



THE SECRETS OF SAVVY INVESTORS: **ATTENDING THE AGM**

About InvestSmart®

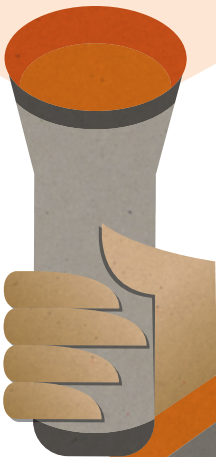


InvestSmart® is a comprehensive investment awareness and literacy campaign under the Securities Commission Malaysia's investor empowerment initiative. It aims to:

- (a) enable more confident and informed retail participation in the capital market.
- (b) provide the public, particularly the next generation of investors, with valuable investment information, presented in a simplified format through new technology and multimedia platforms, supplementing existing investor education channels.

The InvestSmart® approach is guided by three main principles:

- **Comprehensiveness:**
To target all segments of the Malaysian investing population to educate them with fundamentals of making sound investment decisions.
- **Simplicity:**
To demystify investing by using plain language and employing impactful methods.
- **Multiple modalities:**
To carry out our efforts through multiple channels: both traditional and new media, as well as face-to-face engagements.



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Every shareholder of a company will be invited to the annual general meeting (AGM) of the company every year, regardless of whether one is a minority shareholder in a company and more so if one is a majority shareholder. Unfortunately, most minority shareholders choose to ignore this invitation. This could probably be because they think there is nothing much that they can influence or change by attending the annual meeting with just a single vote in their hand.

At the end of this leaflet, you will be able to recognise the importance and advantages of attending to a company's AGM and how even a lone shareholder can influence change and enhance the corporate governance of a company.

What is an AGM?

The AGM, an abbreviation for Annual General Meeting, is the only shareholders' meeting which must be held by companies once every year. AGMs are a requirement by law under the Companies Act 2016 and are held mainly to review the company's financial performance, apart from other arising matters. When attending an AGM, shareholders can actively participate by:

- Inquiring on any matter pertaining to the company, which has been included in the annual reports
- Raising issues relating to procedural and legal requirements of general meetings
- Raising issues relating to the strategic and financial management of the company, the future direction of the company, its goals and objectives and its diversification and expansionary policy, if relevant
- Engaging in frank discussions with the directors on the company's performance
- Exerting pressure on the directors to be more transparent and accountable

A typical AGM agenda will cover the following:

- Review and adoption of the Audited Financial Statements and Reports of Directors and Auditors
- Re-election of retiring directors or election of new board of directors
- Approval of directors' fees
- Declaration of dividend
- Other special business (eg. new transaction, take over proposals, etc.)





Why should I attend an AGM?

In reality, companies value every shareholder and welcome all to attend their AGM. Some companies even go to the extent of holding the AGM at a luxury hotel, providing good lunches and attractive door gifts, just to lure the shareholders to the meeting in order to increase the number of the investors attending the AGM. In fact, all investors should take the AGM very seriously as there are a lot of intangible benefits that they can acquire from an AGM. The following are five highlighted reasons you, as a shareholder of a company, should attend its AGM.

Reason #1:

You get to meet company directors in person

Normally, as investors or shareholders, you do not get to meet the team that is entrusted to manage the company. An AGM is a rare opportunity for shareholders to meet the top management of a company you have invested in. When you attend a company's AGM, you not only get to meet the directors in person but you also get to understand their professional background. You have the chance to analyse whether these individuals have relevant expertise in the business of the company and whether shareholders' money is well spent on people who can essentially drive the company to further success and growth.



Reason #2:

You get to examine business resolutions

Companies are required to conduct these meetings to seek shareholder approval on various matters. These include the appointment or re-appointment of directors, company auditors and the presentation of previous year's company accounts. They would also need to seek shareholders' approval for any significant transactions by the company and related party transactions that trigger the requirement for approval under the Companies Act 2016 and/or the Bursa Malaysia. As shareholders, you need to scrutinise whether these directors have relevant experience, appropriate financial skills and a sound reputation in the industry. If you are not in favour of any of the resolutions, the AGM is the platform to voice out your dissatisfaction and to exercise your vote.

Reason #3:

You can check the company's dividend policy

One of the most important issues to investors is dividends. Thus, the declaration of dividend is one item on the AGM agenda that all shareholders are interested in. This is the money that is going back into every shareholder's pocket; hence, you need to check on the company's dividend policy, whether the company's dividend track record is consistent and the reason for any changes. By attending the AGM, you will get to know firsthand the dividend declared for the year and check whether it is consistent with the company's dividend policy. Through the AGM, you get to understand the company's dividend policy in detail and how the dividend is being determined. From there, you can see whether a company is willing to share its profit with all shareholders, especially at times when the company is having excess cash.

Reason #4: **You get to ask questions**

The question-and-answer session is one of the most interesting parts of an AGM. Shareholders are given the chance to ask questions about the company's financial performance, business decisions or any relevant topic that you want clarified. Exercise your right to ask questions as a shareholder - you do not need to have specialised or technical knowledge or business experience. Usually, shareholders who plan to ask questions may be required to pre-register their intention. Serious shareholders should get hold of a copy of the annual report and go through it before attending the AGM to fully utilise the opportunity for clarification.

Reason #5: **You have the right to vote**

Throughout the AGM, there may be resolutions and matters on which your vote will be needed. Each shareholder has the right to vote at any general meeting and each person has the right to one vote regardless of the number of shares they hold. Voting is generally done through a show of hands but there are instances where voting by poll (voting by written ballot) is held. As shareholders, you need to understand your right and have the correct mindset. Even though you may only carry one vote, the minority shareholders' voice will be heeded by the management if every minority shareholder is able to cast a vote in the AGM. However, if everyone still believes that the one vote will not make any difference, you as the shareholder will be putting your money at the mercy of the management and the major shareholders, hoping that whatever they do will maximise value for all shareholders. The minority shareholders may not be able to control the directors directly but they can operate indirectly by acting together in the general meeting. Even if the results of the resolutions may not be in line with your wishes, at least you have voiced your opinion.

As much as an AGM can work towards the benefit of shareholders, you must also be careful of the beautiful picture painted by the management during the AGM. Sometimes, these images are just too good to be true to the shareholders. Therefore, it is important to use your own wise judgement and observation to determine whether the future projections or new projects are realistic in generating profit or are proposed merely to woo shareholders to invest in ridiculous business deals.

So remember, attending the AGM is important for every shareholder of the company as you own part of the company and its business. With your involvement, the management will be more vigilant in making business decisions that would have a direct effect on your investments.

