MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

04.06.2021

The Minority Shareholders Watch Group is now on Twitter. The presence at Twitter is the first step for us to create strong social media presence and engage with our stakeholders more effectively. Do follow MSWG's Twitter account at @MSWGMalaysia and share your thought on our tweets from time to time.

Boardroom dispute not an excuse for late submission of financial statements

Asia Media Group Berhad has learned the hard way that its dilly-dallying in the submission of its annual report and quarterly financial statements can land its directors in hot water.

Every listed issuer must pay heed that the deadline for submission of annual report and quarterly financial statements must be strictly adhered to. The market regulators hardly accept excuses; internal conflicts/disputes and board tussles are definitely not acceptable.

The former board of Asia Media claimed that boardroom dispute and constant disagreements among the board members had led to the late submission of its annual report and financial statements. It had also hindered directors' ability to carry out their duties to ensure timely issuance of the AR2018.

Such contravention is a serious offence as timely submission of financial statements is one of the fundamental obligations of listed companies and is of paramount importance to aid informed investment decisions.

This public reprimand meted on Asia Media by Bursa Malaysia Securities Bhd will serve as a good lesson for local PLCs.

What went wrong?

On 1 June, the broadcasting, advertising and digital media company was publicly reprimanded by Bursa Malaysia Securities for breaches of:

• Paragraph 9.23(1) of the Main Market Listing Requirements (Main LR) for failing to issue the annual report that included the annual audited financial statements together with the auditors' and directors' reports for the financial year ended 31 December 2018 (AR2018) on or before 30 April 2019; and

• Paragraph 9.22(1) of the Main LR for failing to announce the quarterly report for the financial period ended 30 June 2019 (Q2FY2019) on or before 31 August 2019.

Asia Media had only issued/announced the AR2018 and Q2FY2019 on 25 October 2019 after a delay of almost six months and two months respectively.

Towards this end, four former Asia Media directors namely Wong Shee Kai (executive director & CEO), Ong Kar Kian (executive director), Paul Jong Jun Hian (independent non-executive director, INED/audit committee chairman), Ong Chooi Lee (INED/audit committee member) were publicly reprimanded and fined for breach of paragraph 16.13(b) of the Main LR for permitting knowingly or where they had reasonable means of obtaining such knowledge for Asia Media to commit the breach of paragraph 9.23(1) of the Main LR.

Asia Media's failure to issue the AR2018 on time was due to the failure:

• To furnish the relevant information and documents to the external auditors, particularly the management accounts on time

• To address and resolve the key audit issue on impairment loss of the broadcast infrastructure and broadcasting licenses of RM12.9 million which represented 59.7% of the company's net assets as of 31 December 2018. This issue was specifically highlighted by the external auditors as the main key audit matter in the audit planning memorandum and the auditors' report of the audited financial statements for FY2016 and FY2017.

The four former directors had failed to discharge their duties to ensure timely issuance of AR2018 and the financial statements. They also failed to address and resolve the key audit issue despite the materiality of the issue.

The directors had represented that there was a boardroom dispute and that the constant disagreements among the board members had led to the delay or affected the ability of the directors to carry out their duties to ensure the timely issuance of the AR 2018.

However, Bursa Malaysia Securities stated that the boardroom dispute was a distinct and irrelevant issue towards the audit for FYE 31 December 2018.

Consequently, the failure to issue the AR 2018 had also led to the delay in issuance of the 2nd quarter financial information for FY2019.

Both the AR 2018 and the 2nd Quarter financial information for FY2019 were only issued on 25 October 2019, after the removal of the four former directors and appointment of new directors via an EGM held on 29 July 2019.

Boardroom tussles tend to distract directors from their obligations to disseminate timely reliable financial information; but this should never be accepted as a valid excuse. Directors should be aware that, precisely in such times, they must remind themselves of the need to disclose timely reliable financial information.

The longer the delay the less useful the information becomes as the information becomes more historic and outdated. Timely financial information enables timely informed decision making by minority shareholders.

❖ Time to implement two-tier voting for the removal of external auditors

A controlling shareholder or parties acting in concert who have controlling shareholding (above 50%) can remove the external auditor at their whims and fancies as all that is required is a simple majority.

If they also sit on the board as EC/MD or EDs, there is a greater potential for conflict of interest as, being part of management, it would be their responsibility to ensure proper running of the business and to present true and fair financial statements. This is when there will be a greater potential for issues to come to an impasse between executive shareholder directors and auditors.

A simple example will be a major shareholder (above 50%) who is also the EC of the PLC – the controlling shareholder can, at his own volition, remove the external auditor by outvoting all the other shareholders. A quick check will indicate that there are PLCs which have such controlling shareholders.

So, has the time arrived for us to implement two-tier voting when it comes to the removal of external auditors?

Two- tier voting is not new to the corporate governance landscape. Under the revised Malaysian Code on Corporate Governance 2021, companies are encouraged to adopt two-tier voting to retain independent directors who have served more than 9 years and who wish to continue their tenure as independent directors.

External auditors are an important cornerstone of CG as they are appointed by shareholders to report to shareholders. As such, greater protection should be offered to this important cornerstone of the quadrangular pillars that support good CG – the others being board, management and internal audit.

The two-tier approach empowers minority shareholders to play an effective role in promoting and upholding shareholder activism when it comes to deciding on the removal of external auditors.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 7 – 11 June 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
08.06.21 (Tue) 10.00 am	Malaysian Resources Corporation Bhd (AGM)	MRCB ended the FY2020 with RM1.2 billion revenue and a loss before tax of RM153 million which was largely impacted by impairment provisions totalling RM177.8 million on the recoverability of contract assets, trade and other receivables from certain completed construction projects impacted by COVID-19. Excluding these provisions, the Group recorded a profit of RM24.9 million.
08.06.21 (Tue) 11.00 am	Perak Corporation Berhad (EGM)	The EGM is to seek shareholders' approval for the proposed disposal of four pieces of vacant commercial land and one piece of vacant residential land located in Perak to Pertubuhan Keselamatan Sosial for a total cash consideration of RM78.7 million.
10.06.21 (Thur) 11.00 am	Kenanga Investment Bank Bhd (AGM)	KIBB recorded a strong financial performance in FY2020 thanks to the record high trading volume and trading value at local bourse. Its pre-tax profit rose to a high of RM134.7 million in 2020, vis-à-vis RM43.0 million in 2019. Net profit stood at RM102.3 million, almost five-fold over the previous year.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Malaysian Resources Corporation Bhd (AGM)	The Group invested RM301.8 million in unit trusts in FY2020. (FY2019: Nil) (page 93 of FS) a) What was the reason for investing in unit trusts? b) Which is the type of fund the Group has invested in?
Kenanga Investment Bank Bhd (AGM)	KIBB's Corporate Banking division managed a loan portfolio of about RM655 million as of 31 December 2020. a) Did the Corporate Banking division offer any form of payment relief measures to its borrowers? b) Has the Group seen a deterioration in the loan collection from borrowers arising from the economic slowdown due to COVID-19 impact?

	c) Is there an increase in borrowers' default risk? d) Is the Group required to increase the allowance for credit loss based on the assessment on macroeconomic outlook and borrowers' repayment ability?

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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.