MINORITY SHAREHOLDERS WATCH GROUP
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

The Observer

14.08.2020

❖ Do not be an opportunist; treat good intent as special privilege

There is always a high tendency for good intentions to be taken for granted even though they are meant for the greater good of everyone.

To alleviate the financial woes of listed entities impacted by the COVID-19 pandemic, Bursa Malaysia had on 26 March granted time extension of up to 24 months instead of 12 months for companies that trigger the criteria of Practice Note 17 (PN17) and Guidance Note 3 (GN3) between 2 January 2019 and 31 December 2020 to remedy their shortcomings.

Further to this, Bursa Malaysia on 16 April said companies that triggered any of the suspended criteria between 17 April 2020 and 30 June 2021 would not be classified as a PN17 or GN3 company for 12 months.

The listed issuer will only be required to make an immediate announcement that it has triggered the specified criteria and the relief provided.

This reflects a genuine intention to help tide financially strapped companies over during the current trying times and provides flexibility to the affected listed companies to focus on sustaining their businesses and operations while enabling them to regularise their financial condition.

Investors beware

Herein lies a risk to investors.

These companies are in substance, financially distressed companies under PN 17/GN 3 though they will not be so classified. PN 17/GN 3 classifications come with a ‘marking’ (a symbol) on the trading screens. Now, unwary investors may end up investing in these companies without being alerted that these companies are financially distressed (as they are not 'classified' as PN 17/GN 3). The investors cannot make an 'informed decision'.

It is a case of these companies being financially distressed, in substance, but not so classified, in form. Perhaps, a better option would have been to continue to classify them as PN 17/ GN 3 (so that investors are adequately informed) but provide these companies with more time to regularise themselves.

Seven PLCs affected

Since the additional relief measures came to force on 16 April till 14 August, seven PLCs include six Main Market-listed companies and one ACE Market-listed firm had triggered the suspended criteria of PN17 and GN3.

They are AirAsia Group Bhd and its sister airline, AirAsia X Bhd, GETS Global Bhd, Ikhmas Jaya Group Bhd, Khee San Bhd and Cymao Holdings Bhd, and Bahvest Resources Bhd which had triggered the suspended criteria of GN3.

It is not surprising to see big names like AirAsia Group and its affiliate in the list given how disruptive and impactful the COVID-19 pandemic has been on aviation and travel industries.

For the record, 23 companies are currently classified under PN17 with three under GN3 as of 31 July (they represent 2.89% of 899 companies listed on Bursa Malaysia's Main Market and ACE Market).

COVID-19 should not be an excuse for directors of poorly managed company to shove aside their responsibility.

In fact, some companies already showed signs of trouble brewing even way before the pandemic. Thus, the current health crisis might as well be made a scapegoat or escape route to legacy issues faced by those companies that triggered the PN17/GN3 criteria.

For instance, GETS Global Berhad had posted quarters of losses before COVID-19 hits. Meanwhile candy-maker Khee San had long been known for its default on multiple loan payment and is in litigation process with banks to resolve its issues.

More recently, Bursa Malaysia has said it will even "consider granting further extension of time (after the 24 months) if required on a case-by-case basis, taking into account the justifications and material developments at that point in time" (StarBiz, 6 August 2020).

The relaxation of the PN17 and GN3 classification is timely for it provides some breathing space for financially distressed companies to restructure, reform and remodel themselves.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 17 August – 21 August 2020

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
18.08.20 (Tue) 11.00 am	EUPE Corporation Bhd (AGM)	Its competitive property offering will enable it to stand in good stead as house buyers are attracted to highly differentiated, yet affordable products.
19.08.20 (Wed) 10.00 am	Tomypak Holdings Berhad (AGM)	Tomypak recorded five-year of declining revenue with two years of consecutive losses. It posted a higher net loss of RM11.6 million in FY19 (FY18: net loss of RM1.9 million). Amid the tepid performance, it recently acquired a 51% stake in SP Plastic & Packaging Sdn Bhd which comes with a cumulative profit guarantee of not less than RM460,000 for the FYE 30 June 2021 and RM572,000 for FY2022. Will this be a life-saving line for Tomypak? Will it be able to turn around as soonest as possible as shareholders are anxiously waiting?

19.08.20 (Wed) 10.00 am	Alliance Bank Malaysia Bhd (AGM)	Alliance Bank experienced a challenging year in FY20 with sharp increase in gross impaired loans ratio and allowance for impairment of financial assets. As the impact upon the expiry of six-month loan moratorium is yet to fully unfold, investors are watching closely on performance of banks amid current pandemic crisis.
19.08.20 (Wed) 11.00 am	Pantech Group Holdings Bhd (AGM)	Net profit of Pantech in FY20 was down 24.45% y-o-y to RM35.86 million from RM47.46 million in FY19, due to weaker trading business on lower activities in local oil and gas projects. It expects a challenging year in FY21 due to the impact of COVID-19 and the subsequent MCO implemented. Nevertheless, it is confident that it has the tenacity and stamina to ride out the storm complemented by a strong network of customers.
21.08.20 (Fri) 10.00 am	Sinotop Holdings Bhd (EGM)	Sinotop proposed to dispose its entire stake in wholly-owned subsidiary Be Top Group Limited for RM70 million to a vehicle related to its major shareholders Pan Ding and Pan Dong. Be Top was acquired from the Pan brothers back in 2010 with cost of for RM393.23 million. The selling price of RM70 million represented a PE multiple of approximately 29 times over Be Top's consolidated net profit for FY15, FY16 and 18-month FPE 30 June 2018, and a price-to-book ratio of 0.32 times over Be Top net asset of RM219 million as at 30 September 2018. Sinotop is expected to realise an estimated net loss of RM118.59 million from the disposal.

<table>
<tr><th colspan="2">One of the points of interest to be raised:</th></tr>
<tr><th>Company</th><th>Points/Issues to Be Raised</th></tr>
<tr><td>EUPE Corporation Bhd
(AGM)</td><td>Other Receivables increased substantially from RM11.8 million in FY 2018 to RM22.2 million in FY 2019, an increase of RM10.4 million or 88.2%. (page 107 of Annual Report).

a) Please provide an aging breakdown of the Other Receivables for both FYs 2019 and 2018?

b) What are the reasons that caused the Other Receivables to increase substantially?

c) What is the amount of Other Receivables as at March 2020?</td></tr>
<tr><td>Alliance Bank Malaysia Bhd
(AGM)</td><td>Gross impaired loans (GIL) ratio of Alliance Bank spiked to 2% in FY20, as compared to 1.1% in FY19. Meanwhile, net impaired loans ratio increased to 1.3% from 0.6% the year before. The GIL and NIL ratio in FY20 were significantly higher than the past four years when it ranged between 1.0% - 1.3%, and between 0.6% - 1.0% respectively (page 10 of Annual Report 2020).

During the year, the Bank has increased its allowance for expected credit losses (ECL) on loans and impairment increased 126% to RM314.5 million from RM139.2 million (page 19 of AR2020) in the year before due to full provision for several significant corporate accounts and asset quality deterioration in Alliance ONE Account and mortgage portfolio.

To what extent will Alliance Bank's GIL, NIL and allowance for ECL loans and impairment rise further in FY21 bearing in mind the COVID-19 pandemic?

With expected increase in allowance for provisions, how will the net credit costs trend in FY21?</td></tr>
<tr><td>Tomypak Holdings Berhad
(AGM)</td><td>Revenue contribution from local customers decreased to RM70.3 million (2018: RM101.2 million) and revenue contribution from a major customer under local market segment decreased to RM20.7 million (2018: RM48.0 million) (Note 20, page 102 of AR2019).
a) Was there any major loss of contract from local customers?</td></tr>
</table>

	b) Does the Group expect the declining trend of revenue contribution from local customers to continue, going forward?
Pantech Group Holdings Bhd (AGM)	What are the reasons for the significant decline in share of profit in associate company from RM719,293 in FY2019 to RM36,818 in FY2020 (Page 60 of the Annual Report 2020)?
Sinotop Holdings Bhd (EGM)	The break-up method used in assessing the fair value of BTL assumed a recoverable rate of 20% to 25% for all other non-cash based assets. As stated, this was based on the historical earning capabilities of the assets and liabilities of Sinotop as compared with the required rate of return by its investors and the recovery of non-cash assets under a force sale basis.(page 68 of the Circular) a) Was there a valuation by a professional valuer on the factory building, the commercial office building which was just completed in FYE 2018 (the fair value of which was reported as RM6.7 million (BTL's financial statement for FYE 2019)) and the land use rights? If no, why? b) As reported in the Financial Statements of BTL for FYE 2019, the Directors are of the opinion that the past due trade receivables are recoverable. As such, what is basis of applying 20% to 25% recoverable rate on these trade receivables? c) Please explain why "force-sale" basis should apply in disposal of BTL.

MSWG TEAM

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

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•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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