



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

The Observer

04.02.2022

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Besides, do follow MSWG's Twitter account at @MSWGMalaysia to share your thought on our tweets from time to time.

❖ GLCs still attracting controversies

The latest billion-ringggit issue pertaining to the RM9 billion Littoral Combat Ship (LCS) involving Boustead Heavy Industries Corporation Berhad (BHIC) is not surprising given its history in relation to its cost overruns and inability to deliver on time.

In January 2022, the Malaysian Anti-Corruption Commission (MACC) had arrested several individuals including a businessman, an official from BHIC and a chief executive officer of a company to further assist with the investigations on the controversial LCS project.

Later, BHIC said it would extend its fullest cooperation to the MACC and other authorities in any investigation pertaining to the LCS project. BHIC is a 65%-owned subsidiary of Boustead Holdings Berhad.

Obviously, BHIC is not the first listed GLC to find itself embroiled in allegations of graft. In June 2017, former FGV Holdings Berhad (FGV) president and CEO Datuk Zakaria Arshad had urged the graft buster agency to probe the company's dealings.

This followed an order by FGV's then chairman Tan Sri Mohd Isa Abdul Samad that Zakaria and FGV's chief financial officer Ahmad Tifli Mohd Talha should go on indefinite leave of absence pending an investigation into alleged corruption at the group's subsidiary Delima Oil Products Sdn Bhd.

According to Isa, FGV's external auditor – PricewaterhouseCoopers – had uncovered elements of corruption in payments due from an Afghani company, Safitex General Trading LLC for palm oil products supplied by Delima Oil. However, Zakaria denied his involvement.

More recently, Petroliam Nasional Berhad (PETRONAS) president and group CEO Datuk Tengku Muhammad Taufik Tengku Kamadjaja Aziz had warned his staff against corrupt practices on the heels of a corruption probe that saw the sacking of nine company officials.

The officials were said to be involved in an illegal scheme relating to maintenance and service contracts between PETRONAS' upstream subsidiary and a long-standing contractor. The sacked officials had received cash payments or paid holidays to exotic locations which were borne by the contractors.

Recall that a few Petronas Carigali Sdn Bhd executives were implicated in a civil suit that was initiated by a unit of upstream oil and gas firm Deleum Bhd in December 2020.

The suit was filed over an alleged scheme to defraud Petronas Carigali in relation to multiple of its maintenance and services contracts with a Deleum's 60%-owned unit Deleum Primera Sdn Bhd.

Transparency International Corruption Perception Index (CPI) 2021

All the allegations of graft and proven cases must be seen in the context of Malaysia's recent dropping by five spots in the Transparency International Corruption Perception Index (CPI) 2021 to 62 out of 180 countries in terms of public sector corruption.

Malaysia scored 48 out of 100 points in the index from 51 in 2020. In 2020, the country was ranked 57th while in 2019, it was placed at 51.

Transparency International Malaysia president Dr Muhammad Mohan has attributed the poor score to:

- Rampant incidences off money politics even during elections;
- No progress on reforms to the MACC's recommendations in 2015;
- Discharge not amounting to acquittal for high profile personalities in corruption cases and a continued lack of political will from various administrations in fighting corruption;
- Appointments of politicians without experience to head GLCs as well as the government procurement bill which is yet to be tabled in Parliament (remains outstanding);
- Dearth in progress for amendments to the Whistleblowers Protection Act 2010 besides adverse findings and government failures observed in the Auditor-General's annual report; and
- Lack of action against public officials who abused their positions.

More MACC intervention

Elsewhere, MACC had also probed some GLCs over questionable deals.

One of them was airport operator Malaysia Airports Holdings Berhad (MAHB) which had its COVID-19 Private Screening and Testing contract investigated by MACC in July 2021. MAHB said it had received a request from MACC to provide information and documentation on the contract. The contract was awarded to BP Clinical Lab Sdn Bhd (BP Lab). It was reported that 31 companies had expressed interest in the tender and 17 submitted tender documents.

According to MAHB, 40,000 passengers a day are expected to use the new screening and testing facilities, with the cost per passenger ranging from RM60 to RM250 for

Malaysians and RM90 to RM350 for foreigners. This means the testing could generate anything between RM2.4 million and RM14 million daily or between RM876 million and RM5.11 billion in revenue a year.

In July 2019, Telekom Malaysia Bhd's (TM) found itself under the scrutiny of MACC over possible irregularities in its 2014 acquisition of wireless services company Packet One Networks (M) Sdn Bhd (P1) a wholly owned subsidiary of Green Packet Bhd.

Under the deal, the GLC acquired a 57% stake in the wireless broadband service provider for RM350 million with a further RM210 million capital injection via newly issued redeemable bonds.

The 2014 acquisition of the capital-intensive business has impacted TM's profits when the national connectivity and digital infrastructure provider posted its first quarterly loss in 10 years in its 3Q FY2018 with impairment provisions ballooning to RM934 million including for assets related to P1.

Poor bribery risk performance

According to a report titled "*Transparency in Corporate Reporting: Assessing Malaysia's Top 100 Public Listed Companies*" by the Malaysian Institute of Corporate Governance's (MICG) in November 2019, eight out of Malaysia's top 10 best-scoring public listed companies (PLC) in corporate reporting transparency are GLCs.

While it found that whistleblowing practice, commitment to relevant laws and anti-corruption policy applicable to employees, directors and suppliers all scored well, PLCs' commitment to bribery risk assessment, policy on donations and sponsorship, communications on anti-corruption and monitoring of programmes were still weak.

As such, the enforcement of Section 17A of the MACC Act on 1 June 2020 is welcomed for three reasons:

- The penalty which is a fine of not less than 10 times the sum or value of the gratification or RM1 million whichever is the higher or to imprisonment for a term not exceeding 20 years, or both;
- If the organisation is found liable, a person who is the director, controller, officer or partner of the organisation or a person who is concerned with the organisation's management affairs at the time of the offence, is deemed to have committed the offence unless they can prove that the corrupt act was committed without their consent or connivance and that he exercised due diligence to prevent commission of the offence; and
- If charged for an offence, the commercial organisation has to prove that it had in place adequate procedures to prevent the individual/s associated with the organisation from committing such offence.

Will GLCs be a preferred investment choice

Much is expected from GLCs. Previously, they been a favourite investment among minority shareholders due precisely to their government-link – who else can minority shareholders trust if not the government-link. It is time for GLCs to regain their lustre and

the trust of minority shareholders as reliable investment choices – with nary a scandal nor perception of such.

It will always be challenging for GLCs to balance their obligations to the government with their obligations to shareholders. Some GLCs manage this challenge well. Others, not so well. Minority shareholders must appreciate this challenge when making their investment decisions when it comes to investing in GLCs.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 7 – 11 February 2022

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
08.02.22 (Tue) 10.00 am	Aemulus Holdings Berhad (AGM)	Aemulus's revenue y-o-y increased significantly by 216% to RM 61.1 million (FY2020: RM19.3 million) and PAT rise tremendously by 389% to RM10.5 million as compared to a net loss of RM3.6 million in FY2020. The improved performance was attributable to the successful implementation of business turnaround strategies. It was also the result of favourable sales from China and the rest of the world market deriving from the increased demand of ATE after the outbreak of COVID-19.
11.02.22 (Fri) 10.30 am	Chin Teck Plantations Berhad (AGM)	Chin Teck's revenue y-o-y increased by 40.76% to RM182.7 million (FY2020: RM129.8 million), while PAT increased by 89.16% to RM68.1 million (FY2020: RM36.0 million), mainly due to substantially higher average selling prices of fresh fruit bunches (FFB), crude palm oil (CPO) and palm kernel (PK) even though sales volume was lower. The elevated high selling prices for FFB, CPO and PK are expected to persist for some time, and this would have a

		favourable impact for the Group for financial year 2022.
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One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Aemulus Holdings Berhad (AGM)	<p>In FYE2021, Aemulus achieved the highest revenue and PAT of RM61.1 million (2020: RM19.3 million) and RM10.5 million (2020: LAT of RM 3.6 million) since its inception, representing a tremendous growth of 216% and 389% compared to FYE2020. Undoubtedly, it was also the result of favourable sales to China and the Rest of the World market deriving from the increased demand for ATE after the outbreak of COVID-19. (pages 26-27 of AR2021)</p> <p>a) Given that the Group's revenue is mainly from overseas customers, to what extent has supply chain disruptions impacted the delivery times of the Group's products to customers?</p> <p>b) What is the Group's current book-to-bill ratio?</p> <p>c) The raw material market is at a price hike satisfying the supply-demand equation. In order to fulfil the demand for delivery, parts may come in at an extravagant price tag. (page 35 of AR2021) If prices of raw materials continue to rise, will the Group be able to pass on the additional cost to its customers?</p> <p>d) Is the Group's stellar financial performance sustainable, going forward?</p>
Chin Teck Plantations Berhad (AGM)	Elaine

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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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