MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
Official Newsletter from MSWG

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STOP CLOWNING AROUND

The European Union Deforestation Regulation (EUDR) seems elusive for many, but its impact is far-reaching. The key challenge to comply with EUDR lies with smallholders, who form the backbone of the plantation industry supply chain.

THE FOREST IS CALLING AND THE MARKET MUST ANSWER

If a tree falls in the forest and no one hears it, does it make a sound? In the era of the European Union Deforestation Regulation (EUDR), it certainly does—and that sound is echoing through Malaysia's capital markets.

Set to take effect beginning 30 December 2025, the EUDR isn't just another trade requirement dreamt up in Brussels. It's a shot across the bow of global supply chains. In a world on the brink of ecological collapse, where floods, droughts, and wildfires have become routine, the EU is taking decisive steps to eliminate deforestation from its imports. Under this regulation, any commodity entering the EU market, including palm oil, timber, rubber, coffee, cocoa, soy, and beef, must be proven to be deforestation-free. Not just environmentally sustainable, but specifically not linked to deforestation that occurred after 31 December 2020.

Let's be clear. This isn't just about ticking boxes or looking good on paper. It's about climate accountability. Forests are one of the most critical tools for absorbing carbon and stabilising the planet. But every year, millions of hectares of forest are cleared for agriculture and industry. The EU is effectively saying: "*If you want to trade with us, show us your forest footprint.*"

Sounds Simple? Think Again

Imagine preparing a fruit salad for a very discerning customer. Some fruits come from your garden, others from your neighbour's orchard, and a few from someone you've never met. Before the salad can be accepted, the buyer insists on knowing exactly where each fruit came from—complete with GPS coordinates. They want proof that no forests were cleared to grow the fruit trees, that every farmer followed local laws, and that you've kept detailed records for at least five years. The salad risks rejection if even one fruit lacks documentation or comes from a questionable source.

That's essentially what Malaysian companies are navigating under the EUDR. On paper, the rules sound straightforward. Companies must prove three things. First, their products didn't originate from land deforested after 31 December 2020. For instance, if you're exporting palm oil, you must show that the oil palms weren't planted on cleared forestland. Second, the products were legally produced, meaning they comply with local laws covering land ownership, labour conditions, and environmental protection. If the land is untitled or the workers are undocumented, that's a concern. Third, using GPS data or detailed mapping, every product must be traceable back to the exact plot of land where it was grown or harvested.

In theory, this seems manageable. But in practice, it's a logistical challenge, mainly when your supply chain includes hundreds of suppliers and many smallholders in rural areas. Most agricultural supply chains in Malaysia were never built for this level of traceability.

That's where EUDR becomes more than a compliance checklist; a test of supply chain preparedness and governance.

The Smallholder Challenge

This brings us to the heart of the challenge - smallholders. In Malaysia, smallholders contribute over 30% of the country's total palm oil output. These farmers play a vital role in rural livelihoods and national production, but they also represent the most fragile link in the EUDR compliance chain. Many works on untitled land have been passed down through generations. Most don't use GPS devices, and record-keeping is minimal. Many have never heard of EUDR, let alone know how to comply. This creates exposure for public listed companies (PLCs) that rely on smallholders for fresh fruit bunches. No matter how small, one non-compliant supplier can place an entire shipment at risk.

This is where things get particularly complex. In Malaysia, smallholders are often embedded in the broader supply chains of PLCs, either directly through purchase agreements or indirectly through dealers and intermediaries. While their scale may be modest, their importance is not. Even the best-run estates and mills may be impacted if there are weak points elsewhere in the sourcing chain. Under the EUDR, companies are expected to take responsibility for what they produce and source. Compliance no longer ends at the plantation gate—it now extends to the smallest, most remote farm plot.

Leading the Way—but Just a Few

Thankfully, some Malaysian PLCs are already taking proactive steps to get ahead of the EUDR. SD Guthrie Berhad (formerly Sime Darby Plantation) became one of the early movers when it delivered 40,250 metric tonnes of EUDR-compliant palm oil to Europe and the UK in early 2024[1]. The Company has polygon-mapped over 600,000 hectares of its plantations and those of its third-party suppliers. It also leverages satellite imagery and third-party forest baseline verification tools to detect and assess deforestation risks across a global dataset, demonstrating high traceability and commitment to deforestation-free sourcing[2].

Similarly, FGV Holdings Berhad announced in August 2024 that it had produced its first batch of EUDR-compliant crude palm kernel oil (CPKO). In a media release, it explained that the CPKO was sourced from its estates, FELDA settlers, and independent smallholders certified under MSPO, RSPO, or that meet its internal due diligence criteria[3]. At the same time, FGV introduced an enhanced Sustainability Framework anchored on five strategic pillars: Economic Growth, Governance, Social, Environmental, and

[1] https://theedgemalaysia.com/node/739096

[2] https://www.sdguthrie.com/sd-guthrie-delivers-first-shipment-of-eudr-compliant-palm-oil-ahead-of-new-rules/

[3] https://www.fgvholdings.com/press_release/fgv_achieves_major_milestone_with_first_eudr-compliant_palm_oil_production/

Innovation. This move aligns the Group with evolving global ESG expectations, particularly around deforestation-linked disclosures and traceability[4].

United Plantations Berhad (UP) is also among those leading the charge. The Company disclosed that 90.84% of its CPKO supply was traceable to the plantation level as of 31 December 2023 and aims to increase this to 98% by the end of 2024. The Company has enforced a strict no-deforestation policy since 2010. It uses platforms like Palmoil.io and Global Forest Watch for real-time satellite monitoring of forest activity for its operations and third-party suppliers across Malaysia and Indonesia[5].

These efforts are still more of an exception than the rule. Many PLCs remain reactive, particularly those with less exposure to international markets or fewer resources. There is a tendency to wait and hope for regulatory flexibility or deadline extensions but hope alone is not a viable strategy.

Initially, EUDR was scheduled to become applicable on 30 December 2024. However, due to concerns about preparedness, especially among global partners, the EU Parliament and Council agreed to delay its implementation by one year.

According to the Minister of Plantation and Commodities, Datuk Seri Johari Ghani, approximately 80% of Malaysia's palm oil sector is on track to meet EUDR requirements. However, he noted that the remaining 20%—primarily made up of smallholders—will require further support to catch up. Speaking to the media, he remarked, *"We are confident that 80% of the palm oil industry can meet the EUDR. The challenge lies with the smallholders.[6]"*

The reality is that even with strong leadership from a few listed players, the broader sector's readiness hinges on improving the capabilities of all contributors—including smallholders, who form a significant portion of the supply base for many listed plantation companies.

Why This Should Matter to Minority Shareholders

For investors, especially minority shareholders, the EUDR is no longer just an environmental agenda discussed in ESG circles. It has become a real and present business risk with financial consequences. Companies that fall short of EUDR requirements may face cancelled orders, loss of market access, penalties, reputational damage, and increased compliance costs due to last-minute retrofitting. This directly threatens future revenue streams, squeezes margins, and introduces volatility, which should concern anyone with a stake in the company's long-term performance.

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[4] https://www.fgvholdings.com/press_release/fgv-unveils-enhanced-sustainability-framework-to-drive-long-term-value/

[5] https://theedgemalaysia.com/node/727731

[6] https://theedgemalaysia.com/node/747949

Moreover, the EUDR is just the beginning. Similar regulations are already being considered in the United Kingdom, the United States, and Asia. The EU is setting the tone for what will likely become a new global baseline for trade in commodities linked to land use and forest risk. Companies that delay adaptation may lose access to European markets and find themselves shut out of multiple jurisdictions, scrambling to catch up while competitors move ahead.

The EUDR also presents a clear opportunity for companies willing to lead. Early adopters who invest in traceability, engage their suppliers, including smallholders and demonstrate credible ESG governance can position themselves as preferred suppliers in the eyes of European buyers. These companies are also more likely to attract long-term institutional investors who are increasingly integrating climate and deforestation risks into their investment decisions. In a world where sustainability and transparency are becoming prerequisites—not optional extras—early compliance is no longer just about avoiding penalties; it's about securing market relevance and competitive advantage.

For minority shareholders, this is not the time to be passive. It is a time to ask the right questions. How is the company mapping its supply chain, including third-party suppliers and smallholders? What systems are in place to ensure traceability and legal compliance? Is the company providing technical and financial support to smallholders, often the weakest link but a critical part of the chain? Is this being treated as a strategic priority or a compliance afterthought?

The EUDR is more than just a regulatory hurdle—it is a litmus test for a company's governance, foresight, and operational integrity. It also reflects whether Malaysian companies are ready to compete on the global stage not only on cost and volume but also on values, transparency, and accountability. In the new economy, those who move early and decisively will lead. Those who remain reactive may be left behind.

The Forest Is Speaking. Are We Listening?

While the EUDR was crafted in the halls of European policymaking, its impact is being felt far beyond—reaching the rainforests of Sabah, the boardrooms of Kuala Lumpur, and the wallets of shareholders everywhere.

It's complex. It's messy. But it's necessary. Because climate change doesn't care about boundaries. And neither does regulation anymore.

So, let's stop thinking of sustainability as someone else's job or next year's problem. Let's start seeing it for what it is, both the cost and the price of staying in business.

[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
21.04.25 (Mon) 09.00 am	Bintulu Port Holdings Bhd (AGM)	In 2024, the Group recorded a higher operating revenue of RM828.3 million, up from RM765.58 million in 2023. The improved revenue was contributed from the handling of cargoes and vessel calls for liquefied natural gas (LNG), container, bulk cargo services and Samalaju cargoes. In line with the higher operating revenue, its net profit increased by 22.73% to RM153.48 million compared to RM125.04 million the year before.
22.04.25 (Tue) 10.00 am	Petronas Chemicals Group Berhad (AGM)	PCG delivered a solid revenue performance in FY2024, reaching a record-breaking RM30.7 billion, even as product prices experienced downturn. However, its net profit decreased by 26% to RM1.3 billion from RM1.8 billion in 2023, on account of lower EBITDA, unfavourable foreign exchange, increased depreciation charges, and higher finance costs within a joint operation entity. Despite these pressures, PCG benefited from a remeasurement gain on trade payables, which partially offset the adverse financial impacts.
23.04.25 (Wed) 09.30 am	United Plantations Berhad (AGM)	The Group's revenue improved by 9.1% y-o-y to approximately RM2.2 billion in FY2024, from RM2 billion in FY2023, attributed to higher commodity prices supported by higher revenue from its downstream refinery division. The planter remained resilient amidst global uncertainties and achieved a record net profit RM719 million (FY2023: RM711 million).

Date & Time	Company	Quick-take
23.04.25 (Wed) 09.30 am	Grand Central Enterprises Bhd (AGM)	GCE reported a higher revenue of RM26.8 million in FY2024 against RM24.3 million in the preceding year. However, its pre-tax loss widened to RM28.9 million compared to RM7.9 million in the previous year, mainly due to an impairment loss on a hotel building of RM20.3 million, an increase in upkeep and maintenance works, and staff costs. It continues to face key challenges such as rising operating costs and intense competition from local hotels and other countries.
23.04.25 (Wed) 10.00 am	Petronas Gas Berhad (AGM)	For FY2024, the Group's revenue rose 1.4% to RM6.54 billion, supported by stronger Gas Transportation and Processing segments, offsetting weaker Utilities performance. Despite a high-cost environment, cost optimisation helped maintain gross profit at RM2.28 billion. Its pre-tax profit declined 1.1% to RM2.36 billion due to lower joint venture contributions, but reduced tax expenses led to a 1.2% increase in net profit to RM1.92 billion for FY 2024.
23.04.25 (Wed) 10.00 am	Binasat Communications Berhad (EGM)	Binasat proposes acquiring three shop-offices in Sazean Business Park for RM8.34 million and 241 hotel suites in Empire City for RM73.54 million. It also seeks to diversify into property investment, development, and construction, departing from its core telecom business. To fund these acquisitions, Binasat plans a private placement of up to 128.14 million new shares, representing 30% of the issued share capital of the Company.
24.04.25 (Thur) 10.00 am	Petronas Dagangan Berhad (AGM)	PetDag's revenue increased by 1% in FY2024 to RM38 billion driven by 3% growth in sales volume primarily from higher Mogas and Jet A-1 despite a lower average selling price by 2%. Profit Before Tax grew by 15% compared to FY2023 and Profit After Tax increased by 15%, surpassing the RM1 billion mark for the first time since the pandemic.
24.04.25 (Thur) 10.00 am	SP Setia Berhad (AGM)	FY2024 was a record year for SP Setia with both revenue and profit at new highs over the past five-year period. Its revenue grew 21% to RM5.3 billion while profit before tax jumped 71% to RM1.1 billion. The improved financial performance was due to a few major land sales and the robust performance of

Date & Time	Company	Quick-take
		the development business. Unbilled sales stood at RM4.09 billion, reinforcing strong earnings visibility for the short to mid-term. SP Setia currently holds 5,451 acres of land banks with a gross remaining GDV of RM128.59 billion.
24.04.25 (Thur) 10.00 am	Malayan Banking Berhad (AGM)	Maybank reported an 8.1% increase in net operating income to RM29.57 billion, compared to RM27.36 billion, attributed to a 22.6% jump in non-interest income (NOII) to RM9.88 billion (FY2023: RM8.06 billion), led by higher fees from wealth management and investment banking, as well as income from the global markets and insurance portfolio. Its net profit in FY2024 was higher at RM10.09 billion, against RM9.35 billion in the previous year. Its cost-to-income ratio (CIR) remained flat at 48.9%, with overheads rising 8% y-o-y due to higher personnel costs, IT-related and marketing expenses.
24.04.25 (Thur) 11.00 am	Ingenieur Gudang Berhad (AGM)	Ingenieur's revenue more than doubled to RM49.40 million in FY2024, from RM20.35 million earlier, thanks to more projects secured and better work progress in the construction segment. It posted a net profit of RM25.29 million for FY2024 compared to RM17.94 million in FY2023, mainly due to fair value gain on investment properties, as well as the improved revenue.
25.04.25 (Fri) 10.00 am	SDS Group Berhad (EGM)	SDS has proposed a bonus issue of 136.54 million new shares on the basis of 1 bonus share for every three existing shares held. The bonus issue exercise is expected to be completed by the first half of 2025.
25.04.25 (Fri) 10.00 am	NetX Holdings Berhad (AGM)	In FY2024, NetX Holdings Berhad reported a 26.7% decline in revenue to RM12.35 million and a widened net loss of RM28 million, driven largely by impairment losses on goodwill and intangible assets. Core segments such as Non-Payment Services saw a 70% decline in revenue, while Electronic Payment Services remained weak due to delayed regulatory approval of the eFX platform. Although the Great Experiences Matter (GEM) segment's revenue doubled, it remained loss-making. Operational inefficiencies,

Date & Time	Company	Quick-take
		underperformance across key units, and delayed monetisation of fintech platforms contributed to the downturn.
25.04.25 (Fri) 11.00 am	Kumpulan H&L High-Tech Berhad (AGM)	In FY2024, the Group recorded a 20.4% decline in revenue to RM21.69 million compared to RM27.24 million in FY2023 due to reduced contributions from the Manufacturing segment. In line with the lower revenue, its pre-tax profit fell by 29.2% to RM8.79 million. Excluding fair value gains on investment properties, its pre-tax profit would have declined by 63.1%. Despite the operational challenges, the Group remained profitable, delivering a net profit of RM7.42 million, a 27.1% (or RM2.76 million) decrease compared to FY2023.

POINTS OF INTEREST

Company	Points/Issues to Be Raised
Petronas Chemicals Group Berhad (AGM)	The outlook for 2025 remains challenging as the global chemical sector continues to grapple with economic uncertainties, fluctuating crude oil prices and evolving market dynamics. The anticipated pressure on petrochemical prices, driven by softer demand and geopolitical headwinds, will require PCG to focus intently on cost containment and operational efficiency (page 21 of IAR 2024). a) To what extent has the Group effectively adopted AI-driven technology or other measures to enhance cost containment and improve operational efficiency? b) With ongoing challenges such as capacity overhang, particularly in core products like ethylene, polyethylene, and monoethylene glycol, which PCG expects to face structural overcapacity until 2030, what strategic adjustments is the Group considering in terms of production optimisation, capacity rationalisation, or product diversification to mitigate margin erosion and maintain competitiveness? c) How will the imposition of US trade tariffs affect the petrochemicals industry, and in turn the potential impact on PCG?

Company	Points/Issues to Be Raised
Grand Central Enterprises Bhd (AGM)	Given the Group's consistent losses for the past five years and with the continuous rising staff costs and operating costs, along with competition, what are the Group's plans with regards to improving the performance of the hotels? Will the Board consider selling the hotels via open bidding, if the Group can secure a good price?
Petronas Gas Berhad (AGM)	1. In 2024, all the Group's facilities continue to uphold world-class reliability standards. The strategic adoption of advanced digital technologies has been instrumental in surpassing planned Overall Equipment Effectiveness and achieving exceptional Product Delivery Reliability, ensuring an uninterrupted gas supply for the nation. (page 21 of IR 2024) Prior to the recent unfortunate gas pipeline explosion in Putra Heights, has there been any instance of gas supply disruption? What are the contingency plans does PGB have in place to manage the gas supply in the event of such incidents? 2. The recent Putra Heights gas pipeline explosion which resulted in multiple injuries and damage to properties and assets, was indeed an unfortunate incident. a) We take cognizance that the Group would have adopted a robust HSE Policy, utilised a range of risk assessment tools and progressively adopted various digital tools to strengthen process safety. Notwithstanding these, and whilst investigation is ongoing, there are certainly various lessons that can be learned to further strengthen the Group's policies, procedures and processes. In the meantime, could the Board provide insight and feedback on the likely areas that require more immediate attention and enhancements and the immediate plans? b) What initiatives does PGB have to educate communities living near gas infrastructure about pipeline safety, emergency response, and reporting hazards?
Petronas Dagangan Berhad (AGM)	The recovery in travel and aviation boosted demand for Jet A-1, while strong domestic demand in the Retail and Commercial segments has significantly driven growth. Furthermore, stable oil prices averaging around USD80 per barrel created favourable conditions for revenue growth. Lower unemployment and a steady Overnight Policy Rate contributed to greater consumer spending, benefiting the Group's Retail and Convenience segments. (Source: Page 19 of the Integrated Report (IR) 2024) a) Amidst the ongoing tariff uncertainties and OPEC+'s decision to increase production, Brent crude oil prices have recently

Company	Points/Issues to Be Raised
	declined below USD80 per barrel. To what extent will this impact the Group? b) Many factors and conditions seemed favourable and significantly drove the Group's growth in 2024. How confident is the Board that these tailwinds will remain intact in 2025, and what indicators is management tracking to assess potential macroeconomic risks that could disrupt this trajectory? c) Beyond the current momentum, what does management identify as the most impactful growth engines for the Group in the short-to-medium term? Specifically, what are the margin growth targets, particularly in the Retail, Commercial and Convenience segments?
Malayan Banking Berhad (AGM)	With the intensifying global tariff war and rising geopolitical tensions, cross-border trade flows, foreign direct investment, and supply chain stability are increasingly under pressure. Against this backdrop, what are the key macroeconomic and sectoral challenges Maybank anticipates in the near to medium term? Furthermore, how might these developments impact Maybank's loan growth and asset quality, particularly given its diverse regional footprint across ASEAN and exposure to sectors sensitive to global trade dynamics?
Ingenieur Gudang Berhad (AGM)	a) What are the current projects in hand, and what is the progress of these projects? b) The Group will remain focused on expanding its project pipeline by actively bidding for new contracts (Page 23 of the Annual Report (AR) 2024). What is the Group's current orderbook and the Group's target for new contracts to be secured in 2025? What is the Group's success rate in securing contracts?
Netx Holdings Berhad (AGM)	In relation to other investments, the Group acquired additional quoted shares in Malaysia amounting to RM7.0 million during FYE2024. Fair value losses on other investments increased significantly to RM4.2 million (FYE2023: RM2.9 million) (Source: Note 10, page 99 of the AR2024) a) What were the quoted shares purchased by the Group? What is the rationale for investing RM7.0 million in quoted shares rather than utilising the cash for the Group's core businesses? b) To which quoted shares do the significant fair value losses relate to?

Company	Points/Issues to Be Raised
	c) How does the Board manage the risks associated with investing in quoted shares? Does the Board have an investment policy for investment in quoted shares?

Special Announcement

MSWG
MINORITY SHAREHOLDERS WATCH GROUP

28 APRIL 2025 | MONDAY
9:00 AM - 5:00 PM
AICB CENTRE OF EXCELLENCE, KL

1 DAY COURSE
HRD CORP CLAIMABLE

Registration Fee
RM1,800

Early Bird
(Before 18 April 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 | 9.00 am - 10.30 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 | 11.00 am - 12.30 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 | 2.00 pm - 3.30 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 | 3.45 pm - 5.00 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).

DISCLOSURE OF INTERESTS

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