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

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❖ Five key financial ratios for sound investment decisions

Financial or accounting ratios are the relative magnitude of two selected numerical values from an enterprise's financial statements. These standard ratios are used by managers, shareholders, investors and stakeholders to evaluate the overall financial condition of a firm.

Below are the five useful financial ratios to evaluate the financial performance of companies, and we may have seen these ratios in the annual reports of public listed companies (PLCs).

1. Operating profit margin (%)

This is one of the most critical yardsticks from the operational efficiency point of view. The formula is shown below:

Operating profit margin (%)	=	$\frac{\text{Operating profit/ profit from operations}}{\text{Revenue}} \times 100$

The above formula shows how profitable a company is. A high operating margin indicates a PLC has better earnings capability from its core business (operating profit excludes other income, etc.). This also means that the PLC is well-managed and attractive to investors.

Higher ratios are generally better, illustrating the company is efficient in its operations and is good at turning sales into profits.

2. Earnings per share (EPS)

EPS indicates the profitability of a business with how much money it makes for each of its shares. EPS equals the following:

$\frac{\text{Net Profit/Income}}{\text{Average Outstanding Shares}}$	*Or*	$\frac{\text{Net Profit/Income Minus Dividends to Preferred Shareholders}}{\text{Average Outstanding Shares}}$

A higher EPS suggests that the PLC's financial performance is improving, with a potential increase in the share price.

A series of past negative EPS with the latest positive EPS may indicate that the PLC is on the verge of a turnaround or a business performance recovery. This could drive upward momentum in the share price of the PLCs.

Meanwhile, the emergence of negative EPS after a series of positive EPS may indicate that the business is starting to face problems generating profit. Negative earnings can adversely impact the share price.

There are some limitations to using EPS to value a stock or company. Firstly, non-cash expenses such as depreciation and amortization are subtracted from net income, and the lumpy nature of capital expenditures can cause a company's net income to vary greatly across reporting periods.

Secondly, businesses can have different non-operating expenses, such as tax and interest payments, affecting net income. Looking at a company's net income alone doesn't accurately reflect its cash flow or the health of its business.

Additionally, companies can and do manipulate their EPS numbers by changing the number of shares outstanding. Share issuances, splits/consolidation, and stock buybacks all change the denominator by which net income is divided.

3. **Current ratio (also known as working capital ratio)**

The current ratio measures the liquidity of a business, gauging its ability to cover its short-term (within 12 months) obligations based on the existing current assets. Therefore, the current ratio is calculated by dividing current assets by current liabilities.

The current ratio of above 1 indicates that a business can meet its short-term liabilities (borrowing, etc.). For example, a PLC with a current ratio of 3 means the size of its current assets is thrice of its short-term liabilities.

In contrast, a ratio below 1 indicates that a business might struggle to meet its short-term obligations. In this context, the business faces liquidity issue.

4. **Debt-to-equity (D/E Ratio)**

The D/E ratio measures how much a company uses financial leverage compared to its equity to run its business.

The D/E ratio formula is as follows:

Total debt	÷	Total shareholders' equity

Generally, a D/E ratio of 1 or lower is considered healthy or less risky to lenders and shareholders. However, an acceptable or ideal D/E Ratio would vary from industry to industry.

A high D/E Ratio suggests elevated financial risk and increases shareholders' investment risk.

A low D/E Ratio will provide companies with sufficient headroom to finance their business growth or expansion and achieve an ideal capital structure mix between debt and equity levels.

5. Return on equity (ROE)

ROE is calculated by dividing net profit by total shareholders' equity. An ROE of between 15 and 20% is considered good, while an ROE of 5% is considered low. However, ROE's evaluation varies from industry to industry.

A high ROE may suggest that a PLC efficiently manages the shareholders' capital to deliver optimal returns and vice versa.

However, a low ROE may be due to the PLC's inefficiency elements. An exceptional shock external factor, such as the COVID-19 pandemic, can also adversely impact PLCs and other players in the same industry. In this case, ROEs will be affected.

Conclusion

The abovementioned financial ratios are useful for investors in evaluating a company's business performance. They should compare the financial ratios across different investee companies, industry averages, peers and close competitors. Doing so enables them to make informed investment decisions.

Norhisam Sidek
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 11 – 15 December 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.

Date & Time	Company	Quick-take
11.12.23 (Mon) 10.00 am	CTOS Digital Berhad (EGM)	CTOS is proposing the establishment of an ESOS comprising up to 1% of the total issued shares. The ESOS, effective for six years, aims to raise capital for the Group's working capital needs, including settling trade payables and covering marketing and administrative expenses. The funds generated from ESOS Options exercise will be utilized within 12 months.

		Additionally, there is a proposal to allocate ESOS options to the Executive Director and Group Chief Executive Officer of CTOS, Erick Hamburger Barraza, who was appointed on 30 September 2022.
12.12.23 (Tue) 10.00 am	Supercomnet Technologies Berhad (EGM)	The Group is seeking shareholders' approval for the Proposed Amendment to the Constitution of the Company. The Proposed Amendment is to increase the maximum number of directors in the Company from existing 9 directors to 10 directors, in order to facilitate and further enhance administrative efficiency.
12.12.23 (Tue) 10.00 am	Berjaya Land Berhad (AGM)	For FY2023, the Group reported higher revenue of RM7.27 billion, attributing the improvement to various business segments, notably the STM Lottery with a 32.1% revenue boost. The hotel sector thrived on global travel resumption, and property development and investment segments saw progress. The motor vehicle segment excelled due to local demand and global supply recovery. Despite challenges, the Group recorded a pre-tax profit of RM394.0 million, contrasting the previous year's loss. However, higher finance costs, inflation, and expenses impacted its profitability. The Group anticipates favourable conditions but acknowledges global uncertainties.
12.12.23 (Tue) 10.30 am	Ahmad Zaki Resources Berhad (AGM)	AZRB's revenue dropped by 47.4% y-o-y to RM380.4 million in FY2023 (FY2022: RM723.1 million). Overall, its Plantation, Engineering & Construction, and Property Divisions posted substantially lower revenue, partially negated the improved income from the O&G and Concession business segments. It incurred a pre-tax loss of RM70.9 million in FY2023 (FY2022: RM67.6 million), primarily caused by the Kalimantan plantation operations.
13.12.23 (Wed) 10.00 am	AWC Berhad (EGM)	AWC intends to seek shareholders' approval for the acquisition of a 49% stake in STREAM Group Sdn Bhd and 51% interest in Premium Patents Sdn Bhd for RM110 million (Proposed Acquisitions).

		Upon completion of the Proposed Acquisitions, STREAM Group will become a wholly-owned subsidiary of AWC, allowing AWC to streamline and fully consolidate the financial performance of Stream Group.
13.12.23 (Wed) 10.00 am	Jiankun International Berhad (EGM)	The Company is proposing the resolutions below for shareholders' approval: - Proposed Variation to the Terms and Conditions of the Proposed Acquisition of a Parcel of Leasehold Land in Klebang, Melaka measuring 40,469 Square Metres by Key Success Development Sdn. Bhd. (KSDSB), a wholly-owned subsidiary of Jiankun, from Cash Support Group Sdn. Bhd. (CSGSB) for RM26.00 million in cash - Proposed private placement of 95 million new shares to third-party Investors at an Issue Price of RM0.20 per share. - Proposed bonus issue of up to 265.8 million new warrants on the basis of 2 warrants B for every 1 existing share held.
13.12.23 (Wed) 10.30 am	Toyo Ventures Holdings Berhad (EGM)	TOYO has proposed settlement of RM354 million debts via the issuance of RM354 million nominal value of 5-year ICULS at 100% of its nominal value. To recap, the outstanding debts were incurred by TOYO to fund the initial development cost of a power plant in Vietnam. TOYO also proposed an establishment of an ESOS of up to 15% of the total issued shares to eligible directors and employees.
13.12.23 (Wed) 10.30 am	PLS Plantation Berhad (AGM)	PLS recorded a 36% decline in revenue to RM118.3 million in FY2023. The Company slipped into the red with a pre-tax loss of RM37.6 million, compared to a pre-tax profit of RM49.9 million a year ago, partly due to one-off impairments and write-offs amounting to RM26.7 million. The plantation segment posted a pre-tax profit of only RM0.5 million compared to RM44.4 million in FY2022, as revenue fell 46% to RM64.2 million on

		weaker CPO prices. Meanwhile, the trading segment recorded a higher pre-tax loss of RM20.1 million in FY2023 compared to a pre-tax loss of RM3.7 million a year ago.
13.12.23 (Wed) 11.00 am	Tomypak Holdings Berhad (AGM)	FY2023 represented another challenging period for Tomypak with a sharp decline in revenue in the aftermath of a major fire incident at its key production plant back in December 2021. Its revenue declined from RM167.16 million to RM57.85 million in FY2023. However, it rebounded from massive losses of RM99.86 million in FY2022 to net profit of RM84.84 million in FY2023, thanks to the receipt of insurance proceeds of RM120 million recognised as other income in the current financial year. However, things began to look up for Tomypak upon the acquisition of a 70% stake in EB Packaging Sdn Bhd and the full commission of machinery in its Tampoi plant.
13.12.23 (Wed) 11.30 am	Scientex Packaging (Ayer Keroh) Berhad (AGM)	SPAK's revenue was largely unchanged at RM774.8 million in FY2023, from RM774.0 million previously. Net profit came in at a lower level of RM35.9 million, a reduction of 16.7% from RM43.2 million in FY2022. This was primarily attributable to the impairment of goodwill of RM22.7 million in relation to its investment in Myanmar. Excluding the impact of the goodwill impairment, the Group's net profit for FY2023 increased by 14.9% to RM49.6 million compared to RM43.2 million in the previous financial year.
14.12.23 (Thur) 10.00 am	Seremban Engineering Berhad (AGM)	In FYE2023, the Group's revenue surged to RM274.82 million from RM194.28 million in FYE2022, driven by increased project revenue in sectors like E&E, food, and palm oil refineries. However, its net profit decreased slightly to RM4.62 million from RM5.15 million previously, primarily due to lower project profit margins. Total assets rose by RM54.19 million, fuelled by higher trade receivables and contract assets. Concurrently, its

		total borrowings increased from RM38.13 million to RM63.42 million due to expanded project financing.
14.12.23 (Thur) 10.00 am	Berjaya Corporation Berhad (AGM)	For FY2023, the Group achieved a revenue of RM9.61 billion, an 18% YoY increase. H.R. Owen boosted performance of the Non-Food Retail segment, while aggressive marketing and additional Starbucks cafes fuelled the Food Retail segment. Meanwhile, revenue of its Property segment revenue rose in line with progress billings and land parcel disposals. Also, higher revenue was seen in Hospitality and Services thanks to improved occupancy rates, room rates, and gaming operations. Despite a 13% increase in profit before tax, the Non-Food Retail and Food Retail segments reported lower profits due to various factors, including inflationary pressures and exchange rate fluctuations.
14.12.23 (Thur) 10.30 am	Jaycorp Berhad (AGM)	Jaycorp recorded revenue and net profit of RM222.7 million and RM20.7 million in FY2023, representing decreases of 27% and 3%, respectively compared to the previous financial year. The lower revenue was mainly attributable to declining demand in the Furniture and Packaging Segment, the deemed disposal of a subsidiary (PT Tiga Mutiara Nusantara becoming a JV company) and the disposal of a subsidiary during the year.
14.12.23 (Thur) 11.30 am	Scientex Berhad (AGM)	Scientex rebounded from a 10% decline in profit in FY2022 to a 6.9% growth in FY2023 to RM438.14 million. The Group once again recorded an all-time high revenue in FY2023, breaking the four-billion-ringgit mark for the first time to close out the year at RM4.1 billion, representing a 2.3% increment compared to the previous year
15.12.23 (Fri) 10.00 am	Hiap Teck Venture Berhad (AGM)	For FY2023, the Group's revenue improved marginally to RM1.59 billion from RM1.58 billion in the previous year.

		The growth was attributed to a 25% increase in sales volumes offset by a significant decline in average selling prices during the period. However, its operating profit fell 97% to RM4.25 million in FY2023 (FY2022: RM147.99 million) due to elevated cost of inventories brought forward, resulting in a considerable reduction in profit margins.
15.12.23 (Fri) 10.30 am	Ekovest Berhad (AGM)	Ekovest reported higher revenue of RM1.12 billion in FY2023, representing an increase of 38% from RM808.5 million in the year before. The improved topline performance contributed to increased construction work done during the year due to more construction activities. In line with the higher revenue, Ekovest narrowed its pre-tax loss to RM9.9 million from a loss of RM40.5 million in the year before).

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Berjaya Land Berhad (AGM)	In the reply to MSWG dated 13 December 2022, it was mentioned that Berjaya Hotels and Resorts Division ("BHR") expected to be profitable at an overall occupancy rate of 55%. However, based on the Annual Report 2023 ("AR2023"), the overall room occupancy was 59.1% and BHR reported a total loss before tax of RM87.7 million on the back of higher operating expenditure, finance cost and unrealised foreign exchange loss. a) Based on the current operating conditions, what is the overall occupancy rate required for BHR to turn profitable for the financial year ending ("FYE") 30 June 2024? b) What is the inflation rate assumed to arrive at the estimated overall occupancy rate in (a) above? c) What is the overall occupancy rate as at 30 November 2023? d) Is BHR on track to turn profitable for FYE 30 June 2024?
Ahmad Zaki Resources Berhad (AGM)	<u>Impairment loss on trade receivables and inventories written down.</u> a) There is an impairment loss on trade receivables of RM8,912,000 recorded in FYE2023 (FYE2022: Nil) (Page 168 of AR2023). i. Which trade receivables are involved in the impairment loss exercise? ii. What are the measures taken to recover the amount?

	iii. How much of the amount has been recovered, to-date? What is the expected amount to be recovered in FYE2024? b) In FYE2023, the Group had written down its inventories amounting to RM5,246,000 (FYE2022: Nil) (Page 168 of AR2023). i. What has caused the Group to record a write-down of inventories in FYE2023? ii. What is the prospect of reversing the amount in FYE2024?
PLS Plantation Berhad (AGM)	The Group's revenue declined 36% to RM118.3 million in FY2023. However, trade receivables increased 68% to RM50.8 million. (page 96-97 of AR 2023) Impairment losses on trade receivables increased to RM3.9 million in FY2023 from RM3.0 million in FY2022. (page 101 of AR 2023) a) What were the reasons for the significant increase in trade receivables despite a big drop in revenue? b) What measures is the Group taking to address the recurring impairment loss on trade receivables? c) How much of the impaired losses have been recovered to-date? d) Does the Group expect further impairment losses in FY2024?
Tomypak Holdings Berhad (AGM)	Trade receivables with more than 90 days past due increased substantially to RM2.76 million in FY2023 from RM337,000 in the previous year (page 132 of AR2023). What led to the sharp surge in long overdue receivables? How likely is provision required for these receivables? What is the collection status of these receivables to-date?
Scientex Packaging (Ayer Keroh) Berhad (AGM)	SPAK made an impairment of goodwill amounting to RM22.7 million in relation to its investment in Myanmar. In a reply to MSWG dated 6 December 2022, the Board held a positive and longer-term view concerning Myanmar, which offers tremendous growth potential. a) What has changed in Myanmar's political and business conditions over the past 12 months, resulting in SPAK impairing its investment in Daibochi Myanmar, in FY2023? b) Has Myanmar shown any sign of turnaround? What is the current utilisation of the capacity? c) Would SPAK consider exiting the country should Myanmar's political and economic conditions deteriorate?

Seremban Engineering Berhad (AGM)	The Group recorded higher fuel consumption at 17,340Gj in FYE2023 vs 4,695Gj in prior year. The increase in energy consumption is due to an increase in business activity at one of the project sites, leading to higher usage of fuel for their tools and machinery. a) Which of the project sites experienced the increase in business activity, and what were the contributing factors? b) Considering the likely continuation of an upward trajectory in energy costs, has the Group conducted a feasibility study on installing solar panels on the roofs of the project sites? If yes, what is the anticipated reduction in energy consumption, and how will it impact the financial performance of the Group? c) What is the expected timeline for installing these solar panels, and at which project sites will they be installed first?
Berjaya Corporation Berhad (AGM)	Cosway's revenue increased by 3.7% in the current financial year, with revenue from Malaysia and Singapore showing the greatest gain among all markets. This was due to, amongst others, its ongoing effort to improve the product lifecycle management, despite rising costs, volatile inflation rates and currency volatility (Page 15 of the Annual Report 2023). How does Cosway manage and enhance the product lifecycle of its products, especially in the face of rising costs and market dynamics?
Jaycorp Berhad (AGM)	In 2016, the Group upped its stake in its associate Jaycorp Engineering & Construction Sdn Bhd (JECSB) to 60% in a bid to diversify its business into engineering, construction and property development. The construction segment contributed revenue of RM24.2 million (or 12% of the total revenue) in FY2023. However, there is no operational information on the Construction Segment on the Group's website and only limited information was presented in the Annual Report 2023. a) Please provide insight into the Construction Segment. (i.e., scope provided, customers profile, completed projects since 2016, competitive advantages, future direction/ development, etc) b) What is the current outstanding orderbook and how long is the outstanding orderbook expected to last? c) What is the order book replenishment target for FY2024? d) Are there any liquidated and ascertained damages imposed on the Group in FY2023?
Scientex Berhad (AGM)	Throughout the FY2023, the Group initiated 235 R&D projects and commercialised a total of 35 innovations.

	On average, what is the percentage of revenue/profit that Scientex invests in R&D? How long is the time-to-market period for each innovation that is developed, manufactured and introduced to the market? Of the 35 innovations, what is the breakdown of the successfully commercialised innovations by product segment, i.e., industrial and consumer?
Hiap Teck Venture Berhad (AGM)	Manufacturing segment For the financial year under review, the segment reported a loss of RM27.69 million (FY2022: Segment profit of RM89.85 million). The sluggish performance was principally due to the high cost of inventories brought forward coupled with lower steel prices despite higher sales volumes and stringent costs control (Page 15 of the Annual Report 2023/AR2023). a) What current measures are being taken to manage the segment's inventory issue, which is the leading cause for the segment's loss in FY2024? b) What is the segment's financial performance outlook in FY2024? Does HTVB expect the segment's bottom-line result to turn around in FY2024?
Ekovest Berhad (AGM)	In FYE2023, the Group's other expenses increased to RM36,296,000 from RM16,477,000 in FYE2022. This represents an increase of RM19,819,00 or 120.28% (Page 73 of AR2023). What are the reasons for the significant increase in other expenses? Is this category of expenses going to increase further in FYE2024? If so, what is the expected percentage year-on-year increase?

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