

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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MSWG AGM/EGM WEEKLY WATCH

14 - 18 DECEMBER 2020

MSWG had issued AGM/EGM letter to the following PLCs for their shareholders meeting held from 14 -18 December 2020.

The extraction of the question raised in the letter is highlighted here. For the details of other questions, please login to MSWG website at www.mswg.org.my.

One of the points of interest to be raised:

Points/Issues to Be Raised

Multi-Usage Holdings Bhd (AGM)

The Group's bank and cash balances reduced from RM5,290 million in FY 2019 to RM0.783 million in FY 2020, due to lower revenue and losses incurred in FY2020. (page 10 of Annual Report).

- (a) Will the Group's operation be affected by the low bank and cash balances moving forward?
- (b) What are the measures taken by the Group to address the low bank and cash balances available?
- (c) Does the Group have any banking facilities that the Group can drawdown if the Group needs cash? If yes, what is the amount available and the interest cost?

Latitude Tree Holdings Bhd (AGM)

Allowances for expected credit losses for trade receivables increased significantly to RM 4 million in FYE 2020 compared to RM 1.2 million in FYE 2019. (page 66 of AR 2020)

- (a) What were the reasons for the sharp spike in the allowances?
- (b) How much of the allowance has been collected after the financial year end?
- Inventories written down of the Company rose sharply from RM411,000 in FYE 2019 to RM 2.4 million in FYE 2020?
- (a) What was the nature of this write down? (Slow moving stock or stock obsolescence) How much of this amount had been reversed since the financial year end?

Berjaya Corporation Bhd (AGM)

The COVID-19 global pandemic has brought on interruptions to the progress of work at the project sites as well as impacted the global supply chain as manufacturers and suppliers of building materials had to temporarily shut down operations and manufacturing activities. (Page 22 of AR)

To what extent will the Group be affected by potential claims for late delivery? To what extent will the rising cost of materials lead to overrun in project costs?

Borneo Oil Bhd (AGM)

The revenue of Borneo Oil has been on declining trend since FY2017 from RM160.83 million to RM88.29 million in FY2020, while net profit declined from RM46.44 million in FY2017 to net loss of RM6.61 million in FY2019, then back to black to RM1.6 million in FY2020 (page 5 of Annual Report 2020).

Based on the strategies and measures implemented by the Board and management, how will Borneo Oil's revenue perform in the next two to three years? Is the positive bottom-line sustainable?

Prolexus Bhd (AGM)

Inventories for finished goods increased by more than double to RM11.6 million as at 31 July 2020 (FY 2019: RM5.0 million). Meanwhile, there was also a write down of inventories valued at RM5.3 million for FY 2020 (FY 2019: RM Nil) (Page 102 of AR 2020).

- (a) Please share the cause of increase in inventories level.
- (b) What is the reason of the inventories write - down?

Hap Teck Venture Bhd (AGM)

The Group expands its business into East Malaysia with the incorporation of Huatraco Scaffold (Sabah) Sdn. Bhd. and shares subscription (49% equity interest) in Jetama Alpine Pipe (Sabah) Sdn. Bhd. for the manufacturing, selling, renting scaffolding equipment and a range of steel products as well as to trade in and supply of steel pipes, hollow sections and related products. (Page 137 of the Annual Report 2020)

- (a) What is the prospect and market size for such businesses in East Malaysia?
- (b) What is the Group's current and targeted market share in East Malaysia in the next two financial years?

RGT Bhd (Asia Knight Bhd) (AGM)

On 18 September 2020, RGT announced that it planned to acquire the remaining 40% stake in Rapid Growth Technology Sdn Bhd (RGTSB) for RM124.8 million - an increase of RM76.8 million, as compared to RM48 million announced on 21 August 2019.

(a) Based on RGT's one-year profit guarantee of RM26 million in FYE 30 June 2021, the revised purchase consideration of RM124.8 million would have translated into a PE multiple of 12 times (based on the value accorded to the 40% equity in RGT'sB1. However, based on RGT'sB's three-year (FYE 31 December 2017, FY19 and FY20) historical average net profit of RM9.93 million, the purchase consideration of RM124.8 million would have represented a PE multiple of 31.42 times for the 40% stake.

Why does the Board believe that a valuation based on a forward-looking PE of a one-year profit guarantee, instead of basing it on past financial performance, is fair and is in the best interest of the Company?

How does RGT'sB assure RGT's shareholders that its strong financial performance (after FY21) is sustainable, thus justifying the acquisition price in the long run?

Scientex Bhd (AGM)

Scientex is the first mover in Malaysia for the successful commercial use of fully recyclable mono-material laminates in October 2019.

- (a) How is the market reception towards the new mono-material packaging since product commercialisation?
- (b) How different is mono-material laminates from multi-material packaging in terms of product performance, protection, cost and technology of production?
- (c) Scientex expects to see greater commercialisation of mono-material laminate solutions in FY2021. How fast are brand owners expected to adopt the mono-material packaging? How will such transition benefit Scientex?
- (d) Major packaging companies like Amcor Plc and Berry Global Group have made commitments such as all packaging to be recyclable or reusable by 2025, and all the fast-moving consumer goods packaging to be reusable, recyclable, or compostable by the year 2025 respectively.
- Will Scientex make a similar commitment? Is there a plan for Scientex to intensify the sustainability effort i.e., phasing out the production of virgin plastics, non-recyclable and hard to recycle packaging products?