



# The Observer

**27.08.2021**

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## ❖ When no news is not necessarily good news

On 2 July 2021, Serba Dinamik Holdings Berhad had appointed Ernst & Young Consulting Sdn. Bhd. (EY) as the special independent reviewer to assist the Board in undertaking a special independent review (SIR). The SIR is to ascertain the truth and veracity of certain matters highlighted by the former external auditor, KPMG PLT.

It is going to be close to two months now and, to-date, the Company has not announced an indicative date as to when the SIR report will be available. The SIR is not an external audit of the financial statements and its scope is limited to the matters highlighted by KPMG. Surely, between the Company and EY, by now, they should be able to iron out an indicative date for the release of the SIR report and the findings thereof.

Serba Dinamik should provide an indicative date as to when the SIR report will be available to provide some comfort to the minority shareholders as to when they can expect this major milestone to be reached. Bursa Malaysia should also liaise with the Company to elicit an announcement of this indicative date.

Otherwise, no news may not necessarily be perceived as good news by minority shareholders; the longer it takes, the greater the uncertainty amongst minority shareholders.

## Looming Deadline

The external audit deadline of 31 October 2021 for Serba Dinamik's accounts for financial year ended 30 June 2021 is fast approaching, and the last thing that minority shareholders want to hear is an extension of time for the issuance of the external audit report. Such an extension will add further uncertainty to minority shareholders.

The audit committee should be meeting more often to oversee the audit process and to ensure that all necessary information is made available to the external auditors. The audit committee must ensure that the audited financial statements are issued by the October 31 2021 deadline.

At the end of the day, both the Board and the external auditor report to the shareholders.

## **Conundrum of sorts**

There may be a risk that both the SIR and the external auditor are waiting for each other to finish their respective work so that they can rely on the other's findings. However, the external auditor does not have the luxury of time due to the looming deadline.

As for the SIR, it would be perplexing if their report came out after the external audit report given that the former's scope of work is limited to only to the truth and veracity of certain matters as opposed to the external auditor's full audit of the financial statements.

## **Visibility**

Minority shareholders want visibility. They want visibility as to when the SIR report will be released along with the findings – even an indicative date will suffice given that nearly 2 months has lapsed since the appointment of the SIR reviewer.

It would be good, and both comforting and assuring, if the Company can make a commitment that things are on-track to release the audited financial statements before the deadline. This is not a typical announcement that a PLC makes, but given the circumstances, it would be both understandable and reassuring.

## **❖ Tiger Synergy's latest fundraising exercise sparks feud with substantial shareholder – yet again!**

On 29 July 2021, shareholders of Tiger Synergy Bhd had approved the latest round of rights issue exercise despite opposition by substantial shareholder Safari Alliance Sdn Bhd which holds a 10.89% stake in the company.

The resolution on the proposed rights issue of up to 1.1 billion new shares together with 1.1 billion free detachable warrants was approved by nine shareholders who collectively held 68.41% of the total voted shares.

Even as the outcome of the EGM was clearly in favour of the company, it must be borne in mind that just 48 hours prior to its EGM, Safari Alliance had challenged the board of Tiger Synergy to swiftly address a string of concerns raised by shareholders before embarking on yet another round of fund raising.

Towards this end, Safari Alliance had urged both Tiger Synergy's institutional and minority shareholders to demand clarification from its board on a series of financial transactions and developments conducted by the company recently.

In fact, Safari Alliance had on 19 July 2021 filed a lawsuit against Tiger Synergy and its board in a bid to clarify material information as well as to declare the EGM notice null and void.

The defendants are namely executive chairman Datuk Tan Wei Lian, deputy chairman and managing director Tan Lee Chin, executive director Datin Sek Chian Nee, non-independent non-executive director (NINED) Chua Eng Chin and

independent non-executive directors namely Datuk Khoo Seng Hock, Datuk Lee Yuen Fong, Low Boon Chin, and Datin Sulizah A. Salam.

### **More questions than answers**

In a media statement, Safari Alliance's director Goh Ching Mun questioned the status and details of RM39.3 million advances paid to an alleged contractor for pre-construction costs towards end-2019 and recorded as a receivable.

"This type of payment was not within the represented intended use of funds for the fund raising conducted in 2018. Before the company can embark on yet another fund-raising exercise, there should be full and frank disclosure as to why this sum was not collected," he said.

Besides, he demanded the Board to provide updates on the status of development projects announced by Tiger Synergy in recent years, financial transactions made in relation to these projects as well as particulars and circumstances in which a sum of RM39.30 million was paid to an alleged contractor.

He lamented that it made no sense to continuously dilute the value of shares through fund raising exercises while tangible developments said to be carried out are nowhere in sight.

He further noted that Tiger Synergy had raised RM84 million via issuance of new shares in FYE 31 December 2019. In addition, he said the absence of movement in the current property development cost from 2018 till now suggests money raised were not spent towards property development.

Tiger Synergy has been incurring losses since FYE2015. For its FYE2019, which was its latest full financial year – the company posted a net loss of RM9.3 million from a revenue of RM19.85 million.

As for the 15-month financial period ended 31 March 2021 (the company changed its financial year-end to 30 June 2021 from 31 December 2020 previously), Tiger Synergy saw its net loss widening to RM21.28 million on the back of RM7.71 million in revenue.

Note that this is the second financial year-end (FYE) change for Tiger Synergy after having changed its FYE to 31 December 2019 (on 26 September 2019) to provide adequate time for its newly appointed auditors to perform and complete the company's FYE audit.

As per its Annual Report 2019, the company had RM2.18 million in cash and cash equivalents and RM7.68 million in net borrowings as of 31 December 2019, resulting in a net debt position of RM7.88 million.

Its share price is currently hovering at 5 sen which is close to its 52-week low of 4.5 sen (52-week high: 17.5 sen).

### **Another clash**

This is not the first time that Safari Alliance openly opposed Tiger Synergy for what the former perceived as misdeeds by the latter's board of directors.

Recall that back in March 2020, Safari Alliance had initiated an EGM to remove all seven of Tiger Synergy's directors including Datuk Tan, Tan Lee Chin and Datin Sek Chian Nee, but failed in its bid as 65% of shareholders voted against the removal.

A month before the EGM, Goh had also sued the company to invalidate an EGM notice issued by the board and scheduled for 20 February 2020. At the time, Goh had a 13.43% direct stake in Tiger Synergy and 11.83% indirectly via Safari Alliance. Following the defeat, Goh had gradually pared down his direct stake in Tiger Synergy to 8.93% as of 24 August 2021.

Describing the move as a "hostile takeover", Tiger Synergy's chairman Datuk Tan said the support from the company's minority shareholders was premised on the board's experience in managing the company over the years.

Meanwhile, Safari Alliance was of the view that its main bone of contention was due to the lack of transparency in Tiger Synergy's fundraising exercise undertaken in the past 18 months before the EGM. Of concern is that over RM100 million has been raised but this is not reflected in terms of profits nor in its business activity.

On 12 February 2020, Tiger Synergy proposed a rights issue exercise involving 738.44 million shares to raise RM29.54 million as well as a private placement of up to 30% of its enlarged share issue to raise RM50.51 million.

Up to RM23.6 million from the rights issue would be used towards general working capital and RM5.06 mil for the repayment of bank borrowings.

Meanwhile, the RM36.86 million raised from the private placement would be utilised for property development expenses, general working capital (RM6.55 million) and repayment of bank borrowings (RM6.3 million).

Speaking in defence of Tiger Synergy, executive chairman Datuk Tan said the company will be converting the land earmarked for PR1MA homes to landed property development. The termination of the affordable housing plan was due to the change of government during the 14<sup>th</sup> General Election (14GE).

## **Verdict**

Set against the above situation, with both the substantial shareholder and the board of directors at odds regarding the business direction of the Tiger Synergy, minority shareholders should be wary.

Given the fluid situation at Tiger Synergy as proven by the chain of events over the past two-and-a-half-years – and amid uncertainties enveloping the real estate sector amid an unabated spike in the number of COVID-19 cases – minority shareholders must also take note that the company is a loss-making property developer who has been in the red since its FY2015.

**Devanesan Evanson**

## Chief Executive Officer

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### MSWG AGM/EGM Weekly Watch 30 August – 3 September 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](http://www.mswg.org.my).

<b>Date &amp; Time</b>	<b>Company</b>	<b>Quick-take</b>
30.08.21 (Mon) 10.00 am	Quality Concrete Holdings Bhd (AGM)	Despite having to cease most of its business activities during MCO period, the Group still managed to register higher revenue at RM141.7 million as compared to RM132.8 million recorded in the preceding year. Profit before tax stood at RM3.4 million which is a vast improvement compared to the loss before tax of RM1.4 million recorded in the year before. The improvement in the overall results was mainly attributable to better performance from Property and Construction Segment.
30.08.21 (Mon) 11.00 am	NWP Holdings Bhd (AGM)	<p>For the 18-month FPE 28 February 2021, NWP registered a revenue of RM8.09 million, which is a slight increase of RM1.19 million or 17.2%, as compared to RM6.90 million in FYE2019. The overall revenue is lower in the current financial period under review due to shortage of log supplies and disruption in shipment as a result of the lockdown in both China &amp; Malaysia.</p> <p>Net loss amounted to RM 10.69 million after taking into account the impairment loss on plant and machineries, receivables and inventories.</p>
30.08.21 (Mon) 02.00 pm	Panasonic Manufacturing Malaysia Bhd (AGM)	The Company's profitability was affected by the ongoing pandemic for FYE 2021. However, the bright spark was that revenue from export sales actually went up during this period. The Company should explore more opportunities

		to grow its export markets as sales from these markets was more encouraging than domestic sales.
01.09.21 (Wed) 09.30 am	AYS Ventures Bhd (AGM)	The Group's profit before tax improved to RM28.924 million in the FYE 2021 from a loss of RM7.781 million in the FYE 2020. The improvement was mainly due to higher average selling prices, which was in tandem with the global steel price trends.
01.09.21 (Wed) 10.30 am	XL Holdings Bhd (AGM)	The Covid -19 pandemic had resulted in more people staying indoors and many had taken up rearing fishes as a hobby and this had been positive for the Company's sales. The Company should explore ways to tap more extensively into this burgeoning market. For FYE2020, the productivity of its fish farming business was affected by adverse weather conditions and the Company should look into ways to mitigate the effects of the changing climate to increase the productivity.
02.09.21 (Thur) 10.00 am	AMMB Holdings Bhd (AGM)	<p>Despite improvement in pre-provisioning and settlement operating profit to RM2.42 billion from RM2.12 billion the year before, AMMB recorded net loss of RM3.8 billion, primarily due to the RM2.83 billion settlement goodwill impairment amounted to RM1.79 billion.</p> <p>The Board and management are expected to field questions from shareholders in relation to the RM2.83 billion settlement with MoF as well as the party accountable during the upcoming AGM.</p>

<b>One of the points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>

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<p>Quality Concrete Holdings Bhd (AGM)</p>	<p><b><u>Trade and Other Receivables</u></b></p> <p>a) Included in trade receivables are amounts due from related parties totalling RM757,000 (FY2020: RM166,000) due from companies in which certain directors of the Group have substantial financial interest and from an associate (Pages 138-139 of Annual Report 2021).</p> <p>i. What are the measures taken to collect the receivables?</p> <p>ii. How much of the amounts due from the related parties have been recovered to-date?</p> <p>b) Included in other receivables are amounts due from related parties totalling RM888,000 (FY2020: RM151,000) (Page138 of Annual Report 2021).</p> <p>i. What is the nature of the abovementioned amounts due from related parties?</p> <p>ii. What are the measures taken to collect the receivables?</p> <p>iii. How much of the amounts due from the related parties have been recovered to-date?</p>
<p>NWP Holdings Bhd (AGM)</p>	<p>1. In the financial period ended 28 February 2021 (FPE2021), the Group recorded a gross loss of RM2,687,159 (FY2019: Gross loss of RM2,347,294) when the cost of sales of RM10,776,490 is higher than the revenue of RM8,089,331 (Page 45 of Annual Report 2021).</p> <p>a) What are the reasons for the Group to record a gross loss? What has made the cost of sales higher than the revenue? Alternatively, what is the need to sell below the cost of sales?</p> <p>b) What are the steps taken by the Board to achieve a gross profit margin?</p> <p>2. What are the reasons for the significant increase in administrative and general expenses from RM2,467,800 in FY2020 to RM5,427,442 in FPE2021 (Page 45 of Annual Report 2021)?</p> <p>3. The total fee for the outsourced internal audit function of the Company during the FPE2021 (18-month) was RM12,000 (Page 27 of Annual Report 2021).</p>

	<p>Given that the fee is rather small (approximately RM667 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function? What are the areas covered by the internal audit function? How many internal audit reports were issued during the said period?</p>
<p>Panasonic Manufacturing Malaysia Bhd (AGM)</p>	<p>For FYE March 31, 2021, the Company's revenue from domestic sales declined by 19% from RM426.6 million in FYE 2020 to RM344 million. The decline was mainly due to Covid-19 pandemic. (Page 9 of AR 2021)</p> <p>a) What are the Company's strategies in arresting the decline in domestic revenue for FYE 2022?</p> <p>b) Is the Company looking out for new export markets to increase sales and if yes, what are these markets?</p>
<p>AYS Ventures Bhd (AGM)</p>	<p>The Group's 51%-owned subsidiary, Steelar Pte Ltd ("Steelear") recorded a significant increase in its profits from RM2,863,000 in FYE2020 to RM11,338,000 in FYE2021 (Page 124 of Annual Report 2021).</p> <p>a) What are the main reasons for Steelar to record a significant increase in its profits? Is the good performance sustainable?</p> <p>b) As Steelar is under the Group's regional perspective (Page 26 of Annual Report 2021), what are the Group's plans for Steelar, moving forward?</p>
<p>XL Holdings Bhd (AGM)</p>	<p>The Company's Fish Farming segment experienced a fall in productivity arising from rising temperatures brought about by global warming. (Page 17 of AR 2021)</p> <p>a) What are the measures put in place by the Company to mitigate this phenomenon and address the falling productivity?</p> <p>b) What was the loss in productivity to the Company due to these extreme weather conditions in FYE 2021?</p>
<p>AMMB Holdings Bhd (AGM)</p>	<p>AMMB will dispose its stake in AmGeneral Insurance Berhad to Liberty Insurance Berhad for RM2.29 billion. Upon completion of the disposal, AMMB will be holding 30% stake in the later merged insurance entity. At the same time, AMMB will also be entering into a 20-year new bancassurance partnership. For FY2021, AmGeneral Insurance recorded net profit of RM232.5 million (FY2020: RM228.1 million).</p>

	What is the impact of this divestment on the Group's earnings moving forward? To what extent that the 20-year bancassurance agreement able to offset the divestment impact on earnings? How does the Group plan to utilize the proceeds?
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## MSWG TEAM

Devanesan Evanson, Chief Executive Officer, ([devanesan@mswg.org.my](mailto:devanesan@mswg.org.my))  
Linnert Hoo, Head, Research & Development, ([linnert.hoo@mswg.org.my](mailto:linnert.hoo@mswg.org.my))  
Norhisam Sidek, Manager, Corporate Monitoring, ([norhisam@mswg.org.my](mailto:norhisam@mswg.org.my))  
Lee Chee Meng, Manager, Corporate Monitoring, ([chee.meng@mswg.org.my](mailto:chee.meng@mswg.org.my))  
Elaine Choo Yi Ling, Manager, Corporate Monitoring, ([elaine.choo@mswg.org.my](mailto:elaine.choo@mswg.org.my))  
Lim Cian Yai, Manager, Corporate Monitoring, ([cianyai@mswg.org.my](mailto:cianyai@mswg.org.my))  
Ranjit Singh, Manager, Corporate Monitoring, ([ranjit.singh@mswg.org.my](mailto:ranjit.singh@mswg.org.my))  
Rita Foo, Manager, Corporate Monitoring, ([rita.foo@mswg.org.my](mailto:rita.foo@mswg.org.my))  
Nor Khalidah Mohd Khalil, Executive, Corporate Monitoring, ([khalidah@mswg.org.my](mailto:khalidah@mswg.org.my))

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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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