



The Observer

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In conjunction with the Hari Raya Aidilfitri celebration next week, The Observer will take a break with publication resumes in the week of 13 May 2022. MSWG would like to wish Selamat Hari Raya Aidilfitri to our Muslim friends.

❖ GIB's executive director claims wrongful suspension

Technical rubber compound provider GIB Holdings Berhad (formerly Goodway Integrated Industries Berhad) must now prove that its suspension of executive director Wong Weng Yew is valid and just as the latter has vehemently challenged the action meted out against him.

In an announcement dated 11 April, GIB said Wong's suspension was effective from 28 March. The suspension was then extended to 25 April pending the evaluation of the reply to the show cause letter issued to him. The suspension was to facilitate the investigation into his management and handling of the glove business and the Group's accounts.

A week later, Wong in a media statement, claimed that his suspension by GIB came about after he raised questions about the nature of several transactions which he found to be suspicious. He said ever since he had brought the transactional issues to light, the management had treated him "with hostility and contempt".

Furthermore, Wong alleged that GIB's executive chairman and chief executive officer (CEO) Tai Boon Wee had directly requested him to approve certain payments during his suspension. Claiming that this is an affront to good governance, Wong had urged the internal audit committee and relevant regulatory bodies to investigate Tai's action.

Wong also added that he had on 7 April responded to the show cause letter with full explanation and supporting evidence denying all allegations that have been levelled against him.

Probes and investigations

This is a case of an executive director going the extra mile to showcase his innocence. What Wong did has prompted GIB to expedite the probe into allegations made against him as well as kept minority shareholders informed of his part/role in the company.

According to GII B's Annual Report 2020, Wong who is a chartered accountant, was appointed as GII B's executive director on 23 February 2021. He was tasked to manage the group's finance and accounting operations.

Prior to joining GII B, he was attached to PricewaterhouseCoopers LLP in Singapore where he managed and provided advisory for business processes, IT auditing and security review. Overall, he has more than 10 years' experience in business advisory and auditing.

As Wong stoutly defended his innocence, GII B had on 18 April set up a three-member investigative committee which is chaired by two independent non-executive directors - Yong Wei Sang and Tee Jun Shern, and alternative director to Tai Boon Wee, Tai Qiyao, to assist the board in overseeing the probe into allegations against Wong. Qiyao is the son of executive chairman Tai.

On 22 April, GII B announced the appointment of independent consulting firm PKF Covenant Sdn Bhd to assist the investigative committee which is probing the management and handling of the glove business and the group's accounts by Wong.

PKF is tasked to independently examine and provide comments/views on the relevant evidence and information pertaining to the charges against Wong. It is also required to prepare a report to GII B's investigative committee pertaining to the charges and attend investigative committee or board meetings, as may be required, to present findings and commentaries/views pertaining to its probe.

Later, Wong in another statement said he had lodged a police report on 25 April in respect of the contentious matters involving GII B.

He claimed that he had not gotten updates from the investigative committee that GII B had set up recently. Besides, he also urged the investigative committee to remain impartial in its investigation despite the committee including a family member of the executive chairman.

On 28 April, GII B announced that Wong's suspension had been further extended for 14 days from 26 April since the company's external independent auditor has just commenced the investigation.

It also further proposed a change of financial year end from 31 December to 30 June "mainly to facilitate the recent investigation into the management and handling of the glove business and the company and its subsidiaries' accounts."

It will also apply for an extension of time to hold its next AGM and to lodge the audited financial statements with the Companies Commission of Malaysia.

About GII B

With regard to GII B's glove business, it is worthwhile mentioning that the company only ventured into the glove industry at a late stage of the glove boom cycle.

On 18 March last year, the company through its 51% owned subsidiary GIB Healthcare Products Sdn Bhd had proposed to include the manufacturing, sales and marketing of gloves as its principal business.

Back then, its executive chairman/CEO Tai said GIB's glove venture would hasten a turnaround of the company's financial performance and will help identify additional streams of income.

For its 12-month financial period ended 31 December 2021, GIB managed to halve its net loss to RM21.2 million as compared to net loss of RM40.68 million in previous corresponding period. Its revenue during the period under review was flat at RM36.62 million against RM36.91 million in the year before.

❖ **Torrents of trouble at Caely; latest is founder suing company, board**

Storms in Caely Holdings Bhd seems far from over. Just after the freeze order from the Malaysian Anti-Corruption Commission (MACC) on all its bank accounts, the undergarments manufacturer had been slapped with legal action initiated by its founder and non-executive director Datin Fong Nyok Yoon.

Fong in her originating summons seeks to prohibit the Company and its directors from issuing new shares through a private placement exercise. She further insists that the allotment of new shares in the company should only be allowed if approved by Caely's shareholders at an extraordinary general meeting.

Caely's executive director and CEO Lim Chee Pang was named as the first defendant. The other five defendants named are Lim Say Leong, Beh Hong Shien (both non-executive directors), Datuk Wira Ng Chun Hau (executive chairman) and former non-executive directors Noor Azri Noor Azerai and Datuk Seri Mazlan Lazim. Both Mazlan and Noor Azri had resigned from Caely's board on 25 April "to pursue other opportunities".

Fong also seeks to overturn the redesignation of herself as non-independent non-executive director. On 28 March this year, it was announced that she was redesignated as NINED from an executive director.

According to Caely's 2021 Annual Report, Fong held 7.4% of the company's shares as of end-July 2021 while her husband Datuk Chuah Chin Lai (Caely's former managing director) held 5.49% stake.

Troubles brewing

Prior to this, Caely was already embroiled in a series of issues. Earlier, it had appointed Virdos Lima Consultancy (M) Sdn Bhd as the independent forensic auditor to investigate allegations of suspicious and irregular transactions at one of its subsidiaries. The appointment came about after one of its independent non-executive directors received an anonymous package containing documents that raised concerns about several suspicious transactions involving the wholly-owned unit, Caely (M) Sdn Bhd (CMSB). The investigation is expected to be completed by 31 May.

Ahead of this, its external auditor PKF Malaysia had issued a qualified opinion on the group's audited financial statements for its financial year ended 31 March 2020 in relation to CMSB's ability to recover certain receivables.

The auditor noted that CMSB had trade receivables of close to RM12 million as of 31 March 2020 related to construction works for Felcra Bhd which were completed on 28 Feb 2018.

However, only RM250,000 in repayment had been received by the company since completing the works which it attributed to the change of government and the COVID-19 pandemic.

As all payments for the construction have been delayed, PKF is of the view that with the prolonged delay, the carrying amount of trade receivables might be impaired due to uncertainty over the recoverable amount.

Performance wise, Caely had been underperforming for the past two financial years. For FY2021, its net loss had widened to RM14.28 million compared to a loss of RM7.45 million in FY2020. Likewise, revenue was lower at RM57.49 million against RM69.46 million in previous year.

The developments in GIB and Caely have once again proved that issues can arise suddenly, and it can be compounded by other issues. Minority shareholders must be aware of such developments and closely monitor the announcements made by the PLCs as well as other relevant developments.

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