MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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MACC looks beyond GLCs to clamp down on corrupt practices

In recent times, there are clear signs of the Malaysian Anti-Corruption Commission (MACC) casting its net wider to encompass PLCs who are engaged in project tie-ups with government-linked companies (GLCs) especially if there is suspicion or evidence of company personnel – from junior to senior level to company directors – engaging in graft-related activities.

This becomes more glaring following the implementation of the corporate liability provision involving all commercial organisations under Section 17A of the MACC Act 2009 which came to force on 1 June 2020.

Lately, power infrastructure provider Pestech International Berhad had been thrust into the limelight as its subsidiary CRSE Sdn Bhd is assisting the MACC in the agency's investigation of a corruption case related to the Mass Rapid Transit 2 (MRT2) project.

This follows various media reports on the MACC investigation into alleged corruption by two engineering firms involved in the MRT2 project.

Pestech explained that CRSE is currently executing the power supply and distribution system (PSDS) package for the MRT2 project. As such, CRSE as one of the contractors to the MRT2 project has also been required to assist in the MACC investigation.

To recap, Bernama had in March this year reported that three directors and two former directors of an engineering firm had been detained by the MACC to assist in a corruption case investigation that is linked to the MRT2 project worth over RM650 million.

According to the news report, four men, including one with the title "Datuk" and a woman –all aged between 43 and 63 – were detained when they turned up to give their statements at the MACC headquarters.

Two former company directors were believed to have received RM27 million in bribes from another engineering firm as kickbacks to be appointed as a consultant for the project in 2017.

The case is being investigated under Section 16 of the MACC Act for soliciting and accepting bribes.

Apart from detention of company officials which is deemed a direct action, MACC had also in recent times acted in a more subtle manner as experienced by lingerie manufacturer Caely Holdings Bhd which confirmed on 20 April that the graft buster has issued a freeze order on all the operational bank accounts of the company and its subsidiaries.

Caely said that the freeze order by MACC was never made known to the company but that it had merely received the notice from one of its bankers – that its accounts had been frozen.

First PLC implicated under Section 17A

On 19 August 2021, Deleum Berhad said its 60%-indirect subsidiary Deleum Primera Sdn Bhd (Primera) had been issued a RM1 million compound by the MACC over the illegal scheme involving several of the latter's directors and certain subcontractors.

According to its stock exchange filings, the upstream oil and gas services group became aware around January 2020 of unusual irregularities in Primera's conduct of business, prompting it to appoint PwC Consulting Associates (M) Sdn Bhd to conduct a special audit and forensic investigation for the subsidiary.

Later, their investigation revealed that senior management personnel, directors and shareholders of Primera had entered into an illegal scheme with certain subcontractors of Primera that resulted in a loss to Primera.

Following this, a civil suit involving claims of RM19.88 million has been brought by Primera against seven individuals and three companies.

The case came about after Pristine Offshore Sdn Bhd became the first company to be charged under the newly introduced Section 17A of the MACC Act 2009 on 31 March last year with one count of bribery involving RM321,350 to ensure that it was awarded a subcontract from Petronas Carigali Sdn Bhd as well as one count of bribery framed under Section 16(b)(A) of the MACC Act 2009.

The bribe was allegedly given to a senior officer of Deleum Primera between June and October 2020 to ensure Pristine Offshore was awarded the subcontract from Petronas Carigali.

Conclusion

Section 17A of the MACC Act is a powerful corporate liability provision with a deeming personal liability implication. Directors, management, and associates must be fully aware of its implications and what the directors, management, and associates can do to avoid or mitigate liability.

The recent experiences of these PLCs demonstrate the need for board of directors of PLCs – especially the audit committee – to play a more proactive role by being vigilant in ensuring that all funding for projects can be accounted for or leakages can be quickly plugged. In addition, the audit committee should also determine whether appropriate policies and controls are in place for the detection and mitigation of risks related to bribery and corruption.

In essence, PLCs have no better option than to conduct their businesses with utmost integrity without having to resort to corruption.

This is a given since the provisions under Section 17A of the MACC Act 2009 stipulates a corporate liability principle where a commercial organisation can be considered guilty if any of its employees and/or associates commit corruption for the benefit of the organisation.

At the same time, apart from the organisation, the directors and management can also be considered guilty (until they can prove their innocence) regardless of whether they or their upper management sanctioned, or was aware of, the corrupt acts being committed by its employees or associates.

If a commercial organisation is found guilty under Section 17A, the penalty is a fine of not less than 10 times the value of the bribe or RM1 million whichever is higher or imprisonment for up to 20 years or both.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 16 – 20 May 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
18.05.22 (Wed) 10.00 am	Apex Healthcare Berhad (AGM)	Being in defensive and recession proof business, the Company has performed consistently in the past years. It has also ventured into contract manufacturing which offers a lot of potential for growth for the Company. Going forward, it is expected to perform well with the renewed empahasis among consumers on healthcare post pandemic.
18.05.22 (Wed) 02.30 pm	Zhulian Corporation Berhad (AGM)	Zhulian has recorded consistent performance, but it faces the onslaught of other e-commerce players which offer similar products with it. It is quite entrenched in Malaysia, Thailand, Cambodia and Myanmar but going forward its ability to expand to newer markets and increase its distributorship network would be pivotal in

		providing catalysts to enhance its earnings stream.
19.05.22 (Thur) 09.30 am	Kossan Rubber Industries Berhad (AGM)	The challenge for Kossan in FY2022 would be how does it face falling ASPs and increased capacity in the rubber glove market. It had a stellar year in 2021 where it registered its highest ever revenue and net profit but going forward it would face severe headwinds.
19.05.22 (Thur) 10.00 am	Gas Malaysia Berhad (AGM)	Revenue for FY2021 was lower at RM5.85 billion compared to RM6.69 billion in 2020 due to the lower average natural gas tariff, mitigated by higher volume of natural gas sold and higher recognition of the revenue cap adjustment in 2021 to address the under-recovery of revenues arising from the variances between actual and estimated firm capacity reservations used in the determination of tariff rates for the utilisation of the Natural Gas Distribution System.
19.05.22 (Thur) 10.00 am	Vitrox Corporation Berhad (AGM)	Vitrox delivered another record-breaking year with a 44.6% jump in revenue to RM680.1 million and a 60.4% increase in net profit to RM169.4 million. Although 2021 was a challenging year, it was also a year of growth and progress. Rising megatrends such as 5G, IoT, electric vehicles, AI, and high-performance computing applications are expected to further drive demand towards semiconductor. Vitrox continues to experience robust growth in demand across all business units.
19.05.22 (Thur) 10.00 am	Dayang Enterprise Holdings Berhad (AGM)	The Group recorded a lower revenue of RM667.7 million compared to RM731.4 million in 2020. Its overall profitability was significantly affected by the Group's vessel-chartering subsidiary, Perdana Petroleum Berhad (PBB) which recorded a lower utilisation of 44% in 2021 compared to 53% recorded in 2020.

		Besides, PPB also recorded a one-off depreciation charge of RM41.3 million and impairment charges of RM349.8 million on property, plant and equipment and goodwill, mainly due to changes in its accounting policy.
19.05.22 (Thur) 10.00 am	AEON Co (M) Bhd (AGM)	Despite a lower revenue of RM3.6 billion compared to RM4.1 billion in FY2020, which was mainly due to the impact of nationwide lockdowns, its net profit more than doubled to RM85.3 million from RM41.4 million, driven by better margins, improved purchasing strategies, enhanced negotiations and disciplined cost management.
20.05.22 (Fri) 09.30 am	Magnum Berhad (AGM)	Magnum's revenue fell by 24.7% to RM1.26 billion in FY2021 while net loss amounted to RM1.35 million in FY2021. The gaming industry faced prolonged periods of operating restrictions. The proliferation of illegal number forecast operators had continued unabated as they were unaffected by lockdowns. Magnum and other industry players are working with the regulators to allow legalised mobile sales by legal operators. It is hoped that the issues behind the crucial point of competition will be resolved as soon as possible.
20.05.22 (Fri) 10.00 am	Ancom Nylex Berhad (formerly known as Ancom Berhad) (EGM)	Ancon Nylex will seek shareholders' approval for the proposed share split involving the subdivision of every 1 existing ordinary share in Ancom Nylex Berhad (ANB Share) into 3 ANB shares.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Apex Healthcare Berhad (AGM)	Inventories written down increased substantially from RM 1.14 million in FYE 2020 to RM2.33 million in FYE 2021. (Page 79 of AR 2021) a) What were the reasons for the increase in the write down? (eg stock obsolescence or slow moving stock)

	b) How much of the amount has been written back after FYE 2021? c) Does the Board foresee more write downs in FYE 2022 with the slowing economy?
Zhulian Corporation Berhad (AGM)	The Company which started its business in 1989 is built on a Multi Level Marketing (MLM) model. As at the end of FYE 2021, the Company had 269, 810 distributors in the region. The pandemic had disrupted its physical training for its distributors and the Company had to pivot to online training to conduct the training sessions for its distributors. (page 14 of AR 2021). a) What was the cost incurred in conducting these trainings in FYE 2021? (eg cost of trainers and miscellaneous expenses) b) How effective were these trainings and how does the Company gauge the results of these trainings?
Kossan Rubber Industries Berhad (AGM)	The Company recorded its highest revenue and net profit at RM6.63 billion and RM2.85 billion respectively for FYE 2021. This was mainly due to the strong demand for gloves during the pandemic. Going forward the rubber glove industry is faced with some severe headwinds namely falling Average Selling Prices (ASPs) and increased capacity. a) What are the Company's strategies in facing falling ASPs and increased capacity? b) What is the outlook for the gloves market if the Covid-19 pandemic slowly abates?
Gas Malaysia Berhad (AGM)	While the number of industrial customers has increased from 965 to 998, the number of commercial customers and residential customers have dropped from 2,159 and 25,508 to 1,825 and 22,873 respectively (page 3 of FY2021 annual report and page 3 of FY2020 annual report). What were the reasons for the decline in the number of commercial customers and residential customers?
Vitrox Corporation Berhad (AGM)	The Group is optimistic and confident that 2022 will be another growth year for ViTrox. The 2022 growth is constrained by a few challenges such as material shortages and supply chain issues that will increase in the 1st half of 2022 and the ongoing talent shortage. (page 36 of AR2021) How will the on-going Russia-Ukraine war impact the Group and to what extent has it impacted the Group's shipment of products to international markets, especially in terms of cost and time?

Dayang Enterprise Holdings Berhad (AGM)	The allowance for impairment loss on trade receivables increased to RM12.1 million in FY 2021 from RM0.28 million in FY 2020, an increase of RM11.8 million or 4221 %. (Page 127 of AR) a) What were the reasons for the high impairment losses on trade receivables in FY 2021? b) Please provide the name and amount for the top three debtors who have high impairment losses in FY 2021. c) What is the amount of impairment loss of RM12.1 million that has been collected as of March 2022?
AEON Co (M) Bhd (AGM)	During FY2021, the company acquired intangible assets with an aggregate cost of RM60,103,000 (2020: RM735,000), of which RM26,120,000 (2020: Nil) were under interest free deferred payment plan and being included in amounts due to related companies. What are the other intangible assets acquired by AEON during the year?
Magnum Berhad (AGM)	A total of 52 draws were cancelled nationwide and another 18 were affected where only outlets at Sarawak were allowed to operate. Painfully, a portion of these occurred during the traditional peak-sales period of Chinese New Year. (page 8 of IAR 2021) What was supposed to be the total number of draws during FY 2021? What is the planned total number of draws for FY 2022? What are the planned and actual draws from January 2022 to date?

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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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