



The Observer

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❖ Genetec's astronomical share price spike - 'So, what gives'?

Riding on the electric vehicle (EV) hype, ACE-Market listed Genetec Technology Berhad had seen its share price soaring to the all-time high of RM19.46 on 13 July, before retreating and closing at RM18.72 on 22 July.

The recent uptrend in Genetec started in early June when it was traded around RM3.70 per share. Then on 17 June, the company announced that it had secured RM47.9 million worth of contracts related to EV and battery segment (RM42.5 million) as well as hard disk drive, electronics, and semiconductor industries (RM5.4 million).

Genetec's scope of work involves concept design and detailed drawing, order and receiving of component parts, system fabrication and assembly, software coding and programming, factory set-up and system testing as well as installation, commissioning and acceptance by the customers.

Further fuelling the optimism was a non-rated report on the company by CGS-CIMB Research on 28 June. The report noted that the ACE Market-listed company was confident that it can benefit from the growing demand for EV vehicles worldwide.

"The group plans to ride on the structural shift in the global automotive industry from internal combustion engine (ICE) towards EV," wrote analysts Walter Aw and Mohd Shanaz Noor Azam in the report.

For its financial year ended 31 March 2021, Genetec's net loss widened to RM4.39 million from a net loss of RM900,000 in the year before, though there was higher revenue of RM98.08 million as compared to RM80.33 million in preceding year.

CGS-CIMB analysts further pointed out that while Genetec was lossmaking in FY21, the company was confident that the worst is over and expects stronger results going forward, backed by a strong orderbook and established relationships with global EV manufacturers.

As at the end of FY21, Genetec had net cash of RM27.5 million and RM11.6 million of other investments. It currently has a net tangible asset (NTA) value of RM1.70/share.

UMA query

The astronomical rise in Genetec's share price had caught the attention of Bursa Malaysia.

On 13 July, it was slapped with an unusual market activity (UMA) query by Bursa Malaysia – the day it hit an all-time high of RM19.46.

In its response to Bursa Malaysia's query on the same day, Genetec said it is unaware of any specific reason behind the unusual trading of its shares apart from its recent announcement on 17 June in relation to the new orders it secured.

“As at the date of this announcement, there is no corporate development in relation to the group's business and affairs that have not been previously announced which may account for the trading activity, including those in the stage of negotiation/discussion,” noted Genetec.

It added that it was not aware of any rumour, report or any other possible explanation for the spike in trading activity, adding that its board confirmed that the company was in compliance with the ACE Market Listing Rules on immediate disclosure obligations.

This is the second time Genetec received a UMA query from the exchange this year. The first one was issued on 18 January.

Conclusion

Bursa Malaysia generally expresses its concern by raising UMA queries on listed issuers whose stock prices are scaling to dizzying heights without well-grounded reasons.

This concern is generally accentuated when the company replies that they are not aware of any reasons which could warrant the substantial surge in price and/or volume. Such replies are pieces of information that minority shareholders should consider when making their informed investment decisions. The anecdotal question that minority shareholders should ask themselves is - 'So, what gives?'

For Genetec, minority shareholders may wish to consider whether the industry prospects (especially the EV prospects), and the resultant potential financial performance, warrant such optimism and astronomical rise in share price within the short time span.

Interestingly, the company's largest shareholder and co-founder, Chen Khai Voon has been mopping up Genetec shares from the open market – upping his direct stake from 11.02% on 1 July to 12.155% as of 22 July. He also holds a 7.1% indirect stake in the company.

MSWG would like to remind minority shareholders to exercise due diligence, given that Genetec's stock price has skyrocketed 406% between its closing price of RM3.70 on May 31 and RM18.72 at the time of writing (22 July).

Our mantra of informed investment decision making continues to be relevant.

MSWG AGM/EGM Weekly Watch 26 – 30 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.

Date & Time	Company	Quick-take
26.07.21 (Mon) 10.00 am	CYL Corporation Bhd (AGM)	Notwithstanding a marginal decline in revenue to RM41.34 million for FY2021, CYL recorded significantly higher net profit of RM1.6 million during the year as compared to RM158,092 in FY2020 due to lower resin prices throughout FY2021.
27.07.21 (Tue) 10.00 am	Sapura Energy Bhd (AGM)	Sapura Energy recorded a net loss of RM160.9 million in FY2021, a significant reduction from the net loss of RM4.6 billion posted in FY2020. Its revenue declined 17% year-on-year to RM5.3 billion compared to the RM6.4 billion recorded in FY2020. This is reflective of the pandemic's disruptive impact on the Group's business, following shocks to the oil and gas market and radical adjustments to the industry's standard operating procedures.
28.07.21 (Wed) 10.00 am	Systech Bhd (AGM)	Systech's revenue decreased y-o-y by 19% to RM22.8 million in FY2021 (FY2020: RM28.1 million) mainly due to the softening market within the segment of e-Business solutions and e-Logistics solutions. However, the decrease was cushioned by the higher revenue from the CyberSecurity solutions and services segment.

		It recorded a loss of RM0.4 million in FY2021 as opposed to a profit of RM0.2 million in FY2020. The Covid-19 pandemic continues to impact the Group's business. Nevertheless, the Group sees strong potential growth in CyberSecurity solutions segment as more businesses are aware of the importance of cyber security measures.
28.07.21 (Wed) 02.00 pm	Crescendo Corporation Bhd (AGM)	Crescendo's revenue for FY2021 stood at RM223 million resulting in a net profit of RM27 million. The Group's current financial performance reflected the resilience and adaptability of our businesses during a challenging year.
29.07.21 (Thur) 11.00 am	Tiger Synergy Bhd (EGM)	The proceeds to be raised from the Proposed Rights Issue with Warrants are intended to be utilised mainly for funding for existing and future property development projects of the Group, repayment of borrowings and working capital.
30.07.21 (Fri) 11.00 am	SWS Capital Bhd (EGM)	SWS is planning to undertake a private placement after completing a placement in February. The bulk of the proceeds from the proposed private placement will be utilised to pare down its debts. The Company should consider to be more productive with the proceeds of the placement such as utilising the funds for ventures that will enhance the Company's profitability.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
CYL Corporation Bhd (AGM)	CYL recorded higher net profit of RM1.6 million in FY2021 as compared to net profit of RM158,092 in FY2020, mainly due to lower resin prices throughout FY2021.

	<p>What is the outlook for resin prices in FY2022? How will the Group manage the fluctuation in raw material prices? Does CYL hedge its exposure towards resin?</p>
<p>Sapura Energy Bhd (AGM)</p>	<p>The Acceleration Programme aims to generate savings valued at RM1.3 billion, of which more than half has been implemented to date. (Page 16 of AR)</p> <p>a) What is the balance of savings to be generated? When does the Company target to generate this balance of savings?</p> <p>b) Please provide details of savings of RM430 million from the balance of RM0.65 billion which the Group has achieved as at April 2021?</p> <p>c) Will the Group be able to return to profitability with the savings of the RM1.3 billion? If yes, by when?</p>
<p>Systech Bhd (AGM)</p>	<p>On 20 September 2016, SysArmy Sdn. Bhd. was awarded the MSC Malaysia Status and is entitled to enjoy tax exemption of 100% for its statutory income derived from its MSC Malaysia Qualifying Activities under the Promotion of Investment Act, 1986 for a period of five (5) years until 19 September 2021 (Note 30, page 81 of AR2021).</p> <p>a) What is the possibility of SysArmy Sdn. Bhd. receiving an extension for its MSC Malaysia Status?</p> <p>b) Given that CyberSecurity business carried out by SysArmy Group became the lead segment with 42% contribution of revenue and RM1.5 million profit to the Group in FY2021 (pages 6&70 of AR2021), to what extent will the upcoming expiration of SysArmy Sdn. Bhd.'s MSC Malaysia Status impact the Group's bottom line going forward?</p>
<p>Crescendo Corporation Bhd (AGM)</p>	<p>The Group remains cautious in its properties' launches and will seek to adapt, strategise and seize opportunities from whatever the future property market environment may bring. (Page 25 of AR)</p> <p>a) What were the property launches in FY2021 and the Gross Development Value of each property project?</p> <p>b) Is the Group looking to increase its landbank? What are the potential locations the Group is looking at?</p>
<p>Tiger Synergy Bhd (EGM)</p>	<p>The Company is now proposing a rights issue of shares of 3 new shares for every 4 shares held at an issue price to be determined later together with 3 free warrants for every 4 shares held. The Company expects to raise RM12 million from the rights issue.</p>

	<p>a) When does the Board expect to turnaround the Group as the Group's business is predominantly in property development that is facing a sluggish property market?</p> <p>b) What are the measures that the Group has taken to mitigate the Group's losses and how successful have these measures been?</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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