



MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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The Observer

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❖ Corruption in PLCs

In January 2023, the global anti-corruption coalition Transparency International revealed that Malaysia's 2022 Corruption Perceptions Index (CPI) score deteriorated to 47 points from 48 points in 2021, where 0 is highly corrupt, and 100 is perceived as very clean. The CPI is the most widely used global corruption ranking in the world. It measures how corrupt each country's public sector is perceived to be, according to experts and businesspeople.

From 53 points in 2019, Malaysia's CPI has fallen 6 points over the past three years. The drop is statistically significant, indicating that the country is heading in the wrong direction regarding fighting corruption, supporting human rights and democracy in the public sector.

According to the Malaysian Anti-corruption Commission (MACC), corruption is the act of giving or receiving any gratification or reward in the form of cash or in-kind of high value for performing a task in relation to his/her positions.

There are four main offences stipulated in the MACC Act 2009 (Act 694):

- Soliciting/receiving gratification (bribe) [section 16 & 17(a) MACC Act 2009]
- Offering/giving gratification (bribe) [section 17(b) MACC Act 2009]
- Intending to deceive (false claim) [Section 18 MACC Act 2009]
- Using office or position for gratification (bribe) (abuse of power/position) [Section 23 MACC Act 2009]

PLCs in the news

While we often hear about widespread corruption in government, politics, and the public sectors, graft is also a severe issue plaguing corporate Malaysia.

Even as the authorities clamp down on bribery, PLCs continue to be embroiled in corruption cases. This raises concerns about the ethics and integrity of the directors and employees of PLCs.

To name a few, in January 2022, MACC arrested three officers for facilitating its probe into the procurement of six littoral combat ships (LCS) supposedly to be built by Boustead Naval Shipyard Sdn Bhd (BNS), an 82%-subsidiary of Boustead Holdings Berhad.

Fast forward to February 2023, MACC raided the office of M Jets International Sdn Bhd, an 80%-owned subsidiary of MMAG Holdings Berhad, pertaining to a report made to MACC, following which the subsidiary's accounts have been frozen. Subsequently, MMAG suspended the executive functions of two directors of M Jets.

A month later, two directors of Revenue Group Berhad claimed trial at the Sessions Court for dishonestly misappropriating company property in 2018. The directors were arrested by the MACC in January 2023 over an alleged false claim relating to the purchase of thermal printing paper worth more than RM400,000.

Then in April 2022, MACC froze all operational bank accounts of troubled lingerie maker Classita Holdings Berhad (formerly Caely Holdings Bhd) and its subsidiaries in connection with several suspicious transactions linked to the misappropriation of RM30.55 million by its wholly-owned subsidiary Caely (M) Sdn Bhd. The freeze order was lifted eight months after MACC completed its investigation and has filed no charges against the company.

These examples may not be conclusive proof of corruption as investigations may be in various stages of completion. As a rule, one is innocent till charged and found guilty.

For PLCs, the impacts are detrimental in the form of reputational losses, financial losses, operational inefficiencies, and the ensuing regulatory punishments for those caught with bribery. PLCs may also be liable for bribery committed by their directors and employees.

What can we do?

Bursa Malaysia Securities Listing Requirements mandate all PLCs and their subsidiaries to establish and maintain policies and procedures regarding anti-corruption and whistleblowing. These policies are required to be published on their corporate websites.

Whistleblowing seeks to enhance corporate governance by helping to foster an environment where integrity and ethical behaviour are preserved, and any improper conduct may be exposed. Whistleblowing is also a risk management tool to prevent wrongdoings within the company. Such policy promotes standards of good corporate governance.

Stakeholders including minority shareholders and employees, are encouraged to report in good faith serious concerns of any improper conduct and wrongdoings that could adversely impact the interest of the PLC and its stakeholders without fear of repercussion via dedicated channels.

Besides, listed issuers and their boards are required to periodically assess these policies and procedures' effectiveness, at least once every three years, ensuring that corruption risk is included in the annual risk assessment of the group. Being a minority shareholder, we should play our part in monitoring and assessing the adequateness of these policies to ensure they are relevant to present times.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 15 – 19 May 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.

Date & Time	Company	Quick-take
15.05.23 (Mon) 11.00 am	Public Bank Berhad (AGM)	In line with better earnings posted by other banking peers, Public Bank recorded higher operating revenue and net profit y-o-y to RM21.42 billion and RM6.12 billion, respectively. At the same time, it recorded total loan growth of 5.3% while sustaining its leading position in domestic residential properties financing and hire purchase with a growth of 7.5% and 8.9%, respectively.
17.05.23 (Wed) 10.00 am	PPB Group Berhad (AGM)	The Group achieved revenue of RM6.26 billion, 29% higher than FY2021, as all core segments recorded higher revenue. Pre-tax profit increased by 50% to RM2.25 billion. PPB's core business, Grains and Agribusiness, recorded an increase in profit of 21% to RM74 million; whilst Film Exhibition and Distribution recorded a lower loss of RM17 million. Contribution from its 18.8%-owned associate, Wilmar International Ltd increased by 40% to RM2.10 billion.
17.05.23 (Wed) 10.00 am	UMW Holdings Berhad (AGM)	<p>UMW's revenue grew by 43.0% to RM15.8 billion in FY2022 (FY2021: RM11.1 billion) mainly attributed to the Automotive Division, with a 47.78% jump in revenue to RM13.3 billion from RM9 billion a year ago. Similarly, its other divisions, e.g., Equipment Division, Manufacturing & Engineering division, recorded improved topline.</p> <p>In line with the higher revenue recorded, its PBT increased by 85.6% to RM896.5 million (FY2021: RM482.8 million).</p> <p>It remains cautious of the many challenges they expect in 2023 and beyond.</p>
17.05.23 (Wed) 10.00 am	Aeon Co. (M) Berhad (AGM)	Aeon's FY2022 PBT increased by 61.4% y-o-y to RM211.47 million

		<p>(FY2021: RM131.01 million) on the back of a 14.1% increase in revenue to RM4.14 billion (FY2021: RM3.63 billion).</p> <p>The growth was attributed to the retail segment's revenue increase of 13.8% due to improved softline and hardline sales and a 15.8% increase in property management services revenue due to higher occupancy rates and customer footfall.</p>
17.05.23 (Wed) 10.00 am	Apex Healthcare Berhad (AGM)	<p>In FY2022, the Group achieved a record-high revenue and PBT of RM877.7 million (FY2021: RM770.8 million) and RM120.4 million (FY2021: RM75.4 million), respectively. Higher sales were attributed to various factors including the efficient supply of pandemic-related healthcare products and increased sales of respiratory medicines. Profit growth was particularly notable due to a higher share of earnings from its 40% associate company, Straits Apex Group, which contributed RM29.6 million (FY2021: RM7.1 million) thanks to strong orders.</p>
17.05.23 (Wed) 02.30 pm	Zhulian Corporation Berhad (AGM)	<p>Against reduced consumer confidence and spending, as well as the disruptions and impact caused by prolonged pandemic in recent years, the Group recorded lower revenue of RM136.2 million in FY2022, representing a 9% decrease compared to RM149.6 million in FY2021.</p> <p>Given the decline in sales and weakened Ringgit against the US Dollar, net profit for FY2022 was RM38.3 million which decreased by RM3.3 million as compared to preceding financial year of RM41.6 million.</p>
18.05.23 (Thur) 10.00 am	Tenaga Nasional Berhad (AGM)	<p>Driven by stronger electricity demand as economic activities picked up with the return to normalcy, the group recorded total revenue of RM50.9 billion in 2022, 5.7% higher year-on-year from the RM48.1 billion reported in 2021. While this demand drove revenues higher, the group recorded a lower profit after tax of RM3.56 billion or 8% lower year-on-year</p>

		compared to the RM3.86 billion reported in 2021. This was primarily due to a deferred tax movement and the imposition of the Prosperity Tax.
18.05.23 (Thur) 02.30 pm	Maxis Berhad (AGM)	Despite a challenging operating environment, Maxis achieved growth across its two core segments of Consumer and Enterprise. This resulted in an EBITDA of RM3,938 million for FY2022 (FY 2021: RM3,876 million), with all segments contributing more than in the previous financial year. Profit before tax increased to RM1,811 million from RM1,762 million. The Group has also been developing its AI Network, built on the latest SDN technology and working closely with its 5G alliance partners to commercialise 5G and IoT across industries.
19.05.23 (Fri) 09.00 am	P.I.E. Industrial Berhad (AGM)	For FY2022, the Group's revenue increased 14.6% to a new all-time high of RM1.17 billion. This was mainly due to higher orders received from new and existing customers in the EMS segment. The EMS segment in Malaysia contributed 78.1% of the Group's revenue, followed by raw wire and cable manufacturing division in Malaysia, at 20.3%, and wire harness and cable assembly division in Thailand, at 1.6%. Meanwhile, PBT rose 10.4% to RM82.06 million.
19.05.23 (Fri) 09.30 am	Magnum Berhad (AGM)	The Group's revenue rose 61.3% to RM2.03 billion in FY2022. In tandem with this, profit before tax rose more than sixfold to RM159.86 million in FY 2022. The higher revenue was mainly attributed to the increased number of draws conducted in FY 2022 (2022: 179 draws; 2021: 126 draws). A paradigm shift in consumer buying behaviour brought on by the pandemic has altered the Number Forecast Operator (NFO) industry significantly as online purchase remains a convenient option for consumers even post pandemic. This presented a major limitation for legal NFOs, allowing illegal operators to proliferate and unabashedly cash in by bringing online gaming convenience to consumers, right at their fingertips.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Public Bank Berhad (AGM)	<p>The size of corporate loans under the repayment assistance (RA) programmes remains elevated at RM4.69 billion, where the total cumulative loans approved under RA programmes from 2020 up to 28 February 2023 are equal to the total outstanding loans under RA (page 98 of AR2022).</p> <p>From which business sectors did these loans originate? What were the issues faced by the borrowers resulting in their inability to repay the outstanding loan? What is the visibility of recovering these outstanding loans?</p>
PPB Broup Berhad (AGM)	<p>In FY2022, the Group's finance costs increased to RM68,173,000 from RM34,905,000 in FY2021, representing an increase of 95.31% (Page 74 of the Annual Report 2022).</p> <p>Does the Group expect the finance cost to remain at the same level or increase further in FY2023? To what extent will any interest rate hikes impact the Group's profits in FY2023?</p>
UMW Holdings Berhad (AGM)	<p>According to news report by the News Straits Times, on April 28, Daihatsu confirmed that it committed "wrongdoings" in particular crash safety tests done for regulatory approval applications for four models. The affected model includes the 2023 Perodua Axia, Toyota Vios (badged as the Yaris Ativ in Thailand and other markets), Toyota Agya and a yet-to-be-launched model. It said over 88,000 units of affected models had been sold in Malaysia, Thailand, Indonesia, Saudi Arabia, the United Arab Emirates, Kuwait and Mexico so far, and new shipments had been suspended. (NST article on 1 May 2023)</p> <p>a) To what extent does the Group foresee that such news may cause cancelation of the affected Toyota and Perodua vehicles booking?</p> <p>b) Perodua intends to build on the growth achieved in the previous year and has set an ambitious target of selling 314,000 cars in 2023 (page 63 of AR2022). Given the current negative news on Perodua Axia on its "wrongdoings", is this target still achievable?</p>
Aeon Co. (M) Berhad (AGM)	<p>In FY2022, AEON focused on improving its digital capabilities to meet the changing needs of customers. This included implementing the New Retail Business model and Online-Merge-Offline (OMO) strategy (page 23 of AR2022).</p> <p>a) What percentage of your sales growth in the retail segment in FY2022 can be attributed to the adoption of digitalisation? Can you provide any specific metrics that demonstrate the impact of digitalisation on your sales performance?</p> <p>b) What is the breakdown of AEON's budgeted capital expenditures for FY2023, and how much of that is allocated for digitalization initiatives?</p>

Apex Healthcare Berhad (AGM)	<p>In 2022, Apex Healthcare achieved a record revenue of RM 877.7 million, a growth of 13.9% compared to 2021. This was due to the sustained economic recovery, improved consumer confidence, timely expansion of production capacity, and strong sales of respiratory medicines, especially cough and cold products, which were in high demand due to Covid-19 and other respiratory illnesses in the community (page 10 of AR2022).</p> <p>a) What was the contribution of respiratory medicines, including cough and cold products, to total revenue in 2022? How would total revenue have been impacted if sales of respiratory medicines had been at a normalized level instead of the heightened demand observed during the year?</p> <p>b) Considering the potential for a decrease in demand for respiratory medicines, what strategies or product offerings does the Group have in place to sustain or increase its total revenue for 2023?</p>
Zhulian Corporation Berhad (AGM)	<p>The Group reported lower revenue of RM136.167m from RM149.616m a year ago mainly due to softening of consumer sentiment arising from inflation pressure and weakening Ringgit. What are the measures taken/ being taken by the Group to mitigate the challenges? Does the Group expect FY2023 to be a better year?</p>
Tenaga Nasional Berhad (AGM)	<p>Included in other receivables of the group and of the company are amounts due from the Government amounting to RM16,853.3 million (2021: RM4,783.0 million) under the Imbalance Cost Pass-Through ("ICPT") mechanism. (Page 298 of Integrated Annual Report 2022). Meanwhile the amount of ICPT under recovery jumped from RM4,509.6m in 2021 to RM22,315.3m in 2022. (Note 32 to the financial statements 2022)</p> <p>a) From 1 January 2023, medium voltage and high voltage users will be charged a surcharge of 20 sen per kWh due to the high electricity generating costs caused by the global increase in coal prices. After the surcharge revision, does the Board still anticipate Tenaga being in a deep under-recovery position in 1H2023 under the ICPT mechanism? Does the Board expect the group's receivables due from the Government under the ICPT to increase further?</p> <p>b) Does Tenaga expect a further subsidy from the government, after recovering the RM5.8 billion subsidy from the government in 2H2022?</p> <p>c) With the ballooning of amounts due from the government under the ICPT mechanism, how does Tenaga expect to recover the owed amounts?</p> <p>d) When is the receivable amount of RM16,853.3m expected to be fully recovered?</p>

	<p>e) What are the possible mitigation measures that TENAGA could take to address the potential impact on the group's cash flow due to any potential delay in the recovery of the ICPT under recovery position?</p>
Maxis Berhad (AGM)	<p>1. Group impairment of receivables and deposits rose significantly from RM76.0 million in FY 2021 to RM156.0 million in FY 2022 (page 143 of IAR 2022). Why is there such a significant increase in impairment? How much of the impairment has been recovered and what is the probability of recovering the balance?</p> <p>2. As at end of FY 2022, out of the amount of RM16 million due from related parties at Group level, there was a significant portion of RM7 million impaired (page 163 of IAR 2022). What is the Group's credit policy in regard to treating amounts due from related parties? How much of the impaired amount has been recovered and what is the probability of recovering the balance?</p>
P.I.E. Industrial Berhad (AGM)	<p>In FY2022, the Group incurred capital expenditure (capex) totaling RM46.68 million, compared to RM65.66 million in FY2021. The capex was spent on the purchase of machinery and equipment as well as the purchase and expansion of the factory building to expand production capacity to cater for the increasing orders and enhance operational efficiency. (page 11 of Annual Report (AR) 2022)</p> <p>a) What was the Group's total capacity and average utilisation rate in FY2022?</p> <p>b) How much additional capacity does this new factory add to the Group?</p> <p>c) When do you expect this new factory to start operations? And when do you expect it to run at optimal capacity?</p> <p>d) What is the budgeted capex for FY2023?</p>
Magnum Berhad (AGM)	<p>Riding on this wave, the Group registered a total revenue of RM2.03 billion for the financial year ended 31 December 2022 ("FY 2022"), which is RM771.54 million higher than the previous year's revenue of RM1.26 billion, representing a commendable 61.3% increase. The higher gaming sales revenue was chiefly attributed to the increased number of draws conducted in FY 2022 (2022: 179 draws; 2021: 126 draws), as the Group enjoyed a full year of uninterrupted business operations entering the endemic phase. (page 17 of AR 2022)</p> <p>How many draws is the Company expected to conduct in FY 2023? Is the Group's remarkable revenue growth expected to sustain or even be better in FY 2023?</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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