MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

# The Observer

**20.10.2023**

## ❖ Of fractional share trading and its affordability

In June this year, Prime Minister Dato' Seri Anwar bin Ibrahim announced a slew of capital market initiatives, including trading fractional shares on Bursa Malaysia. These are to make share trading on Bursa Malaysia more accessible, affordable, and inclusive for retail investors, particularly young investors.

By allowing retail investors to dabble in fractional shares, Securities Commission Chairman Dato' Seri Dr. Awang Adek Hussin said, individuals particularly the younger generation, will now have increased affordability and flexibility to trade and invest in the more expensive blue-chip stocks - at a fraction of the standard board lot value.

At the same time, Anwar also announced the reduction in stamp duty rate for shares traded on Bursa Malaysia, from 0.15% to 0.1% of the contract value, subject to a maximum cap of RM1,000 per contract. The stamp duty rate reduction lowers the cost of securities transactions to make the Malaysian stock market more competitive.

**Brokerage Fees**

We welcome the above measures as these make investing more affordable and encourage share investing and trading amongst retail investors, particularly young investors. However, brokerage fees are a cost that may hinder share trading for some retail investors, especially when they buy and sell a small number of shares.

Generally, Malaysian brokerage firms charge minimum brokerage fees of between RM1 and RM28 per transaction, and this varies between broking houses. Assume that the minimum brokerage fee per transaction is RM8, the cost for young investor Mr. X to purchase one share of Nestle (Malaysia) Berhad would be:

| **Nestle (Malaysia) Berhad ("Nestle")** | **RM** |
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| Closing share price @ 19/10/2023 (1 share) | 127.50 |
| Stamp duty | 1.00 |
| Brokerage fee | 8 |
| Clearing fee (0.03%) | 0.04 |
| Cost of transaction | 9.04 |
| | |
| Total investment | 136.54 |

Based on the illustration above, upon purchasing one Nestle share, Mr X will immediately make a 7% loss due to the transaction cost. Let's not forget that another round of transactional costs will be incurred when Mr X sells this one share of Nestle. All in all, Mr. X will need to make at least RM18 of gains, i.e., a 14% increase in Nestle's share price, to break even before profiting from it.

**Conclusion**

All in all, the idea of fractional share trading is great, but the brokerage fee charges may render the initiative cost-ineffective unless brokerage fees are lowered or investors increase their amount of investment. But again, this would raise the concern of affordability.

The cost of transaction alone, without adding the risk involved in share investment and trading, may just put-off young investors from dabbling in shares.

After all, the ultimate objective for investors is to grow their wealth. For fractional share trading to succeed, perhaps a smaller amount of brokerage fees can be charged. Low transaction costs may attract retail and young investors to participate in the stock market, leading to a higher volume of transactions.

**Elaine Choo**
**Manager, Corporate Monitoring**

## MSWG AGM/EGM Weekly Watch 23 – 27 October 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](www.mswg.org.my).

| Date & Time | Company | Quick-take |
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| 23.10.23 (Mon)<br>10.00 am | ES Ceramics Technology Bhd (AGM) | The Group registered revenue of RM271.26 million for the FY2023, a 134.07% increase from the revenue in the FY2022. This was attributable to the revenue stream from its building materials segment upon completion of the acquisition of Evermix Concrete Sdn Bhd on 30 August 2022.<br><br>Its net profit declined by 53.07% to RM22.81 million, compared to RM48.61 million in the previous year. The glove equipment and building materials segments yielded a pre-tax margin of 37.05% and 3.94%, respectively.<br><br>The Group was affected by supply chain disruptions, global inflation and increased production costs. |

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| 24.10.23 (Tue)<br>10.00 am | Malaysian Resources Corporation Berhad<br>(EGM) | The Company is proposing the following resolutions:<br><br>1) Proposed disposal by Puncak Wangi Sdn Bhd, a wholly-owned subsidiary of MRCB, of an office tower known as Menara CelcomDigi to Maybank Trustees Berhad, acting solely in the capacity as trustee for Sentral REIT for a cash consideration of RM450 million.<br><br>2) Proposed subscription by MRCB of up to 34.57 million new units in Sentral REIT pursuant to the proposed placement exercise to be undertaken by Sentral REIT. |
| 25.10.23 (Wed)<br>10.00 am | Glomac Berhad<br>(AGM) | In FY2023, Glomac reported Group revenue of RM341.0 million, representing a 31% growth compared to RM259.5 million achieved in the preceding financial year.<br><br>The stronger revenue was mainly underpinned by steady construction activities from ongoing development projects, which include current phases of Saujana Perdana township development in Sungai Buloh, as well as Plaza@Kelana Jaya and 121 Residences, the Group's two high-rise residential developments within the Petaling Jaya – Damansara districts. |
| 25.10.23 (Wed)<br>10.00 am | Ajinomoto (M) Berhad<br>(EGM) | The Company proposes to dispose of its 6 contiguous parcels of lands with redevelopment potential where erected upon are various buildings located at Lot 5710, Jalan Kuchai Lama ("Proposed Disposal").<br><br>The Proposed Disposal enables the Company to raise proceeds of RM408.00 million and will be utilised for, amongst others, working capital, repayment of bank borrowings and advances, as well as payment of special dividends. There shall be a net pro forma gain of approximately RM357.12 million arising from the Proposed Disposal. |
| 26.10.23 (Thur)<br>10.00 am | Hextar Global Berhad<br>(EGM) | The Company proposed that its 51% owned subsidiary to acquire the entire equity interest in PEFFM, PEFFTK and PW&R together with 55% equity interest in PEFP from the Vendor for RM84.00 |

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| | | million. The proposed acquisitions enable the Group to venture into the durian industry.<br><br>The proposed diversification is sought as the Group expects its durian business to contribute more than 25% or more of the net profits of the Group and/or result in a diversion of 25% or more of the Group's net assets in the future. |
| 26.10.23 (Thur)<br>10.00 am | TAS Offshore Berhad<br>(AGM) | The Group recorded lower revenue of RM36.13 million in FY2023, a decrease of 37.16% compared to RM57.50 million in FYE2022. The decrease in revenue was mainly attributed to the decrease in the number of vessels delivered during FYE2023.<br><br>Nevertheless, it managed to turn around in FY2023 with a pre-tax profit of RM16.83 million, compared to a loss of RM0.81 million in FY2022, thanks to the gain on foreign exchange and a one-off gain arising from the derecognition of a subsidiary. |
| 26.10.23 (Thur)<br>10.00 am | Cypark Resources Berhad<br>(AGM) | Cypark made a massive impairments and provisions amounting to RM379 million in the 18-month financial period ended 30 April 2023 (FPE2023), resulting in a net loss of RM265.34 million. The sizeable impairment was unprecedented since its listing in 2010. Meanwhile, revenue for the 18-month amounted to RM311.99 million. |
| 26.10.23 (Thur)<br>10.00 am | Vizione Holdings Berhad<br>(AGM) | The Group recorded a net loss of RM94.6 million in the 18-month financial period ended 31 May 2023, primarily arising from impairments on goodwill and receivables amounting to RM28.6 million and RM18.2 million respectively. The results were also affected by increased raw materials prices, direct labour costs, and operating expenses. |
| 26.10.23 (Thur)<br>03.00 pm | EcoFirst Consolidated Bhd<br>(AGM) | EcoFirst marked a significant return to profitability in FY2023, posting a net profit of RM10.73 million, a sharp reversal from a net loss of RM12.20 million in the preceding year.<br><br>This laudable transformation largely stems from the absence of provisions for doubtful debts and the fair value gains on investment properties, even considering the higher finance cost post-moratorium period. |

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| 27.10.23 (Fri)<br>09.30 am | Nylex (Malaysia) Berhad<br>(AGM) | On 21 March 2022, the Company signed a Heads of Agreement (HOA) with several parties to collaborate on a light rail transport system and integrated property development in Johor Bahru. The project is contingent on on-going feasibility studies and approval from the Johor state government. The HOA's long stop date was extended to 21 June 2023, and subsequently to 31 January 2024. As of the date of the Annual Report, the definitive agreements are pending finalisation.<br><br>The project is part of the proposed regularisation plan to regularise Nylex's affected listed issuer status. |
| 27.10.23 (Fri)<br>10.00 am | IOI Corporation Berhad<br>(AGM) | IOI's revenue decreased by 26% y-o-y to RM11.58 billion (FY2022: RM15.58 billion), while PBT was 35% lower at RM1.526 billion compared to RM2.35 billion in the previous year.<br><br>Excluding the non-operating and one-off items, IOI's underlying PBT was RM1.764 billion, which was 31% lower than the underlying PBT of RM2.547 billion in FY2022.<br><br>The decrease was mainly due to lower contribution from the plantation segment, mitigated by higher contribution from the resource-based manufacturing segment. Nevertheless, the Group expects its operating and financial performance for FY2024 to be satisfactory. |
| 27.10.23 (Fri)<br>10.00 am | Fibon Berhad<br>(AGM) | Fibon's profit before tax increased by 49.66% to RM6.55 million in FY2023 from RM4.38 million in FY2022.<br><br>Following thereon, its net profit increased to RM4.88 million from RM3.35 million in the FYE 2022.<br><br>The financial year under review has been marked by a significant recovery in its operational activities, driven by the resumption of shelved projects affected by the global lockdown earlier. |
| 27.10.23 (Fri)<br>10.00 am | Pestech International Berhad<br>(EGM) | Pestech proposed to issue 800 million shares, representing approximately 81.25% of its existing total number of issued shares, to IJM at an issue price of |

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| | | 15.5 sen per share. The proceeds will mainly be utilised to repay credit facilities and working capital.<br><br>Upon completion of the issuance, IJM will emerge as the single largest shareholder of Pestech with shareholdings of approximately 44.83%. As IJM has no intention of undertaking the mandatory offer, IJM and its persons acting in concert will seek an exemption from the obligation to undertake the mandatory offer. |
| 27.10.23 (Fri)<br>11.00 am | Ancom Logistics Berhad<br>(AGM) | The Group posted higher revenue of RM30.6 million in FY2023 compared to RM29.9 million last year as its chemical tank farm, Cogent's trucking business, tank farm and terminal businesses reported higher revenue.<br><br>Meanwhile, its profit before taxation increased to RM1.2 million from RM0.2 million last year. The significant improvement in PBT was attributed to the completion of liquidation of Tamco Chongqing Switchgear Company Limited, a 49% associate, where it recognised a net gain of RM1.1 million. |
| 27.10.23 (Fri)<br>11.30 am | Pestech International Berhad<br>(EGM) | Pestech proposes to establish an Employees' Share Option Scheme (ESOS) of up to 5% of the issued shares of the Company (excluding treasury shares) for the eligible directors and employees of Pestech Group ("Proposed ESOS")<br><br>The implementation of the Proposed ESOS would serve to align the interests of the eligible persons to the corporate goal of the Group. |
| 27.10.23 (Fri)<br>03.00 pm | Ancom Nylex Berhad<br>(AGM) | The Group posted a marginal increase in revenue, rising from RM2.01 billion in FY2022 to RM2.04 billion in FY2023, driven primarily by higher sales from the agrichemicals division.<br><br>The Group reported a higher net profit of RM75.1 million vis-à-vis RM68.2 million last year, driven by better results from the agrichemicals division coupled with lower corporate expenses and lower losses from other non-core businesses. |

**One of the points of interest to be raised:**

<table>
<tr><th>Company</th><th>Points/Issues to Be Raised</th></tr>
<tr><td>ES Ceramics Technology Bhd<br>(AGM)</td><td>The trade receivables (net of impairment losses) of the Group amounting to RM100.06 million for the financial year ended ("FYE") 31 May 2023, representing an increase of approximately RM82.04 million or 455.31% from the trade receivables of RM18.02 million in the previous financial year (Page 86 of the Annual Report 2023 ("AR 2023")).<br>a) How much of the abovementioned trade receivables were attributed to the building materials segment?<br><br>b) On average, how much working capital is required for the operations of building material segment monthly?<br><br>c) How much of the RM100.06 million trade receivables have been collected to-date?</td></tr>
<tr><td>Glomac Berhad<br>(AGM)</td><td>1. The Group's profitability was impacted by higher construction costs as well as labour constraints. Interest expense was also higher as domestic interest rates rose in a bid by Bank Negara Malaysia ("BNM") to curb inflationary pressures. (Page 42 of AR)<br><br>a) What was the impact of labour constraints on the Group's gross profit margin, in percentage terms in FY 2023 vis a vis FY2022?<br><br>b) Have the labour constraints been resolved in this current FY?<br><br>c) What was the increase in interest rate, by percentage and amount on the Group's borrowings in FY 2023?<br><br>2. In the Group's segmental information, the Other Operations ("OP") business segment reported a much higher operating loss of RM7.9 million in FY 2023 as compared to an operating loss of RM1.6 million in FY 2022. (Pages 180 & 181 of AR)<br><br>a) Please explain the reasons for the higher operating loss of OP business segment in FY 2023.<br><br>b) Which particular business unit within the OP business segment has recorded the higher operating loss in FY 2023?<br><br>c) What is the outlook of the OP business segment in FY 2024?</td></tr>
<tr><td>Ajinomoto (M) Berhad<br>(EGM)</td><td>The Company intends to utilise RM30.00 million of the proceeds from the proposed disposal towards repayment of advances from Aji Co. The outstanding amount due to Aji Co of RM30.00 million matured on 5 October 2023.<br>a) Kindly explain the reasons for the delay in repayment of advances.<br><br>b) Please provide details on the accrued interest, considering the potential further delay in repayment as</td></tr>
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<tr><td></td><td>the proposed disposal is only expected to be completed by end March 2024.<br><br>c) Are there any contingencies in place in case the proposed disposal does not proceed as planned?</td></tr>
<tr><td>Hextar Global Berhad (EGM)</td><td>"The Proposed Acquisitions represent an opportunity for the Group to venture into a new business segment that would enable the Group to diversify and enlarge its earnings base. This is in line with Hextar Group's objective and strategy to deliver sustainable growth and create value for the shareholders of Hextar."<br><br>What competitive advantage do the acquiree companies (collectively referred to as "PHG Group") possess over its competitors in the same business that justifies the Proposed Acquisitions and thus enable Hextar Group to deliver sustainable growth to its shareholders?</td></tr>
<tr><td>TAS Offshore Berhad (AGM)</td><td>The Group had entered into a sale and purchase agreement to acquire three parcels of land next to its existing shipyard to expand its current operating capacity. What is the additional capacity that will be added to the existing capacity? What percentage of this additional capacity is expected to be utilised in FY2024?</td></tr>
<tr><td>Cypark Resources Berhad (AGM)</td><td>Cypark slipped into losses in the 18-month financial period ended 30 April 2023 (FPE2023) with a net loss of RM265.34 million, caused by massive impairments and provisions amounting to RM379 million. The sizeable impairment was unprecedented since its listing in 2010. Meanwhile, revenue for the 18-month amounted to RM311.99 million.<br><br>For perspective, the Company made RM315.32 million in revenue and RM75.25 million net profit in FY2021 (page 20 of AR2023).<br><br>The breakdown of the substantial impairment and provisions are as follows:<br><br>
<table>
<tr><td></td><td>FPE2023</td></tr>
<tr><td>Impairment losses on:</td><td>(RM'000)</td></tr>
<tr><td>- Contract assets</td><td>100,184</td></tr>
<tr><td>- Trade and other receivables</td><td>6,269</td></tr>
<tr><td>- Intangible assets recognised pursuant to IC 12</td><td>39,000</td></tr>
<tr><td>- Development expenditure</td><td>17,119</td></tr>
<tr><td>- Plant and equipment</td><td>21,139</td></tr>
<tr><td>Provision for Liquidated Ascertained Damage (LAD)</td><td>91,439</td></tr>
<tr><td>Prolongation cost</td><td>104,485</td></tr>
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Source: pages 155, 156, and 173, AR2023<br><br>a) Cypark provided RM100.18 million of allowance for the impairment losses of contract assets in FPE2023.<br>i. To which division (e.g., renewable energy (RE), construction and engineering, green technology and</td></tr>
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| | environment services, waste management, and waste-to-energy (WTE)) do the impairments relate to?<br><br>ii. Included in the impairment losses for contract assets was a full impairment of RM30 million for work performed but-yet to be billed to a customer in respect of a property development project, as contract negotiations with the said customer and relevant approvals from authorities were delayed due to unforeseen circumstances in previous financial years (page 156 of AR2023).<br><br>Did Cypark perform work for the customer before signing a formal contract with the said customer? If yes, why did the Company do so? What were the unforeseen circumstances causing the delays and what is the likelihood of these issues being resolved in a timely manner?<br><br>b) The impairment for intangible assets amounted to RM39 million pertaining to a revision in the tipping fee for its WTE plant in Ladang Tanah Merah (LTM), Negeri Sembilan, which is currently under review by the Government.<br>What is the progress of the review and negotiation with the Government? What is the quantum of revision proposed by Cypark compared to existing charges?<br><br>c) The Company also impaired development expenditure of RM17.12 million as it believes the expenditures incurred to develop new and improved products for the RE industry would not be recouped against earlier expectations of commercialising it.<br><br>What is the product/technology about? Is the said product/technology currently used in Cypark's business activities? What renders the product not marketable and of little commercial value?<br><br>d) The LAD was related to the LSS3 project in Merchang, Terengganu, after multiple delays in completing the project. The project is expected to be completed by the end of 2023.<br><br>Please provide the progress of the project and confirm if the timeline mentioned above is attainable.<br><br>What are the efforts undertaken by the Company to negotiate for lower LAD with the affected parties?<br><br>e) Please explain the management guidance and assumptions used for the impairment of RM104.48 million categorised under 'Prolongation cost.'<br><br>f) Collectively, intangible assets and contract assets made up 63.42% of Cypark's RM2.715 billion total assets as of 31 July 2023. |

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| | What is the likelihood of further impairment, reversal, or recoverability, where applicable, in FY2024?<br><br>g) What valuable lessons did Cypark gain from this massive impairment exercise? With hindsight, were these massive impairments a result of lapses in judgment by the previous Board and Management? What were the weaknesses identified from this? What are the steps taken to improve the internal control procedures to better safeguard the Company's assets in the future? |
| Vizione Holdings Berhad (AGM) | A significant impairment loss was made for the trade receivables amounting to RM14.63 million in FPE2023 (Previous financial year: RM1.4 million) (Page 79 of AR2023).<br><br>a) What are the reasons for the significant increase in the impairment?<br><br>b) Which trade receivables are involved in the impairment exercises?<br><br>c) What are the measures taken to recover the amount?<br><br>d) How much of the amount has been recovered, to-date? What is the expected amount to be recovered in FY2024?<br><br>e) Given the significant increase in impairment level, is there a need to review the credit policy of the Group? |
| EcoFirst Consolidated Bhd (AGM) | The Group has written back allowance for expected credit loss no longer required of an amount of RM14.72 million in FY 2023 as compared to RM nil in FY 2022. (Page 87 of AR)<br><br>a) What were the reasons for the allowance for expected credit loss no longer being required in FY 2023?<br><br>b) Please provide the breakdown of the allowance for expected credit loss that was no longer required into trade and non-trade receivables respectively. |
| Nylex (Malaysia) Berhad (AGM) | On 21 March 2022, the Company had entered into a Heads of Agreement ("HOA") with Sinar Bina Infra Sdn Bhd, LBS Bina Group Berhad, BTS Group Holdings Public Company Limited and ANB (collectively referred as the "Parties". On 22 March 2023, the Parties agreed to extend the long stop date of the HOA by another three (3) months to 21 June 2023. On 21 June 2023, the Parties have further agreed to extend the long stop date of the HOA to 31 January 2024.<br><br>As at the date of the Annual Report, the terms of the definitive agreements to effect the proposals stipulated in the HOA have not been finalised.<br><br>a) In view of the multiple extensions of the long stop date, does the Company foresee further extension?<br><br>b) What are the contingencies plans if the HOA does not materialise as planned? |

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| IOI Corporation Berhad (AGM) | The Group initiated a Five-Year Plan in March 2020, now in its fourth year, the first priority is to increase plantation oil yield by at least 15% by the end of 2024 (page 20 of AR2023). The labour shortage also caused a delay in the Group's fertilising, milling and transportation activities. As a result, the crude palm oil ("CPO") production output was affected which led to lower oil yields (page 65 of AR2023).<br><br>Given the delay in fertilising of the Group's plantations and the potential effects of El Niño phenomenon, is the target to increase plantation oil yield by at least 15% by the end of 2024 still achievable? |
| Fibon Berhad (AGM) | The Company continued to focus on, amongst others, enhancing the research and development team in developing new products and solutions to interface with today's technology and infrastructures to achieve a sustainable future (Page 7 of both the AR 2022 and AR 2023).<br><br>a) Please provide examples of specific products or solutions developed during the FYE 31 May 2023.<br><br>b) How are these initiatives contributing to the Company's competitive advantage? |
| Pestech International Berhad (EGM) | The subscription price of RM0.155 represents a discount of up to 49.0% to the 5-day, 1-month, 3-month, 6-month and 12-month of the VWAMP of Pestech shares up to 21 July 2023, being the last full trading day of Pestech Shares preceding the date of execution of the subscription agreement.<br><br>The substantial discount presents an opportunity for IJM to capitalise on advantageous pricing, potentially leading to the disposal of shares for a profit in the market. Such an eventuality could hinder the realisation of the anticipated benefits from the collaboration between the parties.<br><br>What are the measures in place to safeguard the interests of Pestech and its existing shareholders? |
| Ancom Logistics Berhad (AGM) | The Group is adding 10,000cbm of capacity to its tank farm, and the additional capacity is targeted to be ready for operations by June 2024.<br><br>a) What is the capacity of the existing tank farm?<br><br>b) What is the utilisation rate for the existing tank farm in FY2023?<br><br>c) Has the Group secured clients for the rental of storage for the additional 10,000cbm? |
| Ancom Nylex Berhad (AGM) | In response to question no.4 raised by MSWG at the 53th AGM last year, the Board stated that the Group remained focused to bring down its debts at company level and added that the Group aimed to conserve cash and raise debts to garner for growth opportunity.<br><br>Given that the Group had a net gearing position of 0.44x as of May 31, 2023, and did not have excess cash, why is the |

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| | company seeking shareholders' approval for the proposed renewal of authority for share buyback mandates at this AGM? Should not the company prioritise higher dividend payments and reinvestment rather than share buybacks? |

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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.

***DISCLAIMER***