



## MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

# The Observer

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**24.03.2023**

### ❖ **Toyo Ventures earns ire of Bursa Malaysia for withdrawing the declared dividend**

The above headline speaks loud and clear that public listed companies (PLCs) must be mindful and prudent when declaring dividends.

They must be careful to ensure that they are able to facilitate the dividend payout exercise. PLCs must ensure that there can be no retraction or withdrawal once a dividend is declared.

Bursa Malaysia Securities Berhad had on 8 March publicly reprimanded Toyo Ventures Holdings Berhad, which had on 31 January 2022, withdrawn its proposed final dividend of one sen per share after it had been proposed on 30 November 2021. The declaration of the one sen dividend was in respect of the financial period ended 30 September 2021 (FPE2021).

The withdrawal by Toyo Ventures contravened paragraph 8.26(1) of the Main Market Listing Requirements (MMLR), which explicitly states that once a dividend has been declared or proposed, a listed issuer must not make any subsequent alteration to the dividend entitlement.

Toyo Ventures is an investment holding company whose subsidiaries are principally involved in the manufacture of printing inks, colour masterbatch, EDM Cut wires, EDM graphite electrodes and the trading of printing consumables and equipment, component automotive refinish system and electrical discharge machining (EDM) tools, and consumables and CNC Machinery.

While the market regulator did not find any of Toyo Ventures' directors to have caused or permitted the breach by the company, it nevertheless highlighted that the directors must maintain appropriate standards of responsibility and accountability in ensuring compliance with the MMLR.

“Bursa Malaysia Securities views the breach seriously as the requirement not to make any subsequent alteration to the dividend entitlement is a fundamental obligation of listed companies and of paramount importance in ensuring market certainty and

integrity and that the interests of shareholders and investors are not compromised," it further justified," said the regulator in a media release.

### **How did it happen?**

To begin with, Toyo Ventures had on 30 November 2021 announced a proposed final single-tier dividend of 1 sen per share for its FPE2021.

The company had incurred a net loss of RM13.14 million for its three-month ended 30 September 2021 and an accumulated loss of RM12.92 million for the 15-month FPE2021 when it announced the quarterly result on 30 November 2021 (Q5FPE2021).

Despite the loss-making position, Toyo Ventures decided to forge ahead with its proposed dividend decision as it still had sufficient retained earnings brought forward from previous financial years.

However, the company decided to withdraw its proposed dividend exercise on 31 January 2022 due to insufficient retained earnings. The insufficiency arose from certain adjustments made in its audited financial statements for the 15-month FPE 30 September 2021 which was issued on 31 January 2022. These adjustments should have been taken into account in the Q5FPE2021 or earlier quarters.

In this case, PLCs must be aware of their financial condition before proposing dividends. Sometimes, unaudited figures may not be a good gauge especially when external auditors are not engaged on a quarterly basis to review their numbers. The reliability of the unaudited quarterly results in such instances are only as good as the finance function is.

Smaller PLCs may not want to incur the fees of engaging external auditors to review their numbers quarterly before their results are announced.

As such, when provisions are required or impairments are made after the external audit, there can be a material deviation in the reported earnings, resulting in nasty surprises like the need to withdraw proposed dividends due to insufficient retained earnings or on a worst-case scenario, suddenly finding themselves as a Practice Note 17 affected company.

It should be noted that Section 131 of the Companies Act 2016 states that a dividend is to be paid out from the company's profits, and the dividend should not be paid if the distribution will cause the company to be insolvent.

### **Rare but not unprecedented**

Toyo Ventures is not the first PLC to have withdrawn a dividend that has been declared or proposed, although such action is more of a rarity than a norm.

For the uninitiated, a proposed dividend is recommended by board of directors (BOD) at the end of a financial period.

Directors must satisfy that the company will be solvent after the distribution is made. Some factors to be considered are the level of available cash and cash equivalents, level of retained earnings, future funding needs, and working capital requirements.

Affin Bank Berhad had, during the height of the COVID-19 pandemic (April 2020), intended to revise the quantum of its interim dividend to 5 sen from 7 sen per share in respect of the financial year ended 31 December 2019.

The Bank considered the revision a prudent approach towards preserving its capital and liquidity given the prevailing economic situation then. With that, it had sought the approval of Bursa Malaysia Securities for a proposed waiver in respect of the revision of dividend as it is not in compliance with Paragraph 8.26(1) of the MMLR.

However, Bursa Malaysia rejected Affin Bank's application for waiver and thus the quantum of dividend reverted to the 7 sen per share proposed earlier.

At the height of the COVID-19 pandemic, major banks like HSBC scrapped their dividends to preserve capital, and so did other global peers, notably the Royal Bank of Scotland and Barclays, which reportedly said they would cancel any outstanding dividend payments.

Ironically for Affin Bank, it was the 'odd one out' given that no other Malaysian banks were known to have sought to reduce their proposed dividends.

In both Affin Bank's and Toyo Ventures' cases, Bursa Malaysia contended that once a dividend is announced to the exchange, its listing requirements prohibit any alteration to the dividend entitlement declared or proposed to shareholders.

The rationale for such requirements, according to the market regulator, is to safeguard both the investors' and shareholders' interest since dividend entitlement and payment form part of the key considerations in making their investment decision; because investors would have made their informed investment decisions based on the declared dividends.

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

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### **MSWG AGM/EGM Weekly Watch 27 – 31 March 2023**

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

<b>Date &amp; Time</b>	<b>Company</b>	<b>Quick-take</b>
27.03.23 (Mon) 10.00 am	Classita Holdings Berhad (fka Caely Holdings Bhd) (EGM)	Classita proposed to raise between RM30 million and RM96.54 million from a rights issue exercise for its property development and construction business. Most of the

		<p>proceeds will go to a mixed commercial and residential development project in Bentong.</p> <p>MSWG will vote “against” the resolution as the Board should focus on resolving ongoing legal disputes and improving the business performance of its manufacturing business before raising funds to build more houses in Bentong.</p>
27.03.23 (Mon) 10.30 am	Visdynamics Holdings Berhad (AGM)	<p>The Group's revenue increased by 7% y-o-y to RM51.1 million (FY2021: RM47.9 million) mainly attributed by product mix, sales of products with higher average selling price and also the strengthening of US Dollar. Other Operating Income increased to RM3.93 million (FY2021: RM478,000) mainly due to the strengthening of the US Dollar during the year, which fetched an increase in realised and unrealised forex gains of RM547,000 and RM2.89 million respectively, as compared to the previous year. In line with the increase in revenue and gross profit margins, the Group recorded a higher profit before taxation of RM16.4 million (FY2021: RM12.5 million).</p>
27.03.23 (Mon) 12.30 pm	Visdynamics Holdings Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposal below:</p> <ul style="list-style-type: none"> <li>- Proposed bonus issue of new shares</li> <li>- Proposed bonus issue of free warrants</li> <li>- Proposed establishment of and employees' share option scheme</li> <li>- Proposed allocation of ESOS options to the eligible executive directors and persons connected to the eligible directors pursuant to the proposed ESOS.</li> </ul>
28.03.23 (Tue) 10.00 am	Wong Engineering Corporation Berhad (AGM)	<p>The group's FY2022 net profit slumped by 68% to RM3.3 million from RM10.2 million a year ago, with revenue falling 11% to RM74.7 million from RM83.9 million.</p> <p>The weak performance was attributed to its loss-making property and construction business, which</p>

		<p>slipped into a pre-tax loss of RM2.8 million from a pre-tax profit of RM7.4 million previously, mainly due to lower billings as its Kuchai Lama project draws to completion.</p> <p>Its precision engineering segment's pre-tax profit surged 131% to RM8.46 million, driven by strong demand from the electrical and electronics sector.</p>
28.03.23 (Tue) 10.00 am	G3 Global Berhad (EGM)	<p>G3 is tabling the following proposals for approval:</p> <ul style="list-style-type: none"> <li>- Proposed variation of the utilisation of proceeds raised from the private placement which was completed on 27 June 2022 to the current intended utilisation</li> <li>- Proposed private placement of up to 870.826 million new shares, representing 30% of its total number of issued shares</li> </ul>
29.03.23 (Wed) 03.00 pm	Nexgram Holdings Berhad (EGM)	<p>Nexgram proposed a debt settlement exercise with its creditors Dato' Yek Siew Lee (the MD of Nexgram), Travix Design &amp; Renovation Sdn Bhd and Midland Sands Sdn Bhd to be satisfied through the issuance of settlement shares and new irredeemable convertible preference shares (New ICPS).</p> <p>The Company also proposed Amendments to the Constitution of the company to reflect and incorporate the terms of the New ICPS.</p>
30.03.23 (Thur) 10.00 am	Bursa Malaysia Berhad (AGM)	<p>After two years of exemplary results, Bursa Malaysia posted weaker financial performance in FY2022.</p> <p>Its operating revenue declined 22.1% y-o-y to RM585.3 million from RM751.6 million in FY2021 due to lower contributions from the Securities Market. The division contributed 45% of Bursa Malaysia's revenue in FY2022.</p> <p>In turn, its net profit declined by 36% yoy to RM226.6 million for FY2022 on lower securities trading value.</p>

		The Securities Market's average daily trading value for on-market transactions of RM2.1 billion was 41.5% lower than RM3.5 billion recorded in FY2021.
30.03.23 (Thur) 10.00 am	MYNews Holdings Berhad (AGM)	<p>Mynews recorded a revenue of RM631.33 million for FY2022, a 60.1% y-o-y increase compared to last year's revenue of RM394.37 million.</p> <p>The increase was principally contributed by new outlets, longer business hours, coupled with the improvement in the overall in-store sales as business and social activities were free from pandemic induced restrictions faced in FY2021.</p> <p>Correspondingly, its net loss for FY2022 was 52.8% lower at RM23.60 million, against RM49.97 million in the preceding year.</p>
30.03.23 (Thur) 10.30 am	Eco World International Berhad (AGM)	Eco World International reported RM160 million revenue and RM233 million loss after tax for FY2022. The revenue was driven by handover of units in Yarra One and West Village, while the loss was mainly due to impairment in EcoWorld Ballymore and share of losses in joint ventures
31.03.23 (Fri) 10.30 am	Hextar Global Berhad (EGM)	Hextar Global proposed to issue up to 2.63 billion new bonus shares on the basis of two bonus shares for every one existing Hextar Global share held.
31.03.23 (Fri) 11.00 am	SC Estate Builder Berhad (EGM)	The Company is tabling a proposal for appointing auditors Messrs ChengCo PLT (AF0886) in place of Messrs Ong & Wong (AF0241), who have retired as Auditors of the Company.

**One of the points of interest to be raised:**

<b>Company</b>	<b>Points/Issues to Be Raised</b>
Classita Hodings Berhad (fka Caely Holdings Bhd) (EGM)	<p>It has been close to seven months since the new board lineup was appointed on 29 August 2022 following a Court Order dated the same day.</p> <p>However, Classita continued to face a host of unresolved issues, including legal disputes (pages 37 – 43 of Circular dated 10 March 2023), allegations of suspicious and irregular transactions, alleged funds misappropriation by former directors and loss-making businesses.</p> <p>To regain shareholders' confidence and for the long-term business sustainability of Classita, should the Board not focus on</p>

	<p>resolving these legal issues before embarking on this major fundraising exercise to further expand the property development business?</p> <p>Why did the Company not focus on turning around the existing property projects before embarking on an expansion drive?</p>
<p>Visdynamics Holdings Berhad (AGM)</p>	<p>The United States of America ("US") has recently imposed sweeping restrictions which prohibit the sale of cutting-edge semiconductor chips and advanced equipment to China, as well as knowledge from any US citizens, residents and green card holders.</p> <p>What is the Board's view on the impact of the new controls to the Group's business? To what extent is the US's new restrictions a threat or an opportunity to the Group?</p>
<p>Wong Engineering Corporation Berhad (AGM)</p>	<p>The Group has contracted to acquire new CNC fibre laser combination machines and press brakes for sheet metal bending. Furthermore, the Group is currently in the process of constructing a new factory cum warehouse on Lot 25, with completion set for the second half of 2023 (page 17 of AR2022).</p> <p>a) How much of an increase in productivity, revenue and profitability does the Group expect to achieve as a result of the new machines and factory?</p> <p>b) How does the Group plan to leverage on its new plant and machinery to expand into new markets or sectors, and were these investments made in response to market demand or as part of a broader strategic plan?</p> <p>c) What is the current utilization rate at your existing factory?</p>
<p>G3 Global Berhad (EGM)</p>	<p>Considering that the Company completed a private placement exercise in 2022, what are the compelling reasons for G3 Global to opt for another private placement instead of a rights issue as the former method of fund raising does not provide an opportunity for existing shareholders to increase their equity stake further and to participate in the growth of the Company and will also dilute their existing shareholdings? Is the proposed private placement a fair method of fund raising for the existing shareholders?</p>
<p>Bursa Malaysia Berhad (AGM)</p>	<p>The high-profile collapse of crypto exchanges and hedge funds in 2022, i.e., FTX, Three Arrows Capital exposed the regulatory and oversight weaknesses of the crypto industry. Nevertheless, it shows increasing demand for such products, especially among young and technology-savvy investors.</p> <p>With its extensive regulatory and compliance experience, will the Exchange consider tapping into these areas to expand its range of products and services?</p>
<p>MYNews Holdings Berhad (AGM)</p>	<p>What were the reasons for the 111.9% jump in inventories written off and wastages from RM9.882m for FY2021 to RM20.944m for FY2022 (page 124 of Annual Report 2022) when the group's revenue increased by 60.1% during the same period and when the group was experiencing business recovery from Covid-19 pandemic?</p>

<p>Eco World International Berhad (AGM)</p>	<p>The Board of Eco World International has set a sales target of RM1.4 billion for FY2023 with the intention of selling most of the completed units by October 2023. (Page 26 of IAR)</p> <p>a) Please provide a breakdown of the sales target of RM1.4 billion by region, location, and value of the property projects respectively.</p> <p>b) What is the value and number of units of completed properties that remain unsold in UK and Australia respectively as of FY 2022?</p>
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#### **MSWG TEAM**

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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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