

# The Observer

16.07.2021

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- ❖ **Appointment of Taib's family member to hold key executive role may not augur well for CMS**

In a press interview back in late 2019, former Cahya Mata Sarawak Bhd (CMS) managing director Datuk Isaac Lugun mentioned that the company's founding family was committed to taking a step back from the diversified conglomerate with the latest leadership restructuring.

During the interview, Lugun pointed out that the changing political landscape and the perception that CMS was a family-controlled company were some of its biggest challenges.

Lugun was re-designated from Group Chief Executive Officer – Corporate to group managing director of CMS on 18 October 2019, while Datuk Syed Ahmad Alwee Alsree (who is the son-in-law of Sarawak Governor Tun Abdul Taib Mahmud) retired as CMS' group executive director after 15 years of service.

Prior to these changes, CMS had two CEOs — one for corporate and one for operations — plus a group chief financial officer, all of whom reported to the board and to Syed Ahmad Alwee.

Barely two years down the road after the interview, such commitment seems to have dissipated when another Taib's family member being appointed again to hold a key executive role in the Group.

On 8 July, CMS announced that Dato' Sri Sulaiman Abdul Rahman Taib would be made group managing director while Lugun was re-designated as CMS' non-independent non-executive director.

Sulaiman, 53, is the third son of Sarawak Governor Tun Abdul Taib Mahmud and younger brother of CMS' deputy group chairman Dato' Sri Mahmud Abu Bekir Taib.

To re-cap, Sulaiman, was recently reappointed as CMS' director on 22 June, a day after independent non-executive director Ho Heng Chuan, 64, and non-independent non-executive director Datuk Seri Yam Kong Choy, 67, resigned from the board. Both cited pursuing other personal commitments as the reason for their resignation.

During his 13-year tenure with CMS from 1995 to 2008, Sulaiman had assumed various positions including that of group chairman and group executive director.

He gave up his position after being elected the MP for Kota Samarahan in 2008 which led him to serve the Federal Government as Deputy Minister of Tourism.

### **Recent issues**

The above change-of-guard came barely two months after two controversial events which took place in CMS, which MSWG had highlighted in its weekly newsletter dated 21 May under the heading "Unanswered Questions Loom at Cahya Mata".

Recall that back in May this year, Mahmud was just cleared of a conflict-of-interest allegation implicating him and former chief information officer Karl Vink @ Khalid Abdullah in relation to a contract award by CMSB's subsidiary, CMS I-Systems Bhd to Vienna Advantage GmbH which was allegedly linked to the duo.

Later, CMS' Board announced that it was satisfied that the allegations were without any basis whatsoever. Therefore, Mahmud was cleared of the conflict-of-interest allegation.

As such the Board had on 6 May passed a resolution requesting Mahmud to resume his service as deputy group chairman and to abstain from taking leave of absence as announced on 22 April to facilitate investigation of the above allegation.

While Mahmud was cleared from the conflict-of-interest allegation, another storm was brewing in CMS.

Group CFO Syed Hizam Alsagoff was suspended with immediate effect on 5 May for 30 days to facilitate investigations into an allegation of possible financial mismanagement in relation to the company's investments and operations.

Subsequently, on 3 June, CMS' Board said it has resolved to extend the suspension period to 60 days to facilitate independent consultant KPMG Management & Risk Consulting Sdn Bhd to review the financial management of certain investments and contracts.

As such, CMS expects the review to be completed by mid-July 2021 with the outcome to be announced in mid-August.

## **Sell down by investors**

The Taib family founded CMS over four decades ago and the group has persistently been seen as a family vehicle.

The backtracking of Taib's family commitment to take a step back from the conglomerate may result in an adverse implication on CMS' corporate governance.

Already, its businesses were adversely affected by the prolonged pandemic, with the share price depreciating 48.83% year-to-date, from RM2.15 on 4 January to RM1.10 on 15 July.

At the same time, institutional investors such as Lembaga Tabung Haji (LTH) and Employees Provident Fund (EPF) had trimmed their stakes in CMSB.

LTH's holding in CMSB had declined to 83,044,600 shares on 30 June 2021 from 87,012,400 shares as of 7 December 2020, while EPF significantly pared down its stake to 59,338,027 shares on 12 July 2021 from 133,815,927 shares on 30 December 2020.

As always, let informed investment decision making be the order of the day.

**Devanesan Evanson**  
**Chief Executive Officer**

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## **MSWG AGM/EGM Weekly Watch 19 – 23 July 2021**

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](http://www.mswg.org.my).

| <b>Date &amp; Time</b>     | <b>Company</b>                 | <b>Quick-take</b>  |
|----------------------------|--------------------------------|--|
| 19.07.21 (Mon)<br>04.00 pm | LKL International Bhd<br>(EGM) | LKL's decision of entering the business of rubber gloves and PPE is questionable as Average Selling Prices (ASPs) of rubber gloves is on a downtrend. This was mainly because of a sharp increase in the supply of rubber gloves amid the fast spreading pandemic. The Company should relook at its decision as entry to the business at this juncture may not be lucrative. |
| 21.07.21 (Wed)<br>02.30 pm | FCW Holdings Bhd<br>(EGM)      | The decision of the company to acquire lands for landbanking at this juncture could be questioned as   |

|                             |                            |  |
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|                             |                            | <p>property prices are declining in the wake of the worsening pandemic and it would be more prudent to delay the acquisition to avail of lower property entry costs.</p>   |
| 22.07.21 (Thur)<br>10.00 am | AirAsia Group Bhd<br>(AGM) | <p>AirAsia's revenue of RM3.1 billion for FY2020 was 74% less than the previous year primarily due to a 75% decrease in airline revenue as it operated at only 29% of its previous year's capacity. Net loss widened to RM5.9 billion from a loss of RM283 million in 2019, mainly due to the revenue shortfall and one-off costs e.g., fuel hedging loss of RM972 million, impairment and bankruptcy costs.</p> <p>The travel and border restrictions implemented by countries has led to a significant fall in demand for air travel which impacted the Group's balance sheet and financial performance.</p> <p>These events/conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.</p> <p>AirAsia's ability to continue as a going concern is dependent upon the successful implementation and favourable outcome of various ongoing plans including ongoing discussions with financial institutions and investors to obtain required funding, as well as negotiations with its lessors to restructure the existing lease arrangements.</p> |
| 22.07.21 (Thur)<br>10.00 am | Time dotCom Bhd<br>(AGM)   | <p>In FY2020, TIME posted a 10% growth in revenue to RM1.22 billion (FY2019: RM1.11 billion). The better top-line performance was attributed to stronger revenues attained by data and data centre for FY2020. Net profit increased 4% y-o-y to RM326.9 million. Moving forward, the Group foresees data and data centres being strategic drivers for growth.</p>  |

|                             |  |  |
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| 22.07.21 (Thur)<br>12.30 pm | Time dotCom Bhd<br>(EGM)               | The EGM is to seek shareholders' approval for proposed bonus issue of up to 1,212,483,666 new ordinary shares in Time dotCom on the basis of 2 Bonus Shares for every 1 existing ordinary share held.  |
| 23.07.21 (Fri)<br>10.30 am  | Computer Forms<br>(Malaysia) Bhd (EGM) | Computer Forms (Malaysia) proposed to sell four parcels of land at Setapak, Kuala Lumpur to FCW Holdings Berhad for RM91.1 million.<br><br>This transaction is deemed a related party transaction in view of the interests of certain Directors and major shareholders of CFM and FCW. |

| <b>One of the points of interest to be raised:</b>   |   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
|--|---|---------------|--|-------------|-------------|--|---------------|---------------|----------------|--|--|--|---------|---|---|---------|---|-------------------------------|--------|-------|-------------------------------|---------|---|---|--------|---|---------------------------------|---------|---|---------------------------------------|--------|---|--------------------------------------|--------|---|--|--|--|--|--|--|
| <b>Company</b>   | <b>Points/Issues to Be Raised</b>   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| LKL International Bhd<br>(EGM)   | The Company has no prior knowledge of the businesses that it intends to venture into. How will the Company acquire the knowledge and expertise of the new businesses?   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| AirAsia Group Bhd<br>(AGM)   | <p>There were substantial increases in impairment charges for the Group in the following items for FY2020: (Page 213 of AR)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;"></th> <th style="text-align: right; width: 20%;"><b>2019</b></th> <th style="text-align: right; width: 20%;"><b>2020</b></th> </tr> <tr> <th></th> <th style="text-align: right;"><b>RM'000</b></th> <th style="text-align: right;"><b>RM'000</b></th> </tr> </thead> <tbody> <tr> <td>Impairment of:</td> <td></td> <td></td> </tr> <tr> <td>- Amount due from associates (Note 23)</td> <td style="text-align: right;">264,071</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Amount due from related parties (Note 24)</td> <td style="text-align: right;">615,578</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Trade receivables (Note 18)</td> <td style="text-align: right;">53,539</td> <td style="text-align: right;">5,415</td> </tr> <tr> <td>- Other receivables (Note 18)</td> <td style="text-align: right;">344,420</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Property, plant and equipment (Note 11)</td> <td style="text-align: right;">43,670</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Right-of-use assets (Note 29)</td> <td style="text-align: right;">552,290</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Finance lease receivables (Note 29)</td> <td style="text-align: right;">90,035</td> <td style="text-align: right;">-</td> </tr> <tr> <td>- Investment in associates (Note 14)</td> <td style="text-align: right;">59,272</td> <td style="text-align: right;">-</td> </tr> <tr> <td>a) What are the main reasons for the substantial impairment charges for each item?</td> <td></td> <td></td> </tr> <tr> <td>b) For each item, what is the likelihood of further impairment or reversal or recoverability, where applicable, in FY2021?</td> <td></td> <td></td> </tr> </tbody> </table> |               |  | <b>2019</b> | <b>2020</b> |  | <b>RM'000</b> | <b>RM'000</b> | Impairment of: |  |  | - Amount due from associates (Note 23) | 264,071 | - | - Amount due from related parties (Note 24) | 615,578 | - | - Trade receivables (Note 18) | 53,539 | 5,415 | - Other receivables (Note 18) | 344,420 | - | - Property, plant and equipment (Note 11) | 43,670 | - | - Right-of-use assets (Note 29) | 552,290 | - | - Finance lease receivables (Note 29) | 90,035 | - | - Investment in associates (Note 14) | 59,272 | - | a) What are the main reasons for the substantial impairment charges for each item? |  |  | b) For each item, what is the likelihood of further impairment or reversal or recoverability, where applicable, in FY2021? |  |  |
|  | <b>2019</b>   | <b>2020</b>   |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
|  | <b>RM'000</b>   | <b>RM'000</b> |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| Impairment of:   |   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Amount due from associates (Note 23)   | 264,071   | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Amount due from related parties (Note 24)  | 615,578   | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Trade receivables (Note 18)  | 53,539  | 5,415         |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Other receivables (Note 18)  | 344,420   | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Property, plant and equipment (Note 11)  | 43,670  | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Right-of-use assets (Note 29)  | 552,290   | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Finance lease receivables (Note 29)  | 90,035  | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| - Investment in associates (Note 14)   | 59,272  | -             |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| a) What are the main reasons for the substantial impairment charges for each item?   |   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| b) For each item, what is the likelihood of further impairment or reversal or recoverability, where applicable, in FY2021? |   |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |
| Time dotCom Bhd<br>(AGM)   | Net impairment on trade receivables increased to RM13.107 million in FY2020 from RM8.947 million in FY2019. (Page 140 of AR)  |               |  |             |             |  |               |               |                |  |  |  |         |   |   |         |   |                               |        |       |                               |         |   |   |        |   |                                 |         |   |                                       |        |   |                                      |        |   |  |  |  |  |  |  |

|                                     |  |
|-------------------------------------|--|
|                                     | What was the reason for the substantial increase in impairments? How much of these impairments have been recovered to-date? What percentage of these impairments are expected to be non-recoverable? Are impairments expected to increase, going forward?  |
| Computer Forms (Malaysia) Bhd (EGM) | <p>The Proposed Disposals and Tenancies is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of certain Directors and major shareholders of CFM and FCW.</p> <p>Has CFM engaged in an open-tender exercise to receive quotes from third parties before concluding the deal with FCW?</p> |

## MSWG TEAM

Devanesan Evanson, Chief Executive Officer, ([devanesan@mswg.org.my](mailto:devanesan@mswg.org.my))  
 Linnert Hoo, Head, Research & Development, ([linnert.hoo@mswg.org.my](mailto:linnert.hoo@mswg.org.my))  
 Norhisam Sidek, Manager, Corporate Monitoring, ([norhisam@mswg.org.my](mailto:norhisam@mswg.org.my))  
 Lee Chee Meng, Manager, Corporate Monitoring, ([chee.meng@mswg.org.my](mailto:chee.meng@mswg.org.my))  
 Elaine Choo Yi Ling, Manager, Corporate Monitoring, ([elaine.choo@mswg.org.my](mailto:elaine.choo@mswg.org.my))  
 Lim Cian Yai, Manager, Corporate Monitoring, ([cianyai@mswg.org.my](mailto:cianyai@mswg.org.my))  
 Ranjit Singh, Manager, Corporate Monitoring, ([ranjit.singh@mswg.org.my](mailto:ranjit.singh@mswg.org.my))  
 Rita Foo, Manager, Corporate Monitoring, ([rita.foo@mswg.org.my](mailto:rita.foo@mswg.org.my))  
 Nor Khalidah Mohd Khalil, Executive, Corporate Monitoring, ([khalidah@mswg.org.my](mailto:khalidah@mswg.org.my))

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## DISCLOSURE OF INTERESTS

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