



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

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MSWG is partnering 30% Club Malaysia in their conversations about Diversity, Equity & Inclusion (DEI). This is in line with MCCG 2021 recommendation that boards should have at least 30% women representation, as well as Listing Requirements that PLCs must appoint at least one woman director. Titled "DEI Conversations: Elevating Investability", the talk will be held on 2 March 2022. For registration, please access <https://maybank.my/30percentclub> for further details.

❖ BCM Alliance's ESOS draws attention

In a nutshell, an employee share option scheme (ESOS) is an incentive scheme whereby employees are offered an option to purchase shares of their companies at a certain price either over a specified period of time or upon specified milestones.

ESOS is a means of compensating employees – a platform to motivate, retain and remunerate talents – by allowing them to participate in the growth of the company's equity.

The ESOS mooted by BCM Alliance Berhad has raised public interest. While ESOS is typically offered to all employees, only two employees ended up taking the offered ESOS. It is puzzling why the other staff did not take up the ESOS, if they were offered, as the ESOS was at a significant discount to the market price. The exercise price of options offered was 2.91 sen while the closing market price of the Company's shares on the date of offer was 3.5 sen.

Subsequently, the two employees emerged as the major shareholders of the company. Overnight, new major shareholders had emerged.

What happened?

According to BCM Alliance's filings with Bursa Malaysia dated 20 January 2022, two employees namely Kiu Cu Seng and Cheng Li Ping, exercised a total of 469.41 million shares (the total ESOS shares that was offered under the scheme) at 2.91 sen apiece.

Kiu exercised some 305.12 million shares or equivalent to a 15% stake, making him the largest shareholder of BCM Alliance, followed by Cheng who exercised 164.29 million shares for an 8.08% stake.

This has effectively made the duo the largest shareholders of BCM Alliance with a combined 23% stake after exercising their ESOS.

A check on the website Boardroom Alpha shows that Kiu, 33, has since March 2021 served as group accountant for BCM Alliance, Sanichi Technology Bhd and Trive Property Group Bhd. His responsibility is said to centre on group consolidation matters.

Additionally, his name also appeared as the chief financial officer of Nasdaq-listed shell company Energem Corp. Energem which was listed on 16 November 2021 with an initial public offering price of US\$10 per unit for 10 million units.

There is hardly any information available with regards to Cheng.

For its third quarter ended 30 September 2021, BCM Alliance returned to the black with a net profit of RM1.51 million against a net loss of RM5.33 million in the preceding quarter. Year-on-year, its net profit jumped 21.77% from RM1.24 million in the previous year's corresponding quarter.

Quarterly revenue, however, fell 17% to RM16.97 million from RM20.39 million a year earlier.

For the cumulative nine months ended 30 September 2021, BCM Alliance had incurred a net loss of RM3.79 million compared to a net profit of RM2.32 million in the previous corresponding period while revenue fell 5% to RM49.71 million from RM52.5 million.

Over the last 14 months, BCM Alliance had issued 1.08 billion new shares via rights issues and private placement to raise funds.

Presently, it has a total share base of about two billion shares, up three-fold from 625.88 million shares as of 31 March 2021. At the same time, the share price of BCM Alliance has been on a downward spiral from a 52-week high of 32.5 sen to the current price of 3.5 sen as of 17 February.

Further probing

To re-cap, in February 2021, BCM Alliance proposed to terminate a five-year ESOS scheme which was established on 25 August 2020. The previous ESOS constituted the issuance of up to 15% of the Company's issued share capital to eligible directors and employees.

Shortly after, BCM Alliance came out with a new five-year ESOS proposal involving up to 30% of the total number of its issued shares for eligible directors and employees of the company and its subsidiaries.

BCM Alliance said the ESOS exercise is also intended to retain the eligible individuals by giving them a sense of ownership, loyalty and belonging to the group by enabling them to participate via equity ownership in the company.

It further noted that any proceeds from its ESOS will be utilised for the company's working capital purposes.

The exercise price of ESOS offered to employees was 2.91 sen per share, representing approximate a 17% discount to BCM Alliance's closing price of 3.5 sen on 12 January when the offer was made.

Given the ESOS was offered at a discount to share price, it is strange to find that none of the other employees took up the offered shares.

Indeed Kiu and Cheng must be wealthy for they were able to fork out RM13.66 million (a massive amount for the man on the street) to exercise the 469.41 million ESOS shares.

Shareholders should seek explanation on the puzzling offer of ESOS at BCM Alliance's forthcoming general meeting.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 21 – 25 February 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
21.02.22 (Mon) 10.00 am	Wellcall Holdings Berhad (AGM)	Wellcall recorded a higher pre-tax profit of RM46 million for FY2021 compared with RM39 million in FY2020. Barring any unforeseen circumstances due to the prolonged Covid-19 crisis, the Board believes that the momentum heading into FY2022 will be commendable especially with the continuous demand from its customers and in line with the industrial rubber hose market forecasts.
23.02.22 (Wed) 10.00 am	Melati Ehsan Holdings Berhad (AGM)	Melati Ehsan registered a lower revenue of RM111.425 million for FY2021 compared to the RM254 million in FY2020. The decline in revenue was due to the various MCOs implemented resulting in a tough operating environment. Nevertheless, its pre-tax profit declined marginally to RM4.570 million in FY2021 compared to RM4.66 million in the year before.
23.02.22 (Wed) 11.30 am	Fiamma Holdings Berhad (AGM)	Fiamma derived 92% of its RM338 million revenue for FY2021 from its Trading and Services segment. Going

		forward, it is expected to perform better in FY2022 as it pivots more towards online sales. The pandemic has been a boon for companies that are involved in electrical appliances business as the pandemic has encouraged many people to stay indoors thus stoking the demand for electrical appliances.
24.02.22 (Thur) 02.30 pm	APB Resources Bhd (AGM)	<p>APB Resources revenue dropped by 37% in FY2021 mainly due to low availability of projects amid a very challenging operating environment. As a result of the lower revenue and provisions for doubtful debts, it incurred a net loss of RM5.3 million compared to previous year's net profit of RM3.8 million.</p> <p>It expects FY2022 to remain challenging due to low availability of projects from the oil & gas sector and oleo-chemical sector, coupled with supply chains disruption.</p>
25.02.22 (Fri) 11.00 am	Hubline Bhd (AGM)	<p>Hubline's revenue for FY2021 was increased RM17.7 million y-o-y to RM 152.9 million, mainly due to improved number of shipments performed and better freight rates.</p> <p>It managed to turn around in FY2021 with a net profit of RM19.4 million against a net loss of RM60.9 million mainly due to the absence of significant impairment of receivables and the provision for income tax.</p> <p>The management is confident that both the drybulk and aviation segments will be able to see improved operating results and profitability in FY2022.</p>
25.02.22 (Fri) 11.00 am	EITA Resources Bhd (AGM)	Eita recorded a revenue of RM302.4 million for FY2021, as

		<p>compared to RM284.1 million for FY2020. Meanwhile, its net profit increased to RM20 million from RM18.3 million earlier.</p> <p>The recovery measures proposed in Budget 2022 coupled with the overall positive outlook for the construction and manufacturing sectors should augur well for the Group.</p>
25.02.22 (Fri) 03.30 pm onwards	Hong Seng Consolidated Bhd (20 th & 21st AGM)	<p>The Group posted historical high revenue of RM147.0 million and a PBT of RM69.8 million for the 18 months financial period ended 30 September 2021 (FPE 2021). This was mainly contributed by the healthcare segment on the provision of COVID-19 PCR test kits and laboratories services for COVID-19 PCR tests, molecular infectious diseases and oncology testing.</p> <p>Backed by this diversification efforts, Hong Seng finally recorded profit in FPE2021, after suffering years of losses.</p>
25.02.22 (Fri) 04.30 pm	Hong Seng Consolidated Bhd (EGM)	<p>The EGM is to seek shareholders' approval for the proposed bonus issue of up to 3.52 billion new shares on the basis of 1 bonus share for every 1 existing Hong Seng share held.</p>

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Wellcall Holdings Berhad (AGM)	<p>It was recently reported in the press that Wellcall has adopted a high-mix, low-volume (HMLV) strategy which gives the company a significant competitive edge in producing customised merchandise for its clients.</p> <p>What percentage of the Group revenue is generated from HMLV strategy? Is the profit margin from HMLV strategy significantly higher than revenue from standardised products?</p>
Melati Ehsan Holdings Berhad (AGM)	There is a net impairment loss on receivables amounting to RM3,996,338 in FY2021 (FY2020: Reversal of RM2,167,565) (Page 45 of the Annual Report 2021).

	<p>a) Which receivables are involved in the impairment exercise?</p> <p>b) Is the amount recoverable? How much of the impairment loss has been recovered to-date? How much is expected to be recovered in FY2022?</p>
Fiamma Holdings Berhad (AGM)	<p>The Company recorded a lower revenue of RM338.02 million in FYE 2021 compared with the revenue of RM378.59 million in the previous financial year (FYE 2020). Included in FY2020's revenue was a one-off sale of land of RM39.21 million. Excluding the one-off sales of land, the Group recorded a marginally lower revenue of RM338.02 million in FYE 2021 against the revenue of RM339.38 million in FY2020. (Page 10 of AR 2021)</p> <p>Meanwhile, the net profit of the Company declined marginally to RM34.5 million in FYE 2021 from RM35.2 million in the previous year.</p> <p>What are the steps being taken by the Company to enhance its profitability in FYE 2022?</p>
APB Resources Berhad (AGM)	<p>There is an allowance for impairment loss on trade receivables amounting to RM6.9 million in FY2021 (FY2020: nil) (page 75 of AR2021).</p> <p>a) What was the reason for the substantial increase in impairments?</p> <p>b) How much of these impairments have been recovered to-date?</p> <p>c) What percentage of these impairments are expected to be non-recoverable?</p> <p>d) Are impairments expected to increase, going forward?</p>
Hubline Berhad (AGM)	<p>The independent auditor has highlighted material uncertainty related to going concern as the group's current liabilities exceeded its current assets by RM62,294,772 as at 30 September 2020 and RM50,045,240 as at 30 September 2021. What are the immediate to mid-term measures being taken/ to be taken by the Board to address the liquidity risk?</p>
EITA Resources Berhad (AGM)	<p>The Group's net cash flow from operating activities declined significantly from RM19.989 million in FY 2020 to RM2.376 million in FY 2021. (page 77 of AR 2021)</p> <p>The significant decrease in net cash flow was mainly due to substantial adjustment for contract assets resulting in a</p>

	<p>cash outflow of RM25.508 million in FY 2021 compared to cash inflow of RM3.748 million in FY 2020.</p>
Hong Seng Consolidated Berhad (AGM)	<p>The total cost incurred in maintaining the outsourced internal audit function for the 18-month financial period ended 30 September 2021 was RM6,500 (FY2020: RM6,420). (page 55 of AR2021)</p> <p>Given that the fee is rather small (approximately RM542 per month), how does the Audit Committee assure itself that there is adequate coverage and an effective internal audit function?</p>

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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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