



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

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❖ Even when all is rosy, a well-thought plan can always falter

Radio-frequency identification (RFID) solution specialist SMTrack Berhad was a quiet ACE Market counter (in the technology sector) until mid-December 2021.

From 8.5 sen on 15 December 2021, the counter commenced its slow ascension thereafter with tycoon Tan Sri Lee Kim Yew emerging as a substantial shareholder on 29 December following his acquisition of 28.5 million shares or a 5.05% stake from the open market.

The presence of the Country Heights Holdings Bhd executive chairman had boosted the share price of SMTrack to end the year 2021 at 19 sen, representing a 123% gain in the span of a fortnight.

Later, the upside momentum continued with rumours emerging that a government-linked company (GLC) was eyeing a 10% stake in SMTrack (New Straits Times, 4 January 2022).

According to a news report, the GLC is said to be an entity of the Ministry of Finance Inc and has made its interest known in a letter addressed to SMTrack after a meeting between representatives of both parties.

Embark on 5G journey

The positive news does not stop here. On 17 January 2022, SMTrack announced that it had entered into a head of agreement (HOA) with 5G Infra Tech Solution Sdn Bhd via a consortium consisting of six PLCs, including itself, to invest in 5G Infra Tech through redeemable convertible preference shares in the latter. 5G Infra Tech is involved in consultancy works and the export and import of a variety of goods.

This HOA is to enable the consortium to ride on the 5G and fibre optics-related projects by Digital National Bhd (DNB) as well as the Malaysian Communications and Multimedia Commission (MCMC). 5G Infra Tech plans to undertake its maiden 5G

project with Ennova Sdn Bhd (Ennova), one of the contractors for 5G projects by DNB. Ennova is mainly involved in the construction and engineering of telecommunication infrastructure.

It was reported that Ennova plans to install and maintain 350 telecommunication towers all over Kuala Lumpur. And with the financing from 5G InfraTech, Ennova is expected to roll out 10,000 towers all over Malaysia, said 5G InfraTech Executive Chairman Datuk Saiful Nizam Mohd Yusoff.

Points to note

Notwithstanding the seemingly rosy picture of SMTrack's outlook, minority shareholders must take note of the following:

- **The tendency of investors to buy on rumours and sell on news:** After touching a 52-week high of 31 sen on 10, 11 and 12 January, it seems SMTrack entered a consolidation mode. It plummeted 5.5 sen or 19% to 23.5 sen on 17 January, the day the SMTrack-led consortium inked heads of agreement with 5G Infra Tech. It closed at 22 sen on 20 January.
- **The diverse background of consortium members:** Except for Country Heights, the remaining five consortium members – including SMTrack – are penny stocks and includes some loss-making counters.

As for SMTrack, the company remained in the red with a net loss of RM1.2 million for the quarter ended 31 October 2021. Its revenue shrank further to RM283,000 from RM425,000 in the previous corresponding period.

For its financial year ended 31 July 2020, SMTrack narrowed its net loss to RM806,000 from RM3.86 million in the corresponding period in FY2019 while its revenue rose slightly to RM2 million (FY2019: RM1.51 million).

Note that SMTrack had on 3 August 2021 announced the change of financial year from 31 July 2021 to 31 December 2021.

Besides, the consortium members have diverse business activities – two IT companies, two property developers and two investment holding firms. It remains to be seen if they will be able to create synergy and forge a successful collaboration.

- **Scarce information:** As the collaboration between the consortium and 5G Infra Tech is still preliminary (with just an HOA signed), more information is required for investors to assess the prospect and potential of this new venture. An HOA is a non-binding agreement that establishes the basic framework for a partnership or transaction.
- **Capital requirement:** The required capital to fund this venture is unknown now. But considering that the 5G venture will be capital intensive with the need to build network infrastructure. As such, it remains to be seen if the consortium members including SMTrack will be able to raise the required capital to fund 5G Infra Tech and reap the potential return from the 5G trend.

- **Track record:** The 5G business is probably an alien sector to all parties, including 5G Infra Tech which is embarking on its maiden 5G venture with Ennova. Henceforth, project planning and execution risks will be a main concern for investors.

As always, investors must not let their guard down but continue to be vigilant in their investment decisions

❖ PN17/GN3 relaxation is over

Bursa Malaysia Securities Berhad had on 13 January dismissed AirAsia Group Berhad's appeal of seeking to extend the 18-month relief period from being classified as a Practice Note 17 (PN17) company beyond 7 January 2022.

The relief period was granted by Bursa Malaysia to affected listed issuers from complying with the obligations under Paragraph 8.04 and PN17 of the Main Market Listing Requirements (PN17 Relief Measures) for a period of 18 months (Relief Period). Pursuant to the PN17 Relief Measures, AirAsia was required to re-assess its condition at the expiry of the Relief Period on 7 January 2022.

AirAsia's share price nosedived following the news. It is probable that many thought that Bursa Malaysia would extend this concession like what it did with the extension of the 20% placement rule to raise funds.

The implication of not getting such an extension is that the AirAsia must now to regularise its position within one year from 7 January 2022 (if the regularisation plan will not result a significant change in its business direction) or face the risk of suspension and delisting if not so regularised.

In other words, the drop in share price is due to the regularisation clock starting to tick. Minority shareholders of other PN17 or Guidance Note 3 (GN3) companies should be mindful that there is a high probability that their PN17/GN 3 investee PLCs will not be granted such extensions. The share prices of these PLCs may have already factored in this possibility.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 24 – 28 January 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
25.01.22 (Tue) 11.00 am	Homeritz Corporation Berhad (AGM)	Homeritz's financial performance in FY2021 was not in line with other listed furniture makers which had recorded stellar results in FY2021 due to the

		<p>pandemic. The COVID-19 pandemic had caused people to remain indoors, and this spurred the demand for furniture. More stringent cost management and the opening of new markets may result a reversal of fortune for Homeritz in FY2022.</p>
26.01.22 (Wed) 03.00 pm	PLB Engineering Berhad (AGM)	<p>For FYE 31 August 2021, PLB recorded a revenue of RM190.73 million and PBT of RM9.58 million compared to revenue of RM171.17 million and LBT of RM6.07 million respectively in the preceding year.</p> <p>Meanwhile, the LBT recorded in FY2020 was mainly due to the recognition of impairment loss on inventory properties and investment in an associate, as well as the adoption of new accounting treatment.</p>
27.01.22 (Thur) 09.00 am	Bright Packaging Industry Bhd (AGM)	<p>Bright Packaging recorded lower revenue of RM37.5 million in FY2021 compared to RM50.8 million in previous year. This was also the lowest sales recorded in the past five years. At the same time, its net loss had widened by 114% to RM2.65 million from RM1.24 million the year before.</p> <p>The poorer financial performance was due to excise tax-driven price increases in Philippines, one of its key markets, and lower cigarettes consumption during COVID-19 pandemic.</p>
27.01.22 (Thur) 11.00 am	Trive Property Group Berhad (AGM)	<p>Trive's total revenue increased by 54.4% y-o-y to RM9.85 million (FY2020: RM4.39 million) mainly due to increase in demand for its solar products despite the challenging business environment. Nevertheless, the Group continued to be loss making whereby operating loss</p>

		increased significantly to RM56.09 million from a loss of RM5.96 million in previous fiscal year. The worsened profit performance was mainly due to impairment loss of RM42.30 million and fair value loss for investment in quoted shares of RM5.90 million.
27.01.22 (Thur) 03.00 pm	AirAsia Group Berhad (EGM)	The EGM is to seek shareholders' approval for its proposed change of name from AirAsia Group Berhad to Capital A Berhad.
28.01.22 (Fri) 10.30 am	BSL Corporation Berhad (AGM)	BSL reported a more than 14-fold increase in net profit to RM8.94 million in FY2021 compared to RM0.62 million in previous financial year. Most of the profit was contributed by its business operations, share of profit from associate as well as fair value gains on investment.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Homeritz Corporation Berhad (AGM)	<p>1. The Company has not had a Chairman since its listing and this is not in line with Practice 1.2 of the Malaysian Code of Corporate Governance that stipulates that PLCs appoint a Chairman who will instil good corporate governance practices, leadership and ensure the effectiveness of the Board.</p> <p>The Company has stated in its CG Report that it intends to maintain the current board composition until the need for a Chairman arises.</p> <p>Does the Company have any plans of appointing a Chairman, and if yes, by when?</p> <p>2. The total fee for the internal audit function of the Company during the financial year ended 31 August 2021 was RM12,500. (Page 31 of AR 2021)</p> <p>a) Given that the fee is rather small (approximately RM1,041.00 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function?</p>

	<p>b) What are the areas covered by the internal auditors during the financial year ended 31 August 2021?</p> <p>c) How many internal audit reports were issued during the said period?</p>
PLB Engineering Berhad (AGM)	<p>The Company had entered a Memorandum of Understanding with China Railway Engineering Corporation (M) Sdn Bhd ("CRECM") to establish a basis of co-operation and collaboration for the engineering procurement and construction work for the Rehabilitation Works under the Project ("MOU"). The MOU was approved by shareholders at an EGM held on 8 March 2021.</p> <p>a) What were the reasons for the termination of the MOU with CRECM?</p> <p>b) Who are the potential interested funders for the Rehabilitation Works?</p>
Bright Packaging Industry Bhd (AGM)	<p>Customer A contributed 85%, or equivalent to RM31.98 million sales to Bright Packaging in FY2021 (Note 25 – Segment information, page 100 of AR2021).</p> <p>The dependency on a single major customer constitutes a concentration risk to business and operations. How does the Group plan to reduce the business risk of relying on Customer A for sales?</p>
Trive Property Group Berhad (AGM)	<p>The Group recorded a higher operating loss of RM56.09 million for the year under review as compared to RM5.96 million recorded in preceding financial year. The operation loss was mainly due to impairment loss of RM42.30 million and fair value loss for investment in quoted shares of RM5.90 million. (page 9 AR2021)</p> <p>a) Given the huge amount of impairment loss and fair value loss for investment in quoted shares, please explain what went wrong with the Company's investment strategy?</p> <p>b) Which of the Group's business activities will bring the Group back to profitability?</p>
BSL Corporation Berhad (AGM)	<p><u>Emphasis of Matter</u> (Pages 59-60 of the Annual Report 2021)</p> <p>The Auditors draw attention to Note 36(b) to the financial statements which discloses the bills of demand issued by the relevant authority to BSL Electronics & Technologies Sdn. Bhd. (formerly known as Crestronics (M) Sdn.</p>

	<p>Bhd.)("BSLET"), a wholly owned subsidiary company of the Company.</p> <p>As explained in the said note, based on the available facts and information as of the date of this report, the solicitor is of the opinion that BSLET has arguable grounds and basis to contend that there is no legal and factual basis for the Minister of Finance to reject BSLET's remission application. Consequently, no further provision has been provided. In the event that the appeal is not successful, BSLET is liable for the remaining balance of the claim of RM10,900,000.</p> <p>a) What is the latest update on this issue?</p> <p>b) As this issue continues from the previous years, when does the Board expect this issue to end?</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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