MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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❖ Is there life after PN17?

In view of the stigma attached to it, the first question that probably crosses the mind of minority shareholders whose counters have triggered the Practice Note 17 (PN17) criteria is whether to take a cut-loss route, to average down or to continue holding on to the stock in anticipation of a share price rebound.

Majority of the PN17 companies tend to be companies with poor fundamentals or are speculative in nature. Upon proper scrutiny, more often than not, these companies are usually poorly managed or do not have good track records.

Based on the criteria of triggering PN17 classification, it can be deduced that majority of the affected companies would have earlier reported massive losses. This will also be evident from the statutory audit of their annual financial statements by appointed external auditors.

In certain cases, these losses are due to impairments carried out on certain assets. This includes trade receivables, inventories, or even assets or investments carried in the books which perhaps do not reflect the current economic value or are unrecoverable (*Source: Pankaj C. Kumar, "Is PN17 an End-Game?", StarBiz, 5 February 2022*).

Having said that, operation-wise, a company, too, could fall into PN17 if losses in a given year are so huge that it could impact the shareholders' equity and trigger the Para 2.1(a) of PN17 or GN3 as the case may be.

Triggering PN17 classification

According to Bursa Malaysia Securities Bhd's latest revision of Criteria and Obligations of PN17 Issuers (latest revision on 1 January 2022), PN17 is accorded to listed issuers who trigger any one or more of the following six criteria:

- Shareholders' equity on a consolidated basis is 25% or less of the share capital & is less than RM40 million
- Receivers/managers have been appointed over the asset of the listed issuer/its subsidiary/associated company which asset accounts for at least 50% of the total assets employed on a consolidated basis
- A winding up of a listed issuer's subsidiary/associated company which accounts for at least 50% of the total assets employed on a consolidated basis
- The auditors have expressed an adverse or disclaimer opinion in the listed issuer's latest audited financial statements
- The auditors have highlighted a material uncertainty related to going concern or expressed a qualification on the listed issuer's ability to continue as a going concern in the company's latest audited financial statements and the shareholders' equity on a consolidated basis is 50% or less of share capital of the listed issuer
- A default in payment by a listed issuer, its major subsidiary/major associated company as announced by the company pursuant to Para 9.19A of the Listing Requirements and the listed issuer is unable to provide a solvency declaration to the exchange

Moreover, auditors can also be instrumental in determining the trigger points as both Para 2.1(d) and Para 2.1(e) of PN17 and Para 2.1(f) and Para 2.1(g) of GN3 are related to the opinion of the auditor on the financial statements that are presented.

Escape route for the minority shareholders

Interestingly, some investors are unaware that they are holding on to counters that have been classified under PN17 out of their own ignorance, i.e., their failure to keep track of the companies' they invest in. Worse still, some investors do not even notice that these companies have been delisted.
Perhaps this is what distinguishes an informed investor from an ordinary investor. The former will keep tabs on the performance of their stock.

Once they discover that the companies' they have invested in are experiencing declining performance or showing early signs of financial difficulties, they will tend to make quick decisions. Usually, they will cut their losses.

Unfortunately, most investors believe that "what comes down will go up again one day" (in contrast to "what goes up will come down"). Eventually when they are motivated enough to cut losses, the companies are at the point of no return and on the brink of being delisted.

Especially during the current challenging times, investors must ensure that they conduct pulse-checks on their investments more frequently than during boom time. A full medical check-up will be better.

In times of economic uncertainties, blue chip stocks tend to better weather stock market turbulence compared to their low-liner counterparts simply because they are more likely to be better managed or have ample cash flow to keep them afloat – the so called war chest.

Adding to this risk of business survival is the unbecoming trend of some business owners getting less committed to salvaging their business when they find their companies labelled as PN 17.

They might easily give up their businesses after encountering some financial distress. If they discover that the loans amount is higher than the value of their assets – or if they foresee little prospect of recovery – they have no qualm of giving up their business by letting their companies fall into PN17 and eventually go bankrupt. Some indulge in insider trading and exit at higher prices earlier – well before the company is delisted or wound up.

Then there is this Cockroach Theory whereby when a company announces some bad news to the public – i.e., a default in loan repayments, accounting issues or a delay in releasing their financial results – there are likely to be more bad news in the pipeline.

The analogy is that when we come across one cockroach in our cabinet, there tends to be many more cockroaches hiding at the back of that cabinet.

Even if some companies deserved to be credited for endeavouring to escape the PN17 stranglehold by giving their utmost best to regularise their businesses, not all business owners have the stamina to truly mount a rescue mission. The search for a white knight can entail countless hours of 'humiliating' negotiations. Even if PN17 companies managed to rope in a white knight, the submission, approval, and eventual implementation of the regularisation plans would likely take years to complete.

Set against such harsh reality, minority shareholders should decide whether to cut losses, average down or simply hold on to their PN17 stock.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 13 – 17 June 2022

For this week, the following are the AGMs/EGMs of companies which are 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
13.06.22 (Mon) 09.30 am	Pharmaniaga Berhad (AGM)	The Company benefitted immensely from the Black Swan event, COVID - 19 in FYE 2021 when net profit increased 6 times compared to FYE2020 to RM172 million as it was appointed to be the fill and finish vaccine distributor for the country. The challenge for the Company in FYE2022 is to keep its performance intact as the pandemic transitions into an endemic and as demand for vaccine weakens.
15.06.22 (Wed) 09.30 am	Boustead Heavy Industries Bhd (AGM)	BHIC recorded a revenue of RM149.2 million in FY2021, represented a 3% increase from RM145.2 million in 2020, mainly from submarine contracts and other defence-related MRO projects. It managed to turn around in FY2021 to record a net profit of RM15.2 million against net loss of RM50.6 million previously after the implementation of various strategic initiatives.
15.06.22 (Wed) 10.00 am	WCT Holdings Berhad (AGM)	WCT's revenue remained largely, unchanged in FY21 at RM1.70 billion as compared to FY2020. Despite stagnant revenue growth, its net profit leapt 146% to RM9.72 million from a net loss of RM213.6 million registered in previous year due to strong operating profit growth from all our business segments.
15.06.22 (Wed) 10.00 am	Far East Holdings Berhad (AGM)	Far East registered a 4% increase in revenue to RM693.58 million in FY2021. Meanwhile, its PBT improved

		substantially by 88% to RM210.46 million on the back of higher average CPO and PK prices, and higher share of profit from associated companies. It expects its performance in FY2022 to be commendable on the back of stable FFB production and favorable average CPO and PK prices.
15.06.22 (Wed) 10.00 am	Time dotCom Berhad (AGM)	In FY2021, TIME posted a 14% year-on-year increase in revenue to RM1,396.4 million (FY2020: RM1,223.2 million). Revenue from all core product groups posted an increase except for the voice product group. Its net profit stood at RM396.8 million (FY2020: RM326.9 million), which was 21% higher y-o-y. Its regional aspirations remain unchanged, and it will continue to focus on meeting demands for cross-border connectivity and regional data centres.
15.06.22 (Wed) 10.00 am	Caely Holdings Bhd (EGM)	The EGM is to seek shareholders' deliberation on the removal of seven existing directors and appointment of four new directors. The EGM is called in pursuant to a special notice dated 17 May 2022 (according to Sections 206 and 322 of the Companies Act 2016) dated 17 May 2022. The notice was served on Caely by three shareholders who collectively holding at least ten per centum of the issued share capital of the Company in aggregate.
15.06.22 (Wed) 11.00 am	Lii Hen Industries Bhd (AGM)	The Company could not avail itself to benefit from the strong demand experienced by furniture manufacturer during the pandemic due to high costs such as container costs and raw material costs. Better cost containment should see it achieving a stronger set of results for FYE 2022.
15.06.22 (Wed) 02.00 pm	Lii Hen Industries Bhd (EGM)	Lii Hen proposed to issue about 360 million bonus shares on the basis of two bonus shares for every one existing share held.
15.06.22 (Wed) 02.30 pm	Mudajaya Group Berhad (AGM)	Mudajaya reported higher PBIT amounting RM57.2 million for FY2021, represented an increase of more than 100% as compared to RM9.9 million in preceding financial year. The higher PBIT was contributed by lower finance cost, which was

		consistent with the repayment of loan and borrowings made during the financial year.
15.06.22 (Wed) 02.30 pm	Oriental Holdings Berhad (AGM)	The Group recorded a revenue of RM3.3 billion in FY2021 (FY2020: RM3.4 billion) which was mainly contributed by the Automotive (49%) and Plantation (25%) segments. Meanwhile, its PBT increased by 462% y-o-y to RM606.8 million (2020: RM107.9 million) due to the strong rise in palm product prices. It continues to focus on expanding its Automotive, Plantation and Healthcare segments, as well as venturing into the retail pharmacy and transitional care centre management to provide long-term income streams in the future.
16.06.22 (Thur) 09.30 am	Boustead Holdings Berhad (AGM)	In 2021, Boustead achieved a significant turnaround, recording a net profit of RM479 million following a net loss of RM501 million in 2020. All its business divisions delivered stronger results with Plantation, Pharmaceutical and Trading, Finance & Investment being the star performers. The group recording a 43% increase in revenue from RM7.9 billion a year ago to RM11.3 billion.
16.06.22 (Thur) 10.00 am	Sime Darby Plantation Berhad (AGM)	The Group generated a total revenue of RM18.7 billion (FY2020: RM13.1 billion), an impressive 43% year-on-year increase from FY2020, spurred by the rally in CPO price due to tight supply. Net profit was 90% higher at RM2.26 billion (FY2020: RM1.19 billion). This performance was achieved against the backdrop of elevated crude oil prices which have led to rising input costs including fertiliser and long-standing labour shortages issues. Given its stellar performance, the Board approved a dividend of 20.28 sen per share for FY2021, representing 60% of recurring net earnings which is the highest payout since listing in November 2017.
16.06.22 (Thur) 10.00 am	Capital A Berhad (AGM)	The Group's revenue decreased by 44% y-o-y to RM1.8 billion despite a healthy load factor of 74%. The revenue from airlines dropped by 62% as the Group was operating at only 36% of capacity compared to 2020.

		Its digital business saw a jump of 76% y-o-y as it captured greater market share through aggressive expansion across the different lines of business. As such, its net loss had narrowed by 37% to RM3.7 billion as compared to a net loss of RM5.9 billion from the previous year. On 7 January 2022, Capital A was classified as a PN17-affected company. The robust and diverse company portfolios will allow Capital A to fast track the regularisation of its financial position and affirm the strong viability of its business moving forward. The outlook for its airline business in 2022 is positive with the reopening of international borders and it aims to return to pre-Covid capacity on many of its core routes by the end of 2022.
16.06.22 (Thur) 10.00 am	G3 Global Berhad (AGM)	The Company has been loss making for the last 5 financial years, but its 51% acquisition of Bestinet Healthcare could reverse its fortunes. The question remains about the timing of its entry into the antigen kit distribution business as the pandemic enters an endemic stage and demand for these antigen kits is starting to wane.
16.06.22 (Thur) 10.00 am	Cocoaland Holdings Berhad (AGM)	Cocoaland recorded a 3% decline in revenue to RM210.3 million in FY2021 with its gummy products remaining the core product of the business (contributed 57.8% of total revenue). Meanwhile, it achieved higher PBT of RM29.8 million in FY2021, compared to RM27.3 million in FY2020, driven by effective cost rationalisation measures.
16.06.22 (Thur) 11.00 am	Parkwood Holdings Berhad (AGM)	Despite the adverse operating results, the Group's financial position remained healthy. Total assets as at end of FY2021 stood at RM181.71 million while total equity attributable to owners of the Company stood at RM150.77 million, translating to net assets per share of RM0.55.

16.06.22 (Thur) 11.00 am	POS Malaysia Berhad (AGM)	Pos Malaysia achieved revenue of RM2.2 billion in FY2021, representing a 5.9% decline from the previous year. The loss for the year stood at RM335.7 million. The performance in 2021 reflected the disruption to its business caused by the pandemic, the structural decline of the mail business, the elevated costs of compliance with pandemic SOPs, reorganisation and restructuring charges, and a drop in e-commerce volumes since the end of the MCO.
16.06.22 (Thur) 03.00 pm	UEM Edgenta Berhad (AGM)	UEM Edgenta recorded a strong rebound in financial performance with a 13% and 225.6% growth in revenue and profit, to RM2.29 billion and RM42.4 million in FY2021. Nevertheless, its financial performance in FY2021 was still way below the pre-pandemic period of RM2.41 billion revenue and net profit of RM181.8 million in FY2019.
17.06.22 (Fri) 10.30 am	Leong Hup International Berhad (AGM)	Leong Hup posted a record operational revenue of RM7.14 billion in FY 2021, an increase of 18.4%, as compared to RM6.03 billion the year before. This was on the back of solid performance of the Livestock and Feedmill segments, where revenue increased by 16.7% and 20.7% Y-o-Y respectively. PATAMI was RM85.40 million in FY2021, as compared to RM113.15 million in the preceding financial year, caused by the prolonged pandemic impact and lockdown-induced demand weakness across all the operating markets.
17.06.22 (Fri) 10.30 am	Press Metal Aluminium Holdings Berhad (AGM)	The Group's PBT increased by 120.4% to RM1.44 billion as compared to the preceding financial year, stemming from higher revenue during the year and increased contribution from its associated companies. This was partially offset by rising operating costs and annual accrual for state sales tax amounting to RM50.0 million during the year.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Pharmaniaga Berhad (AGM)	The Company achieved its highest net profit in FYE 2021 when its net profit increased almost six-fold to RM172.2 million from RM26.3 million in FYE 2020. The stellar performance of the

	Company was mainly due its provision of nearly 23 million doses of Sinovac vaccine to the Government and the private sector in FYE 2021. (Page 30 of AR 2021). Given that the pandemic was a 'Black Swan' event, what are the measures that will be taken by the Company to supplement the loss of revenue from the provision of vaccines as the pandemic enters the endemic stage and as demand wanes?
Boustead Heavy Industries Bhd (AGM)	As at 31 March 2022, the group's current ratio stood at a mere 0.48x. Cash and bank balances depleted to RM2.691m while on the other side of the balance sheet, the group's loans and borrowings stood at a staggering amount of RM280.166m. Net gearing was at an elevated level of 3.2x. a) What are the measures being taken/ to be taken to address the liquidity risks? b) Is the company planning any capital-raising exercises to address the liquidity issue and the elevated gearing level?
WCT Holdings Berhad (AGM)	There is an allowance for expected credit loss (ECL) of RM28,164,000 in FY2021 (FY2020: Nil) arising from receivables from the settlement agreement (Page 246 & Pages 267-271 of the Annual Report 2021). What is the prospect of reversing the ECL amount?
Far East Holdings Berhad (AGM)	The Group registered an 8.4% decline in FFB production to 289,985MT in FY2021. However, the yield improved in most estates in the last 4 months of 2021. The Group recorded higher FFB yield of 17.01MT per hectare compared to the average yield in Pahang State and Peninsular Malaysia in 2021 of 15.43MT per hectare and 16.24MT respectively. (page 44 of Annual Report (AR) 2021) a) What are the reasons for the improvement in yield in the last 4 months of 2021? b) Was the yield improvement sustaining into the first 5 months of this year? c) What is the outlook for the remaining of 2022?
Time dotCom Berhad (AGM)	The Group's commitment to delivering high-speed, highly reliable and consistent Internet services contributed to the strong revenue growth from the Retail segment in FY2021. The Group's recognition as Malaysia's Most Consistent Broadband Provider based on analysis by Ookla® of Speedtest Intelligence® data from Q1 2020 through Q4 2021 is a testament to this commitment. (page 10 of AR 2021) a) How fast and reliable is TIME's Internet speed and services as compared to its peers? What other competitive advantages does it have over its peers? b) What are the main criteria for the Group to be recognised as Malaysia's Most Consistent Broadband Provider?
Lii Hen Industries Bhd (AGM)	The Company is a major exporter of furniture to the US where 95% of its revenue in FYE 2021 came from the US. Sustainable

	foresting is an issue that has been gaining traction throughout the world and buyers may switch their purchases if they discover that the manufacturer indulges in procurement for its forest products which is not in line with 'environmentally friendly practices'. How does the Company ensure that the timber it sources is from sustainable forests?
Mudajaya Group Berhad (AGM)	Order book a) Construction contracts i. What is the current order book for the Group's construction contracts? ii. How long will the current order book last? iii. What is the targeted order book replenishment in the next two financial years? b) Manufacturing Mudajaya intends to participate selectively in various tenders to replenish its manufacturing order book of RM25 million, based on current production capacity and schedule (Page 47 of the Annual Report). i. How long will the order book of RM25 million last? ii. What is the current production capacity? iii. What is the targeted order book replenishment in the next two financial years?
Oriental Holdings Berhad (AGM)	Retail operations in Singapore recorded a significant decrease in revenue and operating profit by 35.0% and 50.6% respectively. This was mainly due to the lower number of cars sold by 53.4% in line with the cut in Certificate of Entitlement ("COE") quota by the Land Transport Authority ("LTA") and surge in COE prices. (page 26 of AR2021) a) Given that the retail operations in Singapore contributes 22.6% to the Group's total revenue in FY2021, does the Group expect the declining trend in revenue contribution from Singapore to continue, going forward? b) What are the measures to be taken by the Group to improve revenue contribution from Singapore?
Boustead Holdings Berhad (AGM)	Under Reinventing Boustead strategy, which was introduced towards the end of 2020 and rolled out in 2021, it aims to achieve 4x market capitalisation in 3 years. a) What is the target market capitalisation in absolute term? b) What is the end date for the 3-year Reinventing Boustead strategy?
Sime Darby Plantation Berhad (AGM)	1. Employee related payables increased to RM0.53 million (2020: RM0.36 million). Included in the Groups' employee related payables is a provision for remediation of recruitment fees totalling of RM81.9 million to its existing

	workers and former workers who left the Group on or after 1 November 2018. (Note 41, page 200 of IAR2021) a) How many total foreign workers were compensated in relation to the above? b) On 28 January 2022, the United States Customs and Border Protection ("USCBP") issued a notice of finding against the Group (Note 50, page 246 of IAR2021). Does the Group expect further compensations to be made to its foreign workers in 2022 with the notice of findings issued by USCBP and following the completion of Impactt Limited's report? If yes, what is the estimated compensation to be paid? 2. Certain subsidiaries in Indonesia are subject to revocation and evaluation of forest area concession licenses in accordance with the decree of the Ministry of Environment and Forestry ("KLHK") of the Republic of Indonesia dated 5 January 2022. Based on the decree, the total area of the subsidiaries which are subject to the revocation and evaluation of forest concession licenses was 40,065 and 69,619 hectares respectively. (Note 51(d), page 247 of IAR2021) In the event that the said revocation and evaluation of forest area concession licenses were to materialise, to what extent will it impact the Group?
Capital A Berhad (AGM)	On 7 January 2022, Capital A was classified by Bursa Malaysia as falling under Practice Note 17 (PN17). It is in the process of addressing the matter as it does not reflect the reality of its cash flow position. Its robust and diverse company portfolios will allow it to fast-track the regularisation of its financial position and affirm the strong viability of its business moving forward. (page 72 of AR 2021) How soon will the Company be able to regularise its status considering that it is still incurring losses with increasing shareholders' deficit and current liabilities exceeding its current assets?
G3 Global Berhad (AGM)	The Company has been in a loss-making position for the past 5 financial years. It posted a loss of RM10.4 million in FYE 2021 compared to a loss of RM13.4 million in FYE 2020. (Page 6 of AR 2021) a) What are the steps being taken by the Company to make the Company profitable in FYE 2022? b) What is the guidance for revenue and net profit for FYE 2022?
Cocoaland Holdings Berhad (AGM)	The Group recorded a decline of 3% in revenue to RM210.3 million in FY2021 with gummy products remaining the core product of the business (57.8% of total revenue). The declining revenue was mainly due to softer demand for gummy in the Group's contract manufacturing business in China, the Philippines and Malaysia as well as lower demand for snack

	products in Saudi Arabia. The decline was partly offset by higher revenue earned from in-house gummy in China, Vietnam, Malaysia as well as biscuit confectionery in the domestic market. (page 18 of Annual Report (AR) 2021) a) Gummy products accounted for 57.8% of the Group's total revenue. What was the total production capacity and average utilisation rate for the gummy lines in FY2021? b) How was the trend of contract manufacturing business for gummy products compared to in-house brands over the last five years? Please provide the sales breakdown for the last five years. c) What is your strategy regarding sales composition for gummy products? Do you expect higher contribution from own brands or contract manufacturing in the next 3-5 years?
Parkwood Holdings Berhad (AGM)	For the financial year under review, the Group recorded a loss before tax (LBT) of RM3.81 million (FY2020: LBT of RM3.81 million) due to higher operating costs during the challenging financial year (Page 10 & Page 64 of the Annual Report 2021). a) How does the Board plan to address the higher operating cost and loss before tax of Parkwood, moving forward? b) What is Parkwood's financial performance outlook in FY2022?
POS Malaysia Berhad (AGM)	Both the other income and other expenses dropped sharply from RM101.6m and RM191.7m in FY20 to RM36.7m and RM93.1m respectively in FY21. a) What were the main items in both the other income and other expenses for FY20 and FY21? b) What were the reasons for the significant drop in both the other income and other expenses in FY21?
UEM Edgenta Berhad (AGM)	The Company had incurred RM12.6 million of one-off staff rationalisation cost in FY2021 for the infrastructure services and asset consultancy divisions (page 299, Note 41 – Segment information, AR2021). a) What was the staff rationalisation exercise about? b) Meanwhile, the wages and salaries increased by 12% (or RM80.18 million) to RM753.68 million from RM673.5 million previously (page 224, Note 8 – Employee benefits expense, AR2021). The wages and salaries in FY2019 were RM660.82 million (page 187, Annual Report 2019). Please explain the reason for the significant increase in wages and salaries. c) In FY2021, UEM Edgenta had recorded an unusual high number of resignations and recruitment of non-executive staff (page 93 of AR2021). A total of 8,095 non-executive

	staff resigned while 10,107 non-executive staff were hired. As of FY2021, the Company employed about 22,000 employees. Why were there massive resignation and recruitment activities?
Leong Hup International Berhad (AGM)	"The supply chain continues to be buffeted by high commodity costs and this has continued to affect every poultry producer. Corn and soybean meal, which collectively makes up about 70% of feed costs, have seen record price levels as the price of those two commodities jumped more than 40% year-on-year in 2021 and is soaring to record levels again in 2022 amid escalating geopolitical tension and Russia's invasion of Ukraine." (Page 36 of FY21 annual report). What are the measures being taken by the group to mitigate the negative impact from the surge in feed price?
Press Metal Aluminium Holdings Berhad (AGM)	With the full commissioning of its Phase 3 Samalaju smelter (P3) in October 2021, the Group moved into 2022 with higher production volume. The Group is working towards further enhancing value added capabilities and its extrusion products portfolio with the aim of increasing its presence in consumer product related sectors (Page 24 of the Annual Report 2021). a) What is the previous and current production volume of the Group? b) What is the targeted production volume in FY2022? c) What is the progress on enhancing value added capabilities and its extrusion products portfolio? Is Press Metal well progressing towards achieving the aim of increasing its presence in consumer product related sectors?

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