawas Pemegang Saham Minoriti Berhad (p.o.0001022352)

Level 23-2, Menara AIA Sentral
No.30, Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia
+603 2732 0010
www.mswg.org.my



揭秘ESG和气候相关的汇报与披露格式

为大马交易所永续发展报告框架, 和即将落实的IFRS S1和IFRS S2 新准则做好准备

适用于所有类型的公司

Introduction

揭秘新 ESG 和气候披露框架: 大马联交所(Bursa Malaysia), 气候相关财务信息披露工作组(TCFD), 国际财务报告准则第1号(IFRS S1)和国际财务报告准则第2号(IFRS S2)带来的影响和新规定。

Note: 网络研讨会以中文进行, 材料为中英文双语。

Part 1 | 9:00 am - 10:30 am

- 1) 什么是环境、社会及管治 (“ESG”) 汇报
- 2) 国际可持续发展报告格局发展趋势
- 3) 大马联交所 ESG 汇报新规定
 - 共同的可持续发展事项和指标
 - ESG重要性评估

Part 2a | 10:45 am - 1:00 pm

- 4) 国际财务报告准则第1号和第2号简介
 - 大马分阶段采用国际可持续发展准则理事会 ISSB 汇报框架的建议
- 5) 揭秘国际财务报告准则第1号: 可持续相关财务信息披露一般要求
 - SASB 汇报框架
- 6) 了解国际财务报告准则第1号和国际财务报告准则第2号的核心内容:
 - 管治
 - 策略
 - 风险管理
 - 指标及目标

Part 2b | 10:45 am - 1:00 pm

- 7) 揭秘国际财务报告准则第2号气候相关披露, 气候相关财务信息披露工作组 TCFD
 - 什么是 IFRS S2
 - 为什么必须做气候相关披露?
- 8) 揭秘国际财务报告准则第2号跨行业指标类别
 - 温室气体排放
 - 与气候相关的物理风险
 - 气候相关转型风险
 - 资本部署
 - 内部碳价
 - 薪酬
- 9) 揭秘与气候相关的风险和机遇
 - 与气候相关的物理风险
 - 与气候相关的转型风险
 - 与气候相关的机遇
- 10) 揭秘气候相关情景分析
 - 什么是气候相关情景分析
 - 气候情景的类型
- 11) 生效日期和宽免

Trainer's Profile

Pam Lee
Founder - Polar Advisory Group Sdn Bhd

Pam Lee's previous ESG leadership roles include serving as leader of the corporate sustainability & climate change practice at sustainability consultancy ERM in Malaysia, ESG lead at financial institution MIDF Group, and ESG services at professional services firm BDO in Malaysia. Before pursuing her passion for sustainability, she served as Executive Director and license holder advising on corporate finance in the financial advisory practice at BDO. A Global Reporting Initiative (GRI) Certified Sustainability Professional, she is well versed in sustainability reporting, greenhouse gas, climate risks, and opportunities. Pam is a Fellow of the Institute of Chartered Accountants of England and Wales (ICAEW), a member of the Malaysian Institute of Accountants (MIA), a member of the Malaysian Institute of Certified Public Accountants (MICPA), and a graduate of the London School of Economics and Political Science.





UNDERSTANDING MPHB PRIVATISATION

MPHB Capital Berhad (MPHB) has recently announced a proposed selective capital reduction and repayment exercise (Proposed SCR), offering RM1.70 per share for the privatisation of the company by its major shareholder.

In response to numerous concerns and requests from minority shareholders, the Minority Shareholders Watch Group (MSWG) will organise a forum to provide a comprehensive overview and clarification of the Proposed SCR and the upcoming independent advice letter.

The date and venue of the forum will be announced soon.

Please stay tuned for our updates.



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