



The Observer

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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.

❖ **Puzzling developments at Menang Corporation**

On 15 February 2021, Menang Corporation (M) Berhad had suspended its two non-independent non-executive directors (NINEDs) namely Dato' Shun Leong Kwong and Ms Marianna Aly Shun. Menang Corp said the latter was suspended "to investigate her conduct in the planning and the organising of the last AGM of the Company held on 30th of December 2020".

At the same time, Dato' Shun was suspended "to investigate his managing and handling of some land transactions in Seremban 3 and the Company's subsidiaries".

Menang Corp also announced an Independent Investigative Committee consisting of two independent directors and an independent external advisor had been formed to examine and/or investigate the matters.

More questions than answer

It is rare, if not never, for a Company to suspend a Director for his/her conduct relating to annual general meeting (AGM).

Although there was no detail on the alleged misconducts that lead to the suspension, the actions taken reflect that the Board is serious in seeking accountability for the conduct of the AGM. The actions taken and the setting up of the Independent Investigative Committee, is commendable.

Below are events prior to and during the AGM of Menang Corp on 30 December 2020, which may have contributed to the suspension: -

1. On 11 November, the Board announced that two shareholders, Liew Sook Pin and Toh May Fook had proposed the appointment of each other as directors of the company for consideration by the shareholders at the AGM. Accordingly, the

Board would table the additional resolutions on the proposed appointment as Ordinary Resolutions 7 & 8 during the AGM.

2. On 3 December, the Board announced that it had received notice from two shareholders, Ms Siow Pei Tee and Mr Nicholas Pun Chee Cheang, to remove Dr Christopher Shun Kong Leng (NINED) from the board at the upcoming AGM. Accordingly, the additional resolution was tabled as Ordinary Resolution 9 for the AGM.
3. On 11 December, Menang Corp appointed two new company secretaries, Chua Siew Chuan and Cheng Chai Ping without notices of resignation from its two existing secretaries, namely Khoo Wei Lee (appointed on 14 October 2019) and Wong Youn Kim (appointed 31 January 2019). As such, the Company had four company secretaries when the AGM was held.

Wong Youn Kim resigned as a company secretary of Menang on 6 January 2021. Thus, Menang now has three company secretaries.

4. During Menang Corp's AGM on 30 December, Ordinary Resolutions 7, 8 & 9 were withdrawn by the Chairman of the AGM citing non-compliance with the provisions of the Companies Act 2016.

The MSWG representative who was at the AGM (virtually) then sought clarification from the Chairman as to the section of Companies Act 2016 under which the resolutions were being withdrawn. There was no answer. The same question was repeated; and again, there was no reply from the board.

There were also complaints from other shareholders that their questions were not answered at the AGM.

Besides Ordinary Resolutions 7,8 and 9, Ordinary Resolution 3 on the re-election of Ms Marianna Aly Shun was also withdrawn as she had indicated her intention to retire as a Director and would not seek re-election as a Director of the Company during the meeting. Accordingly, she retired as Executive Director of the Company effective 30 December.

Strangely, in the company announcement on her retirement, it was stated that "notwithstanding her retirement as Director of the Company today, Ms Shun will continue to serve in her executive capacity as Group Executive Director of the Company".

Later, she was re-appointed as a NINED of Menang Corp on 29 January 2021, less than a month after her retirement. The announcement also stated that her new designation is Executive Director. Thus, there is some ambiguity; was she re-appointed as Executive Director or NINED?

Who should be responsible for the meeting conduct of PLCs?

Rightfully, there are several parties involved in the planning for and conduct of a successful AGM. They include the company secretaries, the chairman and the board members.

Given that AGMs of PLCs is typically the only time during the year when shareholders and the Board members/management interact, it is of utmost importance that it is properly planned and organised according to the relevant laws, rules, and best practices. It is equally important to ensure it is held smoothly and effectively and serves as a communication platform for shareholders and the board.

In the context of public listed companies (PLCs), the board must ensure that the appointed secretary has "the requisite knowledge and experience to discharge the functions of a secretary of the company".

With increasing emphasis on corporate governance, the role of the company secretary has grown in importance. In many ways, the company secretary is now seen as the guardian of the company's proper compliance with both the law and best practices, coupled with being the subject matter specialist in corporate governance.

One of the most important duties of the company secretary is arranging meetings (board meetings, AGMs, EGMs) of the directors and the shareholders. The associated tasks include issuing proper notices of meetings, preparing agenda, circulating the relevant papers, and recording minutes of business transacted at the meetings and the decisions reached.

Thus far, no action has been taken by Menang Corp's Board against the Chairman and the company secretaries, who also play an important role in the conduct of the AGM. Presumably, there is nothing to hold them accountable. The Independent Investigative Committee will probably investigate to see who else is accountable for the conduct of Menang's recent AGM.

Against this backdrop, on 18 January, Menang Corp's shareholders, namely Toh May Fook and Liew Sook Pin had commenced legal action against the group executive chairman, Raja Shahrudin Rashid and the company, claiming that the withdrawal of the Ordinary Resolutions 7, 8 and 9 during its recent AGM was wrongful, illegal, in breach of the chairman's duties and abuse of his power conferred by law.

Liew and Toh also claimed that Raja Shahrudin had conducted the AGM in an oppressive and prejudicial manner, and disregarded their interest as the members of Menang Corp.

We hope the independent investigation will be done without fear or favour and impartially and be completed as soon as possible. The Board should be transparent in announcing the outcome of the investigation.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 22 – 26 February 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
22.02.21 (Mon) 10.00 am	Wellcall Holdings Bhd (AGM)	Wellcall reported a lower revenue of RM135 million in FY2020 (FY2019: RM170 million) due to the outbreak of Covid-19 pandemic followed by the imposition of lockdowns by various countries. Net profit declined to RM29 million from RM 37 million the year before. The Board believes that Wellcall's prospects in FY2021 will continue to remain positive despite challenges ahead. It hopes to achieve a better result as compared to the previous year.
22.02.21 (Mon) 11.00 am	EITA Resources Bhd (AGM)	EITA's revenue was lower at RM284.1 million for FY2020 as compared to RM305.4 million for FY2019, due to lower sales across all operating segments. Its pre-tax profit decreased by 12.8% to RM25.2 million as compared to RM28.9 million the year before, in line with the lower revenue and higher inventories written down. Overall, EITA's elevators and the busduct businesses will hinge on the recovery of construction activities in Malaysia.
23.02.21 (Tue) 10.00 am	Melati Ehsan Holdings Bhd (AGM)	For the financial year ended 31 August 2020, Melati Ehsan's revenue

		<p>increased 16% to RM254.00 million, primarily due to the completion of the ECER Central Spine Road, PPAM in Sentul and TLK DBKL projects.</p> <p>However, its pre-tax profit declined 32% y-o-y to RM4.66 million due to zero contribution from the property segment and share of loss in a joint venture.</p>
24.02.21 (Wed) 11.30 am	Fiamma Holdings Bhd (AGM)	<p>Moving into FY2021, Fiamma's Trading Segment which contributed 74% of its revenue in FY2020 is expected to be fairly stable.</p> <p>However, its profitability could be boosted further in FY2021 if it decides to develop its 2 tracts of prime lands in Jalan Yap Kwan Seng.</p> <p>The outlook of the property market had been weak in FY2020 but given the slew of measures introduced by the Government last year and the fact that the land held by the company is located strategically, the development of the said lands might be a catalyst to Fiamma's earnings moving forward.</p>
25.02.21 (Thur) 02.30 pm	APB Resources Bhd (AGM)	<p>APB Resources has performed relatively well in FY2020 despite the tough operating environment. For FY2020, its revenue rose by 38% mainly due to higher capex by oleochemicals players. As a result, it recorded a net profit of RM3.8 million compared to previous year loss after tax of RM1.2 million.</p> <p>APB Resources expects FY2021 remains challenging as the availability of projects is likely to be reduced due to the weak demand from both oil & gas and petrochemical sectors, coupled with ongoing pandemic and lockdown which affect supply chain for raw materials.</p>
26.02.21 (Fri) 02.00 pm	SCH Group Bhd (AGM)	<p>Despite the disruption caused by COVID-19 pandemic, SCH's overall revenue increased by RM4.4 million from RM116.9 million in FY2019 to</p>

		<p>RM121.3 million in FY2020. However, it turned loss-making in FY2020 with net loss of RM7.9 million as compared to net profit of RM5.5 million in FY2019, due to the absence of high profit margin temporary rental solutions business to event sector. In addition, SCH also made provision of doubtful debt (RM1.9 million), impairment loss of goodwill (RM9.5 million), and inventory written down (RM2.6 million).</p> <p>Notwithstanding the temporary disruptions caused by the COVID-19 pandemic, the fertilisers industry is expected to continue growing as the application of fertilisers is essential to support the agriculture industry.</p>
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Wellcall Holdings Bhd (AGM)	<p>Despite a slight decrease in revenue for FYE 2020, the Group managed to achieve a higher gross profit margin at 38% compared to 36% for FYE2019. The impact of higher gross profit margin was due to operational efficiency arising from effective costs management and productivity. (Page 9 of Annual Report – AR)</p> <p>a) Considering that the Group is exposed to raw materials costs fluctuations how does it manage its costs optimally and what are the major components costs saved?</p> <p>b) What are the respective percentages of its revenue and costs denominated in US dollars?</p>
EITA Resources Bhd (AGM)	<p>Furutec Electrical is committed in its mission to grow its overseas busduct markets. Furutec Electrical continues to innovate, improve and seek international certifications for its range of busduct products to enhance its competitive advantage in the marketplace. (Page 12 of AR)</p> <p>a) What percentage of its busduct business revenue is generated from overseas markets and what are its expansion plans?</p> <p>b) What are its competitive advantages?</p>
Melati Ehsan Holdings Bhd (AGM)	Melati Ehsan Group's share of results of the joint venture from an investment in B.H.O. Melati Sdn. Bhd. recorded a loss of RM2,410,505

	<p>in FY2020 compared to a profit of RM2,794,916 recorded in FY2019 (Page 58 of the Annual Report 2020).</p> <p>How will the Board address the loss incurred by B.H.O Melati Sdn. Bhd.?</p>
Fiamma Holdings Bhd (AGM)	<p>The Company owns two parcels of prime land, i.e. 1.4-acre land Jalan Yap Kwan Seng and 2.6 acres land in Jalan Sungai Besi. The Company has proposed to develop these parcels of land into Residential Development. It remains cautious on the property market and is adopting a realistic approach by launching projects only when there is a firm demand. (Page 14 of AR 2020)</p> <p>a) What is the market value of the prime lands?</p> <p>b) Given that the Government has introduced a slew of measures to stimulate the property market such as Stamp Duty and Real Property Gains Tax (RPGT) exemptions, will the Company develop these lands in FYE 2021? If yes, what will be the prospective Gross Development Value (GDV)?</p>
APB Resources Bhd (AGM)	<p>The Group's trade receivables have increased significantly to RM33.9 million in FY2020 (2019: RM16.0 million). Out of the total trade receivables of RM33.9 million, 65% or RM22.0 million were more than 90 days past due but not impaired (Note 24, page 81 of AR2020).</p> <p>a) How much of these trade receivables of RM22.0 million is related to the Group's major customers?</p> <p>b) Why weren't any impairments made for these trade receivables as they have been long outstanding?</p> <p>c) Any allowance for impairment losses expected for FY2021?</p>
Latitude Tree Holdings Bhd (EGM)	<p>The Company intends to extend its ESS (Employee Share Scheme) to its Independent Non - Executive Directors (INEDs). In line with better corporate governance, MSWG does not encourage the practice of giving options to independent non-executive directors as they play an independent role (and not an executive role) in the Company and are responsible for monitoring the option allocation to employees and executive directors. The risk is that the independent director may be fixated with the share price and this may affect their impartial decision-making, which should be made without reference to share price considerations. What are the performance metrics that will be adopted by the ESS Committee to assess the eligibility of INEDs under the ESS?</p>

SCH Group Bhd (AGM)	<p>Despite the Group's recorded gain on profit guarantee of RM10.2 million, the financial impact has been offset by the impairment of goodwill and inventory written down amounting to RM9.5 million and RM2.6 million respectively. (Page 34 of AR)</p> <p>a) What specifically caused the impairment of goodwill and which business segment/s contributed to the impairment? What is the likelihood of further impairment in the near term?</p> <p>b) Which inventory was written down and why? Has the Management reviewed its inventory management system to minimize such write-down in future?</p>
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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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