



## MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

# The Observer

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**10.03.2023**

### ❖ Capital gain tax - a bitter pill to swallow?

The re-tabling of Budget 2023 recently has seen Prime Minister and Finance Minister Datuk Seri Anwar Ibrahim announcing the proposal to introduce capital gains tax (CGT) on the disposal of non-listed shares from 2024 onwards. The introduction of CGT could be a sign that the government may introduce more taxes on capital items in the future.

For now, retail shareholders can breathe a sigh of relief as there is no CGT on the disposal of publicly listed shares. Again, there is a possibility of CGT being imposed on transactions of publicly listed shares in the foreseeable future.

#### **For the supporters**

Taxing capital gains on the disposal of publicly listed shares generates revenue for governments which can be used to support public services and infrastructure. The idea is to tax those who have made profits from share investments. CGT has become a means to redistribute wealth to those in need via public services.

CGT on the profits made from the sale of stocks is common in the United States. The tax rate on capital gains depends on various factors, such as the length of time the stocks were held and the level of taxable income.

Generally, the US CGT rate for long-term stocks investment is lower than for short-term stock investments (held for one year or less). That gives investors a financial incentive to hold investments for at least a year, after which the tax on the profit will be lower.

Day traders and others taking advantage of the ease and speed of trading online will have their profits from buying and selling shares held less than a year not just being taxed - but being taxed at a higher rate than shares that are held long-term.

Another way of seeing this is that CGT on disposal of publicly listed shares may encourage long-term investments by making short-term trading less attractive.

Closer to home, gains on shares listed on the Indonesian stock exchange are subject to a tax of 0.1% of the transaction value.

## For the non-supporters

Conversely, most investors, especially retail investors, fear CGT as it reduces their investment returns. Retail investors tend to transact in small amounts to make short and long-term profits. They often rely on share investments to make a quick buck, pocket money or build their passive income for retirement. Imposing CGT on publicly listed shares transactions may discourage trading activities, impacting the vibrancy and attractiveness of Bursa Malaysia.

The saying goes, 'high risk, high return'. However, for retail shareholders, taxing capital gains from the sale of shares is tantamount to taking the same higher risks, but for lower returns. This will likely discourage investing as the returns will be lower than before.

Share investment will become less attractive, which may negatively impact the Malaysian stock exchange, especially when Singapore and Hong Kong stock markets' do not impose CGT on publicly listed shares dealings. We may lose our retail investors to neighbouring stock exchanges.

## Conclusion

CGT is a contentious subject with its myriad pros and cons. We are often caught in this love-hate relationship when it comes to CGT.

Any move to tax capital gains on publicly listed shares dealings would dampen the attractiveness of the Malaysian stock exchange. The introduction of such a tax, if ever in the future, should be carefully thought through, especially the benefits and drawbacks of it.

We would not want to be caught in a situation of short-term gain, long-term pain!

**Elaine Choo**  
**Manager, Corporate Monitoring**

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## MSWG AGM/EGM Weekly Watch 13 – 17 March 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](http://www.mswg.org.my).

Date & Time	Company	Quick-take
13.03.23 (Mon) 10.00 am	Pertama Digital Berhad (EGM)	The Company seeks shareholders' approval for the authority to allot and issue shares not exceeding 10% of its total number of issued shares and direction to the contrary of pre-emptive rights under Section 85 of the Companies Act 2016
13.03.23 (Mon) 10.00 am	AHB Holdings Berhad (AGM)	AHB recorded a 28.2% growth in revenue to RM10.2 million in FY2022,

		<p>mainly due to higher local sales. For FY2022, local sales accounted for 80.3% of total revenue while export sales to Saudi Arabia accounted for the remaining 19.7%.</p> <p>Meanwhile, the Group registered a higher net loss of RM9.1 million in FY2022 compared to RM5.5 million a year ago. This was mainly due to the increase in cost of sales, administrative expenses and other operating costs.</p>
13.03.23 (Mon) 10.30 am	Toyo Ventures Holdings Berhad (AGM)	<p>The Ink Group registered an 14.8% growth in revenue to RM45.38 million in FY2022 compared to RM39.53 million in FP2021 annualized to 12 months. The Ink Division mainly contributed the increase in revenue thanks to higher selling prices of its products.</p> <p>Meanwhile, the EDM-Tools Group recorded revenue of RM55.8 million in FY2022, up 38.8% from RM40.18 million in FP2021. The increase was due to higher local and overseas sales of EDM Cut Wires, higher local sales in the Consumables Division and Engineering Division.</p>
15.03.23 (Wed) 10.00 am	Sunsuria Berhad (AGM)	<p>In FY2022, Sunsuria's revenue rose by 49.7% y-o-y to RM402.2 million (FY2021: RM268.7 million). The higher revenue was attributed to higher recognition from several projects, namely the Monet Garden and Tangerine Suites at Sunsuria City, Sunsuria Forum 2 and Bangsar Hill Park.</p> <p>However, its pre-tax profit was lower at RM34.9 million due to lower gross earnings margins arising from the escalation of material and labour costs. Consequently, its net profit declined to RM19.3 million from RM23 million in FY2021.</p>
15.03.23 (Wed) 10.30 am	Anzo Holdings Berhad (AGM)	<p>The FY2022 had been a challenging year for Anzo as both its timber and construction divisions were seriously affected.</p> <p>The Group recorded lower revenue of RM23 million in FY2022 compared to RM29.9 million in FY2021.</p>

		<p>Its pre-tax loss widened to RM30.17 million (FY2021: LBT RM24.4 million) mainly due to:</p> <ol style="list-style-type: none"> <li>1. lower revenue from trading division of RM18.7 million in FY 2022 (FY2021: RM25.6 million).</li> <li>2. higher impairment losses of RM27.04 million (FY2021: RM21.4 million) on trade and other receivables.</li> </ol>
15.03.23 (Wed) 11.00 am	Atlan Holdings Berhad (EGM)	<p>The EGM is to seek shareholders' approval for the proposed acquisitions of:</p> <ol style="list-style-type: none"> <li>i) The Cornwall Hotel Spa &amp; Estate located in the United Kingdom for GBP10.8 million (RM56.73 million)</li> <li>ii) All of Belle Isle Property Ltd's existing assets and liabilities which relate to the Property's operations for GBP1 (RM5)</li> <li>iii) The entire issued share capital of Belle Isle Hotels (Cornwall) Management Limited for GBP250,000 (RM1.31 million)</li> </ol>
16.03.23 (Thur) 10.00 am	MKH Berhad (AGM)	<p>For FY2022, MKH's revenue and pre-tax profit increased by 6.0% and 6.3% to RM968.1 million (FY2021: RM913.6 million) and RM171.3 million (FY2021: RM161.1 million) respectively, thanks to higher contribution from Property Development and Construction Division as well as the Plantation Division.</p> <p>The Property Development and Construction Division recorded higher turnover and profit recognition from ongoing projects, namely MIRAI Residences @ Kajang 2 Precinct 1, TR2 Residence @ Jalan Tun Razak, Iris @ Hillpark Shah Alam and Nexus @ Kajang Station.</p>
16.03.23 (Thur) 11.00 am	Asdion Berhad (AGM)	<p>The Group's revenue declined by 11.32% y-o-y to RM3.84 million (2021: RM4.33 million) with a widened net loss of RM4.05 million compared to a loss of RM2.23 million in the previous year mainly due to a significant increase of other expenses amounted to RM1.18 million during the financial year.</p>

		As the Group's current liabilities significantly exceed its current assets, the Independent Auditors have highlighted a material uncertainty related to going concern.
17.03.23 (Fri) 10.00 am	Lotus KFM Berhad (AGM)	<p>The Group recorded consolidated revenue of RM66.08 million (FY2021:RM51.76 million), representing an increase of 27.66% y-o-y.</p> <p>However, its gross profit margin moderated to 6.31% in FYE2022 (FYE2021: 8.28%), representing a decrease of 1.97%.</p> <p>Despite the lower profit margin, it recorded a higher pre-tax profit of RM3.2 million thanks to higher other income and lower selling and distribution expenses.</p>

<b>One of the points of interest to be raised:</b>	
<b>Company</b>	<b>Points/Issues to Be Raised</b>
AHB Holdings Berhad (AGM)	<p>1. The Group has trade receivables amounting to RM3.98 million (2021: RM2.89 million) that are past due but not impaired as at the end of FY2022. These relate to several independent customers from whom there is no recent history of default (page 103 of AR2023).</p> <p>a) How much of the said trade receivables that are past due are from related parties and/or major customers?</p> <p>b) How long has the said trade receivables been overdue?</p> <p>c) To-date, how much of the said trade receivables have been collected?</p> <p>2. As at the end of FY2022, the Group had 3 customers (2021: 3 customers) that owed the Group a total of RM5.97 million (2021: RM3 million) which accounted for 95% (2021: 93%) of all the receivables outstanding. (page 123 of AR 2022)</p> <p>a) Who are these 3 customers? Have any of them defaulted in the past?</p> <p>b) How long has the Group been in relationship with these customers?</p>
Toyo Ventures Holdings Berhad (AGM)	The Ink Group posted a 14.8% growth in revenue to RM45.38 million for the 12 months in FY2022 compared to RM39.53 million in FP2021 annualized to 12 months. The increase was mainly contributed by the Ink Division due to increase in selling price towards the end of June 2022. The Ink Group operates from the main manufacturing plant in Seri Kembangan, Selangor. (page 26 of Annual Report (AR) 2023)

	<p>a) How much was the increase in the selling price of your products in FY2022?</p> <p>b) What was the total production capacity and average utilisation rate for the Ink Group in FY2022? What is the optimal utilisation rate?</p> <p>c) What is the budgeted capex for FY2023?</p>
Sunsuria Berhad (AGM)	<p>The gross profit margin from the completed properties sold in FY 2022 was 29.4 % as compared to 45.9% in FY 2021. (Pages 172 &amp; 173 AR)</p> <p>a) What were the reasons for the low gross profit margin of completed properties sold in FY 2022 as compared to FY 2021?</p> <p>b) Please provide the aging profile of the completed properties sold by bands of less than 1 year, 1-2 years and more than 2 years for FY 2022.</p> <p>c) How did the Group manage to sell RM87.7 million of completed properties in FY 2022 as compared to RM9.45 million in FY 2021?</p>
Anzo Holdings Berhad (AGM)	<p>1. There is an impairment loss on deposits amounting to RM10,945,786 recorded in FY2022 (FY2021: Nil) (Page 38 of the Annual Report 2022).</p> <p>a) What is the nature of the impaired deposits?</p> <p>b) What are the reasons for the impairment loss on these deposits?</p> <p>c) What is the prospect of recovering the amount?</p> <p>2. The total cost incurred to engage the internal audit function of the Group for the financial year under review amounted to RM9,600 (Page 20 of the Annual Report 2022).</p> <p>Given that the fee is rather small (RM800 per month), how does the audit committee assure itself that there would be adequate coverage and an effective audit function? What are the areas covered by the internal audit function? How many internal audit reports were issued during the said period?</p>
Atlan Holdings Berhad (EGM)	<p>Based on page 7 of the circular to shareholders, approximately 79.3% of the property consideration and stamp duty land tax payable for the property acquisition will be funded by bank borrowings denominated in Ringgit Malaysia. As the property generates revenue in British Pound Sterling, why is company not sourcing British Pound Sterling loan to have a natural hedge against foreign exchange risk?</p>
MKH Berhad (AGM)	<p>The Group incurred an impairment loss on other receivables amounting to RM825,934 in FY 2022 as compared to RM Nil in FY 2021. (Page 101 of AR)</p>

	<p>a) What is the nature of the impairment loss?</p> <p>b) Please provide a breakdown of the impairment loss of RM825,934.</p> <p>c) Is there any potential for the impairment loss to be reversed in FY 2023?</p>
Asdion Berhad (AGM)	<p>The Group's loss attributable to equity holders of the Company increased significantly to RM4.05 million as compared to a loss of RM2.23 million in the previous year (page 9 of AR2023). Accumulated losses increased to RM6.09 million (2021: RM4.74 million), while current liabilities of RM28.32 million exceeds current assets of RM5.53 million (pages 59 &amp; 60 of AR2022).</p> <p>a) Given that the Independent Auditors' Report has highlighted a material uncertainty related to going concern, what are the Group's existing business strategies in turning around Asdion?</p> <p>b) When does the Group expect to turn profitable?</p>
Lotus KFM Berhad (AGM)	<p>The Group's gross profit margin (GPM) has decreased by 1.97% from GPM of 8.28% in FYE2021 to GPM of 6.31% in FYE2022 (Page 62 of the Annual Report 2022).</p> <p>a) What is the reason for the decreased GPM in FYE2022?</p> <p>b) In what ways can the Group improve its GPM? What is the outlook for the GPM in FYE2023?</p>

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•With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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