MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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❖ Two concepts for long term success in investing

1. 20-slot punch card

Imagine that you can only make 20 investments in your lifetime. What would you do differently?

One of Warren Buffett's lesser-known investing ideas is the 20-slot punch card.

During a talk at a business school in 1994, Charlie Munger, who is Buffett's right-hand man, said:

When Warren lectures at business schools, he says, "I could improve your ultimate financial welfare by giving you a ticket with only 20 slots in it so that you had 20 punches—representing all the investments that you got to make in a lifetime. And once you'd punched through the card, you couldn't make any more investments at all."
He says, "Under those rules, you'd really think carefully about what you did and you'd be forced to load up on what you'd really thought about. So you'd do so much better."

This concept simply means that you are limited to making only 20 investments in your lifetime. So, each punch represents a big financial decision. When you use one, you have 19 left. Then 18 and so on. After 20 punches, you're done.

The punch card approach forces you to focus your investment on a few great businesses that you truly understand. In fact, you don't need 20 right decisions to do well in investing. A handful is enough over the long term.

It also reduces your temptation to trade stocks. If you only have 20 punches to use, you aren't going to trade a stock just because someone told you so. You will think hard about it. Every decision you make has an opportunity cost. Don't waste your next slot.

The punch card concept had worked well for Buffett over the last 58 years. In his 2022 letter to shareholders, Buffett said,
"*Our satisfactory results have been the product of **about a dozen truly good decisions** – that would be **about one every five years** – and a sometimes-forgotten advantage that favors long-term investors such as Berkshire*."

When you master the concept of punch card investing, you will:

- Think very carefully about your investment ideas
- Only invest in great businesses
- Patiently wait for the right opportunities
- Make fewer mistakes as you become less active in trading
- Invest for the long run
- Do much better in investing and life

2. Write down your investment thesis

Everybody knows that Buffett is a great investor. And it is no coincidence that he is also one of the best writers ever. His annual letters to shareholders are well-written, easy to read, enjoyable and simple.

This is the result of clear thinking. Writing can make you a better investor because it clarifies your thought process. It also forces you to think logically.

That's why Buffett advises investors to write down their investment thesis:

"You really want your decision making to be by looking in the mirror. Saying to yourself, "I am buying 100 shares of General Motors at $55 because......." It is your responsibility if you are buying it. There's gotta be a reason and if you can't state the reason, you shouldn't buy it. If it is because someone told you about it at a cocktail party, not good enough. It can't be because of the volume or a reason like the chart looks good. It has to be a reason to buy the business. That we stick to pretty carefully. That is one of the things Ben Graham taught me."

According to Buffett, this exercise makes you more rational. You learn while you think when you write it out. You may think that something makes sense but when you start putting it on paper, it may not make sense. By writing down your thoughts, you can see whether they all fit together. You will also discover new things that you never thought of.

It is important to be able to simplify your investment thesis down to a few paragraphs. Write down why you like a particular company. What are the key drivers? What is its intrinsic value? What are the expected returns? Your investment thesis doesn't have to be very long. A page or two is enough.

If you can't write down the reasons, don't buy it. It means you don't really understand the company. Move on to the next one.

Make it a habit to write down your investment thesis before you invest. This will help you to make investing decisions based on facts and reasoning. Furthermore, if you come across new information that suggests your investment thesis is wrong, you should act quickly. Don't wait.

To sum it up

These two concepts will greatly simplify your investment process and improve your performance over time. You just need to focus on what you truly understand and patiently wait for the right opportunities. Be selective. You don't need to know everything about everything to do well in investing. Concentrate on your best ideas. Because great businesses are rare, you should invest a meaningful amount and hold them for the long term.

Keep learning and writing.

Jackson Tan
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 5 – 9 June 2023

For this week, the following are the AGMs/EGMs of companies in the Minority Shareholders Watch Group's (MSWG) watch list.

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
06.06.23 (Tue) 10.00 am	MI Technovation Berhad (AGM)	The Group recorded a revenue of RM389.5 million in FY2022, a marginal increase of 3.7% from RM375.5 million a year ago. SEBU contributed RM182.9 million, or 47%, in revenue to the Group total while SMBU contributed RM206.6 million, or 53%. Meanwhile, profit before tax (PBT) increased 18.8% to RM75.4 million. The better PBT margin of 19.4% compared to 16.9% for FY2021 was mainly contributed by the foreign exchange gain and increase in rental and interest income.
06.06.23 (Tue) 10.30 am	Sinaran Advance Group Berhad (AGM)	The Group's revenue declined by 44.2% y-o-y to RM56.9 million in FY2022 (FY2021: RM102.0 million), due to lower contribution from both construction and sports footwear businesses. Profit wise, it reported a widened pre-tax loss of RM8.3 million in FY2022 (FYE2021: RM5.8 million LBT), mainly due to the reduction in gross profit and increased operating expenses, particularly the impairment loss on receivables of RM2.7 million.
07.06.23 (Wed) 10.00 am	UEM Sunrise Berhad (AGM)	UEM Sunrise's revenue in FY2022 increased by 24% compared to

		FY2021, while gross profit doubled compared to FY2021. Together with the drop of approximately 27% in the Group's operating expenses and the improvements in the performance of joint ventures and associates, the Group recorded a net profit of RM80.5 million, compared to a loss of RM213.1 million in FY2021. Its balance sheet remains resilient, with cash balances of RM1.03 billion as of 31 December 2022, while our net gearing remains manageable at 0.48x.
07.06.23 (Wed) 10.00 am	Malaysian Resources Corporation Berhad (AGM)	In FY2022, MRCB recorded revenue of RM3.2 billion and PBT of RM154 million, compared to revenue of RM1.4 billion and PBT of RM61 million in 2021. The better financial performance was largely due to more normalised operations after two years of COVID-19 related disruptions, which resulted in increased revenue and profit recognition from construction progress and a recovery in property sales. Its performance also reflected a full year's consolidation of the LRT3 project in 2022, which despite being affected by labour and materials shortages, achieved physical construction progress of 81% and financial progress of 75% as at 31 December 2022, and is on track for completion in 2024
07.06.23 (Wed) 10.00 am	Innature Berhad (AGM)	InNature recently reported a lower net profit of RM3.0 million (-54.7% qoq) alongside with revenue of RM32.4 million (-20.6% qoq) during the first quarter of FY2023 ended 31 March 2023. The retail sector continues to face difficulties owing to weak consumer sentiment influenced by rising living costs and elevated interest rates. Nonetheless, it managed to enhance its gross profit margin (+69.4% in 1Q2023 vs +66.6% in 1Q2022) through adept discount

		management and price modifications. The balance sheet indicated a favorable financial position with net cash with cash and fixed income funds of RM48.9 million. While the upcoming quarter presents similar challenges, it anticipates profitability by prioritizing customer value and operational efficacy.
08.06.23 (Thur) 10.00 am	Karex Berhad (EGM)	Karex is seeking shareholders' approval for the proposed establishment of an Employees' Share Option Scheme (ESOS) of up to 10% of its issued shares and the proposed allocation of ESOS options to Karex directors and connected individuals.
08.06.23 (Thur) 11.00 am	GDEX Berhad (AGM)	GDEX achieved revenue of RM383.5 million for FY2022, while revenue of RM636.9 million was registered in the 18-month financial period ended 31 December 2021 ("FPE2021"). The express delivery segment, the biggest revenue contributor to the group, saw weaker market sentiment and normalisation of demand from online business activities in the Malaysian market, as some consumers resumed physical store spending post-pandemic. The Group recorded a net loss of RM15.3 million in FY2022 compared to a net profit of RM42.4 million in FPE2021.
08.06.23 (Thur) 11.00 am	TDM Berhad (AGM)	TDM ended FY2022 with a record-high revenue of RM614.4 million, a 20% increase over the previous year. Both its business segments recorded significantly higher revenues. The Plantation Division's revenue rose by 17% to RM335.4 million, while the Healthcare Division's revenue grew by 24% to an all-time high of RM279.0 million. Meanwhile, profit after tax from continuing operations decreased to RM17.0 million from RM53.7 million in FY2021.
08.06.23 (Thur) 11.00 am	MSM Malaysia Holdings Berhad (AGM)	MSM recorded revenue of RM2.56 billion in FY2022 compared to RM2.26 billion in the previous year mainly due to higher overall average selling price.

		Despite the higher revenue, it recorded a net loss of RM178.71 million compared to a net profit of RM36.62 million in previous year. The loss was attributable to high input costs mainly raw sugar, natural gas and weakening of Ringgit Malaysia. Despite stronger demands seen in the local and export markets, the high input costs continue to impede the improvement of the Group's financial performance. The Group remains focused on improving the average selling price and minimising costs.
08.06.23 (Thur) 02.00 pm	Supercomnet Technologies Berhad (AGM)	The Group's revenue increased by 10.2% y-o-y to RM158.3 million in FY2022, driven by higher sales orders from existing customers and maiden contributions from new customers. Profit after tax outpaced revenue growth, rising by 30.5% to RM32.9 million due to increased contribution from higher-margin products. The Group is optimistic about its prospects for the current year as it prepares to launch several medical products.
08.06.23 (Thur) 02.00 pm	Mr D.I.Y Group (M) Berhad (AGM)	The strong revenue performance (+18.2%yoy) in FY2022 drove significant improvements in the financial metrics of Mr D.I.Y with: - Gross profit rose by 18.3% - EBITDA was up by 11.3% - Net profit increased by 9.5% y-o-y. The one-off Cukai Makmur affected its net profit, but GP margin remained stable at 41.3%. EBITDA margins declined due to higher operating expenses from increased minimum wages. Meanwhile, profit from operations increased by 8.6%, driven by higher GP but tempered by rising administrative and operating costs. MR. D.I.Y. and MR. TOY stores saw revenue growth, while plans are underway to refine MR. DOLLAR's product mix and expand its store network.

09.06.23 (Fri) 11.00 am	SLP Resources Berhad (AGM)	For FY 2022, the Group recorded revenue of RM185.7 million, representing an increase of RM16.8 million or 9.9% from RM168.9 million recorded in FY2021, driven by the higher sales of flexible plastic packaging products and resins. Despite higher revenue recorded in FY2022, it recorded a lower gross profit of RM27.4 million compared to RM30.1 million recorded in FY2021, no thanks to higher input and labour costs. Nevertheless, it reported a higher net profit of RM20.6 million compared to RM17.7 million in FY2021 attributed by a one-off gain from the disposal of land during the financial period.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
MI Technovation Berhad (AGM)	Semiconductor Equipment Business Unit (SEBU) manufactures and sells semiconductor manufacturing equipment such as equipment for assembly and packaging, vision inspection, die bonding and final testing. In FY2022, the SEBU segment recorded a 27% decline in revenue to RM182.9 million. (page 17-18 of Annual Report (AR) 2022) a) What was SEBU's total capacity and average utilisation rate in FY2022? b) What is the current order visibility? c) Does the Group expect revenue to continue going down in FY2023? d) What is the outlook going forward?
Sinaran Advance Group Berhad (AGM)	1. <u>Impairment losses on trade receivables</u> There is a net impairment loss on the construction's trade receivables amounting to RM2,391,000 (Impairment loss of RM2,708,000 minus a reversal of RM317,000) (FY2021: RM460,000) (Page 122 of AR2022). a) Which receivables are involved in this impairment exercise? b) Is the amount recoverable? What are the measures taken to recover all the impaired receivables? How much of the impaired receivables have been recovered to-date? 2. The total cost incurred for the outsourced internal audit function of the Group for FY2022 was approximately equivalent to RM10,000 (Page 61 of AR2022).

	Given that the fee is rather small (approximately RM833 per month), how does the audit committee assure itself that there would be adequate coverage and an effective internal audit function? What are the areas covered by the internal audit function for FY 2022? How many internal audit reports were issued in FY2022?
UEM Sunrise Berhad (AGM)	Setia Haruman Sdn. Bhd., ("SHSB"), the Group's associate company reported a much higher revenue of RM98.5 million in FY 2022 as compared to RM62.5 million in FY 2021. However, SHSB reported a much lower profit before tax, ("PBT") of RM11.6 million in FY 2022 as compared to PBT of RM53.8 million in FY 2021. (Page 315 of IAR) a) Why did SHSB record a higher revenue but a lower PBT in FY 2022? b) What is the outlook of SHSB in FY 2023?
Malaysian Resources Corporation Berhad (AGM)	The Group's gross profit margin improved by 1.5% in FY 2022 from 12.4% in FY 2021 to RM13.9% in FY 2022. (Page 90 of IAR) Although the gross profit margin has improved marginally in FY 2022, the gross profit margin is still low compared to the previous years. The gross profit margins for the FYs 2018 till FY 2020 are 19.9 %, 22.6% and 21.0 % respectively. a) Please explain why the gross profit margin is on a declining trend for the past two years. b) Which business segment of the Group recorded a lower gross profit margin in FY 2022 as compared to FY 2021? c) How can the Group further improve its gross profit margin moving forward?
Innature Berhad (AGM)	Based on the Company's quarterly results for the financial period ended 31 March 2023 ("Quarterly results for FPE 31 March 2023"), a significant portion of InNature's revenue, accounting for 83.2%, was derived from its network of physical points-of-sale, which comprises 113 retail stores and 6 pop-up stores. a) How does the Company strategically respond to the increasing dominance of e-commerce in the retail industry to maintain competitiveness and drive revenue growth? b) Does the Company plan to reduce their reliance on physical points-of-sale and increase their revenue streams via online and digital channels in the retail industry? c) If yes, how does the Company plan to gain digital market share and enhance its presence in the online retail space? What digital initiatives or partnerships are being considered to achieve this goal?

	d) If no, what measures, if any, has the Company taken to optimize the performance and profitability of its physical points-of-sale, considering the increasing shift towards online and digital channels in the retail industry? e) What is the Company's expansion strategy for its physical retail network? Are there any specific regions or markets that will be targeted? What factors will be considered in the strategic expansion?
Karex Berhad (EGM)	The term "Employees" in Employees' Share Option Scheme (ESOS) explicitly signifies that the scheme is intended for the benefit and participation of employees of the company. It is crucial to acknowledge that Independent Non-Executive Directors (INEDs), who serve in a non-executive capacity, are not classified as employees of the company. MSWG discourages the participation of INEDs in any form of share options due to their non-executive management roles and responsibilities in overseeing the allocation of share options to executive directors and employees. The inclusion of four INEDs - Dato' Dr. Ong Eng Long @ Ong Siew Chuan, Professor Dato' Dr. Adeeba binti Kamarulzaman, Dato' Edward Siew Mun Wai and Chew Fook Aun - in the Proposed ESOS raises concerns regarding potential conflicts of interest, dilution of independence, impaired objectivity and shareholder value preservation. These risks arise due to the possibility of INEDs being influenced by personal financial interests aligned with share price performance, compromising their objectivity in oversight duties and decision-making processes. a) Considering that the INEDs do not have executive responsibilities and are already adequately compensated through directors' fees and other benefits, what is the compelling justification for their inclusion in the Proposed ESOS? b) It is stated in the Circular that the Proposed ESOS is extended to the non-executive directors of Karex Group to recognize their contribution in respect of their responsibilities as non-executive directors and to enable them to participate in the future growth of the Group. To ensure transparency and fairness in the allocation of the ESOS Options, what measures are in place to ensure that the allocation is directly tied to their performance and the value they bring to the Group?
GDEX Berhad (AGM)	Web Bytes, a Penang-based technology company, is a regional pioneer of cloud-based Point-of-Service (POS) solutions. GDEX holds a 38.0% stake in the company after an additional acquisition of 5.31% of equity for total consideration of RM7.2 million in August 2022. (Page 18 of Annual Report 2022) The proposed acquisition had been completed on 12 August 2022 in accordance with the terms of the SSPA and the

	Company had subscribed additional 41,496 ordinary shares for a total consideration of RM16,269,436. The percentage of shareholdings held by the Company in Web Bytes had increased from 32.69% to 38.00%. (Page 193 of Annual Report 2022) a) Please clarify how much GDEX has paid to acquire the additional 5.31% stake in Web Bytes? b) While GDEX obtained control over Web Bytes upon the acquisition of additional shareholdings in Web Bytes, what are the justifications for acquiring Web Bytes at a steep valuation? c) What are the value and potential of Web Bytes?
TDM Berhad (AGM)	TDM had re-evaluated the approved Vision 2025 and extended it to Vision 2027. (page 49 of Annual Report. (AR) 2022) a) The plantation segment is targeting a profit after tax (PAT) of RM80 million. What is the assumed average CPO price to achieve this target? b) FFB production was 277,739 MT in FY2022. The average age of your palm trees in Malaysia is 18 years. Where is the growth going to come from for TDM to achieve FFB production of 386,700 MT in 2027? c) Please explain the OCP of 150,000 MT. Is this CPO production? If yes, where is the growth going to come from? d) What was the average CPO production cost in FY2022 compared to FY2021? What are the expectations for FY2023?
MSM Malaysia Holdings Berhad (AGM)	MSM group recorded loss from operations of RM150.57 million compared to previous year profit from operations of RM125.56 million mainly due to elevated raw sugar prices, higher cost of natural gas, freight and a weak Malaysian Ringgit which led to higher overall input costs (page 22 & 34 of Annual Integrated Report (AIR) 2022). a) Does the Company expect normalisation in input costs such as raw sugar price, natural gas price and shipping rates in 2H2023? b) What is the management pricing strategy for Wholesale, Industries and Export segments for FY2023, considering the prevailing market conditions and cost dynamics? Will there be another revision in average selling prices (ASPs) in 2H2023? c) What is the Company's outlook on profit margins? Do you expect profit margins to normalize, stabilize or potentially improve in FY2023?

	d) Please update the progress of engagement with the relevant government ministries on floating the ceiling price for retail sugar.
Supercomnet Technologies Berhad (AGM)	The Group remains confident in its prospects with the upcoming launch of several medical products and the local assembly of automotive parts. Supercomal Medical Products (SMP) will continue to be the key growth driver, and the Group's profitability is expected to grow in line with revenue, barring unforeseen circumstances (page 26 of AR2022). a) Please provide more details on the upcoming medical products and the local assembly of automotive parts that are expected to contribute to the Group's growth. b) What new medical products are scheduled to launch in 2023, and how many of them have already received Food and Drug Administration approvals? c) Given the Group's ongoing strategies and insights on current market conditions, does the Group expect a contraction or expansion of its profit margins in FY2023?
Mr D.I.Y Group (M) Berhad (AGM)	1. There was an inventory loss of RM17.21 million for FY2022 (FY2021: RM11.35 million) (page 118 of AR 2022). a) What types of inventory loss were incurred in FY2022? b) What was the reason for the high inventory loss? c) What measures have been taken to minimize these losses in future? 2. The Group has written-off inventories of RM16.0 million in FY2022 compared to RM10.6 million in FY2021, an increase of RM5.4 million or 51% (page 118 of AR 2022). a) Please provide a breakdown of the inventories written-off (by category of inventories). b) What was the reason for the high inventories write-off in FY2022? c) What is the expected scrap value of the inventories written-off?
SLP Resources Berhad (AGM)	For the three months ended 31 March 2023, the Group registered an 11.5% decline in revenue to RM40.27 million compared to RM45.52 million in 1QFY2022. Meanwhile, profit before tax slid 30.5% to RM4.04 million from RM5.8 million a year ago. This resulted in a significantly lower profit margin of 10% against 12.8% in the previous corresponding period, partly due to increased operating costs since the beginning of 2023. a) Given the weak start for FY2023, does the Group expect a recovery in earnings in upcoming quarters? How likely is SLP to maintain similar sales growth and profit margin

	(excluding the one-off disposal gain of RM5.1 million recorded) in FY2022? b) Export sales were down by 31% y-o-y to RM13.86 million from RM19.86 million in 1QFY2022, led by the Japanese market in sales value. Export sales contributed 40.8% of SLP's revenue in FY2022. How are export sales expected to perform in FY2023? c) Sales to domestic customers remain resilient at RM26.59 million compared to RM25.66 million in 1QFY2022. Will the sales to the domestic market be sufficient to offset the weaker demand from the export market? How different are the sales mix and the profit margin of products sold to the domestic market compared to the export market?

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DISCLOSURE OF INTERESTS

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