MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
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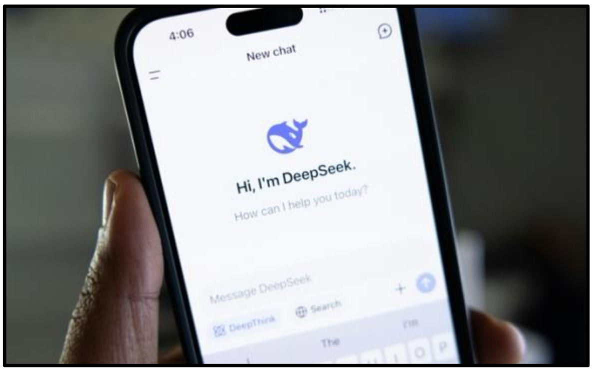
THE END OF ARTIFICIAL GROWTH?

For the past two years, global tech stocks have been riding on the AI wave, adding billions – if not trillions - to their market valuations. However, with the rise of DeepSeek which delivers high-level performance while using significantly less processing power at a fraction of the cost, the party may not last much longer.

DEEPSEEK'S AI DISRUPTION: WHAT MINORITY SHAREHOLDERS SHOULD KNOW ABOUT

The Artificial Intelligence (AI) landscape is evolving at an unprecedented pace, with new players emerging to challenge the dominance of Western tech giants. One such disruptor is DeepSeek, a Chinese AI startup that has rapidly gained attention with its groundbreaking AI model, DeepSeek R1.



Unlike traditional AI models that demand extensive computational resources, DeepSeek R1 is designed for efficiency. It delivers high-level performance while using significantly less processing power and lower costs. This advancement has far-reaching consequences, particularly for industries that depend on AI infrastructure, such as data centres.

The emergence of DeepSeek set off a chain reaction that wiped out close to US$1 trillion of market value from the US stock markets. Meanwhile, Bursa Malaysia was not spared from the market rout. As of the end of January 2025, the emergence of DeepSeek and stricter US chip policy collectively erased RM23 billion market capitalisation in 15 AI proxy companies on Bursa Malaysia[1].

In Malaysia, companies like YTL Power International Berhad (YTL Power) and Mah Sing Group Berhad (Mah Sing) have been expanding their investments in data centres, anticipating continued growth in AI-driven computing power. However, with DeepSeek's model proving that powerful AI can run with fewer hardware requirements, the expected increase in large-scale data centres may not follow the previously anticipated trajectory.

The big question is: How will this impact data centre companies in Malaysia, and what should investors know about DeepSeek's AI technology?

The AI Disruptor Reshaping the Game

At the heart of this disruption is DeepSeek R1, an AI model that challenges conventional AI infrastructure needs by achieving more with less. Traditionally, AI models required massive amounts of computing power and energy to function efficiently. These demands fuelled the growth of high-performance servers, cloud computing, and large-scale data centres.

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[1] US chip policy, DeepSeek wipe out RM23b market cap in 15 AI proxy companies on Bursa, theedgemalaysia.com, accessed via https://theedgemalaysia.com/node/742734

DeepSeek R1, however, changes the equation. Instead of relying on expensive, resource-heavy infrastructure, it has been developed to perform complex tasks while consuming fewer computational resources. Think of a highly skilled chef who can prepare a gourmet meal using just a few essential ingredients instead of a kitchen full of specialised tools. This efficiency makes AI more accessible and cost-effective, reducing reliance on large-scale computing infrastructure.

Additionally, DeepSeek's open-source approach has made this technology more widely available. Instead of being restricted by expensive software licenses, developers, businesses, and researchers worldwide can freely use, modify, and improve upon DeepSeek's AI model. Imagine a community cookbook where top chefs share their best recipes for free - allowing anyone to refine, experiment, and create their versions.

While this approach democratises AI, it raises concerns for data centre operators and investors who have banked on long-term growth in AI-driven infrastructure. If AI becomes less dependent on large-scale computing power, how will it impact the demand for data centres?

How Data Centres Are Linked to AI

Before DeepSeek, AI models were incredibly power-hungry, requiring large data centres to store information and perform computations. Data centres are specialised buildings filled with powerful computers that process and store enormous amounts of digital data.

The global AI boom had increased demand for data centres, benefiting companies that had heavily invested in them, such as YTL Power and Mah Sing. These companies expanded their investments, expecting AI-driven growth to fuel demand for server space, power supply, and larger infrastructure projects.

However, DeepSeek's high-efficiency AI model is changing this equation. Since it requires less processing power and lower energy consumption, the need for large-scale AI computing facilities could decline, raising concerns about whether companies betting on this sector's growth will see the expected returns.

DeepSeek's Ripple Effect on Malaysian PLCs

The rapid emergence of DeepSeek's AI model has significantly impacted Malaysia's stock market, particularly in the technology and data centre sectors. The Bursa Malaysia Technology Index slid 2.3% the next day after DeepSeek emerged[2], reflecting investor concerns about potential disruptions in demand for large-scale data centres.

[2] *DeepSeek drags down YTL, tech stocks, The Star, https://www.thestar.com.my/business/business-news/2025/01/28/deepseek-dragsdown-ytl-tech-stocks*

Investors, anticipating shifts in the AI landscape due to DeepSeek's efficient model, adjusted their portfolios accordingly, leading to stock fluctuations associated with AI computing, cloud services, and data storage.

Among the most impacted companies, YTL Power has been at the centre of investor attention due to its significant investments in AI-driven supercomputing infrastructure. In December 2023, YTL Power announced a US$4.3 billion partnership with NVIDIA to develop AI-driven cloud computing and supercomputing facilities, expecting to capture the anticipated surge in AI-driven computing demand. The company's strategy relied on the assumption that AI adoption would drive long-term demand for large-scale data centres requiring substantial server space, power, and infrastructure.

However, DeepSeek's high-efficiency AI model has introduced uncertainty. If future AI models continue to reduce reliance on massive computing power, YTL Power's business model—centred on renting out large-scale computing capacity—could be at risk.

On 27 January 2025, YTL Power's share price tumbled 10.8% to RM3.22, valuing the company at RM26.63 billion. Concerns that DeepSeek's AI model could reduce demand for large-scale data centres led to investor unease. YTL Power's proposed bonus issue of non-tradable warrants also raised doubts about share dilution and limited tradability.

Unlike YTL Power, which has direct exposure to AI-driven computing infrastructure, Mah Sing has taken a broader, more diversified approach.

Through a joint venture with Bridge Data Centres, Mah Sing is developing data centres that cater to general cloud storage and IT infrastructure, rather than focusing solely on AI-driven computing. This diversified strategy provides some insulation from the potential slowdown in AI-intensive data centre demand following DeepSeek's breakthrough.

Mah Sing's stock declined by a milder 4.17% to RM1.38, as investors recognised its lower exposure to AI computing volatility. Its strategy of diversifying beyond AI-driven demand has given it an edge in navigating shifts in the digital infrastructure market.

Despite market reaction, the Malaysian government remains optimistic. Digital Minister Gobind Singh Deo said that Malaysia sees DeepSeek as an opportunity rather than a threat to strengthen its position as a regional AI and cloud computing hub. While some countries raise data security concerns over open-source AI, Malaysia is focused on fostering AI adoption through supportive policies. The government aims to attract AI and cloud computing investments by maintaining a flexible regulatory environment while sustaining infrastructure growth.

A Turning Point for AI and Investments

Much like how electric vehicles (EVs) disrupted the auto industry, DeepSeek is reshaping AI infrastructure needs. When EVs became more efficient, the demand for fuel declined, raising concerns for oil and gas companies. However, the energy sector evolved, investing in renewable energy, EV charging networks, and battery technology to remain competitive.

Similarly, companies that adjust their strategies—whether by focusing on cloud services, AI optimisation, or data security—will be better positioned for long-term success as AI models become more efficient.

For minority shareholders, staying informed is crucial. Many may have invested in companies betting on data centre expansion, expecting AI to drive sustained demand. However, with DeepSeek's emergence, the AI landscape is shifting, and companies that fail to adapt may struggle.

Investors should closely monitor how AI proxy companies like YTL Power, Mah Sing, and other tech-related stocks refine their strategies in response to evolving changes. Companies that pivot toward AI-driven cloud services, cybersecurity, and efficient data solutions may still capture growth opportunities, even as AI infrastructure evolves.

Malaysia’s role as a digital hub remains strong, and technological disruptions always create risks and opportunities. The companies that recognise these shifts early, adjust their business models, and align with new AI trends will emerge stronger. The key is to understand the implications of these changes, evaluate their investments carefully, and look beyond short-term volatility to make informed, strategic decisions in an ever-evolving digital economy.

[END]

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
18.02.25 (Tue) 10.00 am	Sasbadi Holdings Berhad (AGM)	Moving forward, Sasbadi group's core strategies are to grow beyond print publications and focus on digital education solutions. Its expertise in digital education solutions put the group in a favourable position to capitalize on the Ministry of Education's Digital Education Policy. The group will also tap into new business opportunities to diversify its revenue streams through strategic mergers and acquisition to expand its product offerings.
18.02.25 (Tue) 10.00 am	Fiamma Holdings Berhad (EGM)	Fiamma is tabling two resolutions for shareholders' approval on the proposed joint ventures (JVs) between Fiamma and BKG Development Sdn Bhd (BDSB), a wholly-owned subsidiary of Chin Hin Group Property Berhad. The JVs involve Fiamma's subsidiaries - Dawn Land Sdn Bhd (DLSB) and Aricia Sdn Bhd (ASB), for BDSB shall subscribe 70% stake in the two companies for a total consideration of RM7 million. DLSB and ASB own and develop two parcels of prime land in Kuala Lumpur. Upon the signing of shareholders agreements, BDSB will also procure DLSB and ASB to repay and/or redeem an aggregate amount of up to RM199.85 million owed by DLSB and ASB (the final amount of which will only be determined upon completion of DLSB shares subscription and ASB shares subscription) to FHB, its

Date & Time	Company	Quick-take
		subsidiary and the creditors of FHB and its subsidiaries. Meanwhile, the JVs also included Fiamma's proposed subscriptions to 12 million redeemable preference shares in BDSB for a nominal subscription price of RM1,200. This arrangement was structured to allow Fiamma to receive a redemption sum of RM12 million in exchange for the dilution of its stake in the two companies from 100% to 30%.
20.02.25 (Thur) 11.00 am	Datasonic Group Berhad (EGM)	The Company will seek shareholders' approval for the proposed change of its name from "Datasonic Group Berhad" to "NexG Berhad".
21.02.25 (Fri) 10.00 am	Wellcall Holdings Berhad (AGM)	The Group recorded a lower revenue of RM209.40 million for the FY2024 (FY2023: RM217.16 million), mainly due to reduced demand for low and medium pressure industrial rubber hoses in the global market. Further, the Group recorded a lower profit-before-tax of RM64.22 million (FYE 2023: RM74.42 million) due to a higher unrealised loss on foreign exchange of RM5.15 million.

POINTS OF INTEREST

Company	Points/Issues to be raised
Sasbadi Holdings Berhad (AGM)	Inventories written down increased significantly from RM3.04 million in FYE2023 to RM9.9 million in FYE2024. The increase in the provision of write-downs reflects the Group's strategy to reduce the value of older titles and focus on the new production of newer publications, which are expected to contribute more to the Group's financial performance, especially with the support of the MADANI Book Voucher initiative. The older titles would have required larger discounts to sell, which would have reduced the Group's profit margins (Pages 18 and 118 of Annual Report (AR) 2024).

Company	Points/Issues to be raised
	a) What measures have been taken to minimise such write-downs in future? Is such a high write-down expected in the forthcoming year? b) How do the newer publications contribute more to the Group's financial performance compared to older titles? What factor indicates that newer publications will perform better than older ones? c) Is the Group exploring other opportunities to diversify its revenue, apart from relying on government initiatives like the MADANI Book Voucher program? If yes, can you share what other revenue sources the Group is looking into?
Wellcall Holdings Berhad (AGM)	The Group recorded an unrealised loss on foreign exchange of RM5.15 million during the FYE 2024. *"The decrease in PBT was mainly due to higher unrealised loss on foreign exchange translation arising from appreciation of Ringgit Malaysia resulting from volatility of foreign exchange sentiment"* (Page 8 of Annual Report 2024) *"The Group also has stand-by foreign exchange forward contract to mitigate foreign currency risk, but remains unutilised throughout the financial year and previous financial years."* (Page 160 of Annual Report 2024) In view of the above, please elaborate on the Group's strategy in managing its exposure to foreign currency fluctuation.

[END]

MINORITY SHAREHOLDERS WATCH GROUP

13 MARCH 2025 | THURSDAY
8:30 AM - 4:00 PM
AICB CENTRE OF EXCELLENCE, KL

1 DAY COURSE

HRD CORP CLAIMABLE

Registration Fee
RM1,800

Early Bird
(Before 28 February 2025)
RM1,600

Group of 2
or more
RM1,600

All prices are subject to any applicable government tax.

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Navigating the

National Sustainability Reporting Framework & Latest Bursa Listing Requirements

Programme Overview

In September 2024, the Securities Commission Malaysia announced implementation of the National Sustainability Reporting Framework (NSRF). It mandates IFRS Sustainability Disclosure Standards (ISSB Standards) for listed and large non-listed companies. The framework aims to enhance transparency, accountability and business resilience, aligning the nation's sustainability goals. In December 2024, Bursa Malaysia announced corresponding amendments to the Listing Requirements. Compliance will be phased, starting in 2025 for large Main Market PLCs, extending to others by 2027.

Part 1 | 8.30 am - 10.00 am

Developments in the International Sustainability Reporting Landscape

- Commonly adopted sustainability reporting frameworks
- How the ISSB was formed and global adoption trends
- Adoption timelines for Malaysia – NSRF and Bursa Listing Requirements
- Design and applicability of the standards:
  - **IFRS S1** – General Requirements for Disclosure of Sustainability-related Financial Information
  - **IFRS S2** – Climate-related Disclosures
- Future developments in the pipeline

Part 2 | 10.30 am - 12.00 pm

IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information

- Conceptual foundations
  - Materiality
  - Reporting Entity
- How to shortlist financially material sustainability matters
- Sources of Guidance (SASB, GRI, ESRS)
- Statement of Compliance
- Treatment of Errors

Part 3 | 1.00 pm - 2.30 pm

IFRS S2 – Climate-Related Disclosures

- **TCFD 101 as a foundation for IFRS S2**
  - Climate Risks: Physical and Transition Risks
- **IFRS S2 – Core content**
  - Governance, Strategy, Risk Management, Metrics and Targets

Part 4 | 2.45 pm - 4.00 pm

Transitioning to an ISSB Report and other key considerations:

- Reliefs – Proportionality and scalability mechanisms
  - Without undue cost or effort
  - Consideration of skills, capabilities and resources
- What would an ISSB Report look like versus the current sustainability report formats
- Assurance of Sustainability Reports

Trainer's Profile

San Mei Kim

Mei Kim is a sustainability trainer. Prior to this, she was the former Sustainability Lead, Corporate Governance and Sustainability with the Regulation function at Bursa Malaysia. She co-led the development of key sustainability-related initiatives for the Malaysian capital market. This includes putting in place enhancements to Bursa Malaysia's Sustainability Reporting Framework (consisting of the listing requirements, sustainability reporting guides and related toolkits) as well as capacity building initiatives for public listed companies.

She is a GRI Certified Sustainability Professional and holds a Master in Sustainable Development Management from the Jeffrey Sachs Centre (Sunway University). She is also a member of the Association of Chartered Certified Accountants (ACCA), Association of Certified Fraud Examiners (ACFE) and the Malaysian Institute of Accountants (MIA).

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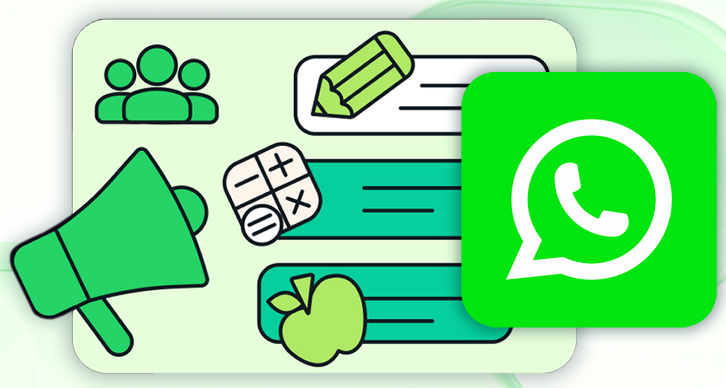

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