



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

The Observer

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❖ Meaningful shareholders engagement

Flexible plastic packaging (FPP) manufacturer Scientex Packaging (Ayer Keroh) Berhad (SPAK, previously known as Daibochi Berhad) will hold its 49th annual general meeting (AGM) on 7 December (Wednesday). SPAK will table 14 resolutions for shareholders' approval in the virtual meeting.

In its Notice of AGM dated 8 November, SPAK stated that it had received a requisition from a major shareholder – Apollo Asia Fund Limited - for two resolutions (Resolutions 13 and 14) to be considered and voted upon at the AGM pursuant to Section 323 of the Companies Act 2016.

The proposed resolutions are:

- That the Company should commit to the adoption of the best practices recommended in the Malaysian Code on Corporate Governance (MCCG), Bursa Malaysia's Corporate Governance Guide, and other regulatory guidance to meet the highest at the earliest opportunity with any deviation fully explained in future annual reports and general meetings; and
- That the Company resume the practice of quarterly briefings by senior management, open to interactive participation by all shareholders and investment analysts.

Such resolutions are rarely seen among PLCs. The rationale for proposing such resolutions suggests greater calls for SPAK to uphold best CG practices and continue engaging in meaningful dialogue with the investing community.

In explaining its voting stance and the proposal of the two resolutions, Apollo Asia Fund said that adopting best CG practices and implementing quarterly investor briefings would "restore the confidence of investors" (accessed at: <https://www.apolloinvestment.com/F221128.htm>).

In addition, some minority shareholders have voiced their dissatisfaction to MSWG on the lack of shareholder engagement activities by SPAK.

Judging from the availability of corporate presentation materials on SPAK's corporate website (accessed at <https://scientexpackagingak.com.my/presentations/>), the Company did not hold any investor briefing session in FY2022. It used to have quarterly results investor briefings until FY2021.

The Malacca-based FPP manufacturer is a subsidiary of Scientex Berhad, with the latter owning a 71.89% equity interest in the Company. Meanwhile, Apollo Asia Fund and Samarang Asian Prosperity Fund hold 10.3% and 5.4% stakes, respectively in SPAK.

Shareholders engagement forms an integral part of stakeholders management. Companies should engage with shareholders on an ongoing basis as opposed to only at the AGM – a once-a-year affair. Constant and effective communication with shareholders foster greater transparency and accountability and greater confidence in the company. It also enables shareholders to understand the company better and make informed investment decisions.

We urge minority shareholders to participate in the AGM actively and cast their votes wisely on the proposed resolutions.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 5 – 9 December 2022

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.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
YTL Power International Berhad (AGM)	<ol style="list-style-type: none">1. While the water and sewerage segment saw an improvement in segmental revenue from RM3,778.1m for FY2021 to RM4,109.5m for FY2022, the segmental profit declined from RM493.8m a year ago to RM378.0m for the financial year under review, primarily due to interest accretion on index-linked bonds and environmental obligations. With the current high inflationary and rising interest rate environment in United Kingdom, and also the consequences from the Ukraine-Russia conflict, what is the outlook for the water and sewerage segment for the foreseeable future?2. What were the reasons for the surge in other operating expenses from RM155.775m for FY2021 to RM652.496m for FY2022? Please provide the breakdown of the major components of other expenses for FY2021 and FY2022.

Revenue Group Berhad (AGM)	<p>Recently, the Group has secured another leading bank as its major partner, who will be leveraging on the Group's proprietary revPAY infrastructure for EDC machines and ETP. (page 31 of AR2022)</p> <p>To what extent does the Group expect the newly secured bank, as its major partner, to contribute to the Group's EDC segment for financial year ending 2023?</p>
Dagang Nexchange Berhad (AGM)	<p>The commencement of arbitration proceedings against Mimastronic Technologies Company Limited ("MIMAS") in relation to a proposed investment in DNeX's group of companies. MIMAS takes the position that Ministry of International Trade and Industry ("MITI") approval was not required and maintains that the subscription agreement and shareholders agreement dated 21 January 2022 are valid and enforceable, while DNeX group is seeking the necessary relief to have the agreements declared null and void. (Bursa announcement dated 17 November 2022)</p> <p>a) How and to what extent will the dispute affect the Group's relationship with its Chinese partner?</p> <p>b) What is the estimated duration for the arbitration proceedings to take place and complete?</p>
YTL Corporation Berhad (AGM)	<p>How much was the outstanding construction order book as of 30 June 2022? What are the key construction projects in hand? As the construction of Gemas-Johor Bahru electrified double track project, one of the largest construction projects undertaken by the group in recent years, is at the tail-end, how does the group intend to replenish the order book of the construction segment?</p>
MESB Berhad (AGM)	<p>Spending habits and purchase decisions of consumers have greatly been affected by new communication channels especially social media, video streaming and peer reviews. The impact of brand loyalty is significant to the retailing segment as it creates brand prioritising in the mindsets of customers (page 8 of AR 2022).</p> <p>How will the Group leverage on social media and digital marketing to increase brand awareness? How much has the Group invested in digital marketing? Has the Group collaborated with any Key Opinion Leaders (KOLs) and social influencers?</p>
MESB Berhad (EGM)	<p>The FYE2022 unaudited aggregated net assets of the Acquiree Companies was RM6.2 million and the Purchase Consideration is RM51 million. This would translate into a price-to-book ratio (PBR) of 8.2 times. As a comparison, the PBRs of the selected Comparable Companies, namely Analabs Resources Berhad and Muda Holdings Berhad are 0.49 times and 0.41 times respectively, based on their latest net assets per share and closing price (as at 25 Nov 2022). A PBR valuation approach was not adopted or mentioned in the valuation of the Acquiree Companies. However, by most standards, a PBR of 8.2 times would be considered a lofty valuation, particularly in the sector/industry of the Acquiree Companies.</p>

	What is the Board's view on acquiring a company at a high PBR?
Malayan Cement Berhad (AGM)	<p>The Board of Directors of MCEMENT has not adopted or proposed a set dividend policy. However, it is the intention of the Directors to propose the payment of cash dividends on an annual basis, where possible, subject to future earnings and the financial condition of MCEMENT and other factors, including the profit and cash flow position of the MCEMENT Group, restrictions imposed by law or under credit facilities on the payment of dividends by members of MCB Group and the availability of funds (page 19 of Annual Report FY2022).</p> <p>What are the major restrictions that the group must overcome in order to resume dividend payment?</p>
Reneuco Berhad (fka Kpower Berhad) (AGM)	<p>The Group's orderbook exceeded RM1 billion in FY2021. However, construction related activities recorded a 67% decline in revenue to RM118.32 million in FY2022. (page 41 and 46 of Annual Report (AR) 2022)</p> <p>a) What were the reasons for the decline in revenue despite the strong orderbook?</p> <p>b) What is the outstanding orderbook as at 30 June 2022?</p> <p>c) What is your target orderbook replenishment for FY2023?</p>
Scientex Packaging (Ayer Keroh) Berhad (AGM)	<p>SPAK will seek shareholders' approval for two resolutions (Resolutions 13 and 14) pertaining to the adoption of best corporate governance practices and the resumption of quarterly investor briefings at the upcoming AGM.</p> <p>The application of best CG practices and quarterly investor briefings are at the discretion of the Board and management.</p> <p>What do the resolutions mean to shareholders if they were to be approved by shareholders? Will the Board be committed to implement the measures above strictly?</p> <p>Why did SPAK cease to hold quarterly investor briefings since FY2021 in the first place?</p>
Supermax Corporation Berhad (AGM)	<p>What has been and is being done in regard to the Withhold Release Order imposed by the US Customs and Border Protection on Supermax and its subsidiaries in October 2021? When do you expect this issue to be resolved?</p>
Gamuda Berhad (AGM)	<p>Gamuda has an all-time-high construction orderbook of RM15 billion spans across Australia, Taiwan, Singapore, and Malaysia, and RM6.2 billion unbilled property sales in both Malaysia and Overseas (Page 30 of the Integrated Report 2022).</p> <p>a) How long will this orderbook of RM15 billion last?</p> <p>b) What is the targeted orderbook replenishment across Australia, Taiwan, Singapore, and Malaysia in the next two financial years?</p>

<p>MK Land Holdings Berhad (AGM)</p>	<p>The Group recorded a loss on termination of joint development project amounting to RM69.03 million in FY 2022 as compared to RM Nil in FY 2021. (Page 74 of AR)</p> <p>a) Why did the Group terminate a joint development project that resulted in a huge loss of RM69.03 million?</p> <p>b) Who is the partner to the joint development project?</p> <p>c) Has the Group done a feasibility study on the development project? If yes, what went wrong?</p> <p>d) Does the Group have any recourse against the partner of the joint development project?</p> <p>e) What was the stage of completion of the joint development project?</p>
<p>PLS Plantation Berhad (AGM)</p>	<p>As at 30 June 2022, the Group's total planted area is 10,275 ha. Fresh fruit bunches (FFB) sales volume fell in FY2022 due to shortage of harvesting workers. Production should recover when plantation workers come in at the end of Q2 or beginning of Q3 FY2023 (page 13-14 of Annual Report (AR) 2022)</p> <p>a) What is the average age of your palm trees as at 30 June 2022?</p> <p>b) What was the Group's labour productivity in terms of land-labour coverage ratio in FY2022?</p> <p>c) How many harvesting workers are you short of? And how many are you expecting to hire in the coming months?</p> <p>d) What is the expected FFB production growth in FY2023?</p>
<p>Fintec Global Berhad (AGM)</p>	<p>For FY2022, Fintec posted revenue of RM19.26 million and net loss of RM86.95 million. The losses were mainly due to the marking to market of marketable securities of RM63.8 million and impairment loss on trade and other receivables and investment in unquoted shares of RM4.8 million and RM6.9 million respectively.</p> <p>a) The profitability of Fintec is hinged on the market value of the securities it holds. In turn, this is closely related to how positively the market views the investee companies. Generally, companies with growth potential and positive outlook tend to be viewed favorably by investors.</p> <p>However, most of Fintec's invested companies were not doing well financially with some posting losses for years. Therefore, markets may not value these stocks positively.</p> <p>How does the investment in these loss-making stocks create sustainable value for the Company and shareholders?</p> <p>b) For the financial period ended 30 June 2021, Fintec posted a pre-tax loss of RM313.7 million which was attributed to a fair value loss on marketable securities of RM292.6 million.</p>

	<p>As Fintec's investments are constantly subjected to significant fair value losses, should the Company rethink the investment strategy and objective for the Portfolio Investment business?</p> <p>c) In FY2022, Fintec has disposed its entire interest in Mlabs Systems Berhad, Vsolar Group Berhad, AT Systematization Berhad and Saudee Group Berhad.</p> <p>What was the return and tenure of these investments? What was the cause of the loss-making investment (if any)?</p>
<p>Scientex Berhad (AGM)</p>	<p>Despite recording a marginal contraction of 1.2% in sales volume to 277,270 metric tonnes (MT) from 280,660 MT in the previous year, Scientex's packaging division recorded an increase of 14.8% in revenue to RM2.86 billion compared to RM2.49 billion in FY2021 thanks to the higher average selling price and robust demand from customers.</p> <p>However, the impact of the higher ASP was weighed down by supply chain disruptions, rising freight and raw materials costs and acute labour shortages globally.</p> <p>a) Going forward, is the revenue of the packaging division expected to be driven by cost-push inflation or volume growth factor? Meanwhile, with signs of easing in raw material prices and freight cost, how soon will it result in a recovery in profit margin?</p> <p>b) What is the current utilisation rate of Scientex's plants by geographical region? How acute is the foreign labour shortage issue to Scientex? Has Scientex's demand for foreign labour been met? What is the upside for plant utilisation rates as foreign labour slowly returns?</p>
<p>Kluang Rubber Company (Malaya) Berhad (AGM)</p>	<p>For FY2022, the Group reported loss from operations of RM1.22 million (FY2021: profit from operations of RM43.16 million). The key contributors included the foreign exchange loss of RM13.48 million (FY2021: RM8.88 million foreign exchange gain) and fair value loss on investments of RM16.19 million (FY2021: fair value gain on investment of RM11.95 million). (pages 19 & 79 of AR2022)</p> <p>a) The Group also holds cash and cash equivalents denominated in foreign currencies; such foreign currency balances amounted to RM221.34 million (FY2021: RM213.62 million). (Note 33(c) page 143 of AR2022)</p> <p>i. What is breakdown of the Group's cash holdings in foreign currencies?</p> <p>ii. Given that United States Dollar ("USD") and Singapore Dollar ("SGD") have strengthened significantly during the year except British Pound Sterling ("GBP"), what is the reason for the significant amount of foreign exchange loss of RM13.48 million?</p>

	<p>iii. Are there any measures to be taken to minimise unfavourable foreign exchange losses, going forward?</p> <p>b) Which of the Group's Investments contributed to the fair value loss on investments of RM16.19 million?</p>
Vsolar Group Berhad (AGM)	<p>Notwithstanding the increase in revenue, the Group recorded a gross profit (GP) of RM0.27 million, representing a contraction of RM0.84 million or 75.5% compared to FYE2021 of RM1.11 million, which was mainly impacted by the higher cost incurred in repair and maintenance of solar farm as well as lower margin from the trading business segment (Page 13 of the Annual Report 2022).</p> <p>In FYE2022, the Group recorded a GP margin of 2.63% compared to a GP margin of 14.32% recorded in FYE2021 (Page 11 of the Annual Report 2022).</p> <p>a) How does the Group intend to manage the GP level which was mainly impacted by the abovementioned factors?</p> <p>b) In what ways can the Group improve the GP margin? What is the outlook for the GP margin in FY2023?</p>
Ekovest Berhad (AGM)	<p>In FYE2022, the Group's finance costs of RM220,489,000 (FYE2021: RM216,720,000) remained the second highest cost and expense component after the cost of sales (Page 66 of the Annual Report 2022).</p> <p>Does the Group expect the finance costs to remain at the same level or higher in the next few years? To what extent will the interest rate hikes impact the Group's profits in FYE2023? What is being done to manage the high finance costs?</p>
Technodex Berhad (AGM)	<p>Based on management's impairment assessment, impairment losses on the cost of investments in application, support, services and hardware and e-commerce subsidiary companies of RM8.54 million (2021: RM1.07 million) and RM4.18 million (2021: Nil) respectively were recognised during the financial year. (Note 8, page 89 of AR2022)</p> <p>a) To which subsidiary companies do the said impairments relate to?</p> <p>b) What is the reason for the significant increase in impairment losses on the cost of investments in application, support, services and hardware and e-commerce subsidiary companies?</p>
TWL Holdings Berhad (AGM)	<p>The Company announced on 11 October 2021 that it has completed a rights issue with warrants, raising RM44.06 million. From the proceeds raised, the Company has allocated RM11.17 million for repayment of borrowings within 6 months of the intended time frame for utilisation. (Page 64 of AR)</p> <p>The Company has only paid RM0.615 million of the proceeds and the balance of RM10.56 million remains unpaid. (Page 64 of AR)</p>

	<p>a) Why did the Company not repay the borrowings within the stipulated time frame?</p> <p>b) What is the interest cost as of 30 November that the Company had to pay as a result of the delay in repaying the borrowings?</p> <p>c) When does the Company intend to repay the balance of RM10.56 million?</p>
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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.

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