MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

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❖ Why the delay of 11 days in announcing a legal suit?

Technical rubber compound specialist GIIB Holdings Berhad (formerly Goodway Integrated Industries Berhad) owes an explanation to its minority shareholders as to why it took the company "a good 11 days" to make public that it has been served with an originating summons (OS) by its former executive director Wong Weng Yew.

While Wong who is also a shareholder of GIIB with a 6% stake had filed his OS with the Shah Alam High Court on 19 May via his solicitors, Messrs Chong + Kheng Hoe, GIIB has only made known of the legal suit via a Bursa Malaysia filing on 30 May under the subject "Material Litigation".

Doubtlessly, the long delay in disclosing the legal suit filed by Wong – who coincidentally had his services terminated on the same day – is a sure breach of the core corporate governance principle of transparency and the need for timely information to enable minority shareholders to make informed investment decisions.

The common practice would have been for GIIB to immediately make a Bursa Malaysia announcement that a legal action has been initiated against the company or at the very least the next day if the OS was received after office hours.

Besides, this brought to question of whether GIIB had breached the Main Market Listing Requirements (MMLR) which require a listed issuer to make immediate public disclosure of any material information including "the commencement of or the involvement in litigation and any material development arising from such litigation" (Paragraph 9.04 (f) of MMLR).

To recap, Wong who was suspended on grounds of misconduct as per the charges made against him in a show cause letter dated 28 March this year, has had his services terminated after the company's external independent auditor claimed to have found sufficient basis to hold him accountable for misconduct.

He was then re-designated as GIIB's non-independent non-executive director on 27 May upon termination of his employment.

According to GIIB's Annual Report 2020, Wong was appointed as an executive director of GIIB on 23 February last year when he was made responsible for managing the group's finance and accounting operations.

Prior to joining GIIB, 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.

Recall that Wong had on 25 April lodged a police report in respect of the contentious matters involving GIIB. He claimed he had yet to receive update on the matter of the investigative committee set up by GIIB. Furthermore, he voiced his concern on poor governance as a member of the investigative committee is a family member of GIIB's executive chairman, Tai Boon Wee.

What does the OS seek?

In a nutshell, the OS has named as defendants the company, its executive chairman Tai Boon Wee, executive/alternate director Tai Qiyao (who has ceased to be the alternate director to Tai Boon Wee with effect from 1 June), fellow executive director Tai Qisheng and non-independent non-executive director Madam Wong Ping Kiong.

As per GIIB's Bursa Malaysia filing dated 30 May, the following were sought from the directors named as defendants in Wong's OS:

- A declaration of a breach of Main Market Listing Requirements (MMLR)
- Indemnity against the plaintiff (Wong) on any and/or liabilities, costs and damages arising from the breach of MMLR
- An injunction as director and/or officer of GIIB and its subsidiaries for a period of five years
- A restraint from managing GIIB and its subsidiaries for a period of five years
- A restriction from buying GIIB shares for a period of five years
- A restriction from on voting or any other rights in relation to GIIB's shares
- A restriction on collecting and issuance of new GIIB shares through a private placement exercise

From GIIB and the directors named in person as defendants, the following were sought by the OS:

- Any other relief under Section 360 of the Capital Markets and Services Act 2007;
- General damages determined by the court
- Exemplary damages
- Aggravated damages
- A declaration that the plaintiff's (Wong) suspension as an executive director is considered null and void
- A restraint from imposing a restriction on the plaintiff (Wong) to the access of information, documents, records and premise of GIIB
- Any other ruling deemed fit by the court under Section 346(2) of the Companies Act 2016
- Costs of application and other costs
- Interests

- Any other relief deem fit by the court

While the announcement on the OS offered little details to public, a news report by online media Focus Malaysia on 27 May probably helped to shed some light on the events which led to this corporate saga.

It was reported that Wong has in his OS disputed the reasons given by GIIB to change its financial year end to 30 June 2022 from 31 December 2021 (which was announced on 27 April 2022).

GIIB said the change of financial year was supposed to facilitate the investigation into its management, the handling of the glove business as well as the accounts of the company and its subsidiaries (which is linked to Wong's suspension and ultimately termination).

Claiming this reasoning as falsehood, Wong alleged that GIIB's auditor Grant Thornton Malaysia PLT had in fact issued a disclaimer of opinion in its draft audited accounts of the company that it has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Based on the previous financial year end of 31 December 2021, GIIB would have required to file its Annual Report 2021 and audited financial statements for its financial on or before 30 April 2022.

If the disclaimer by the auditor is made public, GIIB would have triggered a Practice Note 17 (PN17) situation.

However, with the change of its financial year-end from 31 December 2021 to 30 June 2022, GIIB only must announce the audited financial statements on or before 31 October 2022.

All in all, it seems that the storms in GIIB is far from over.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 6 – 10 June 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
07.06.22 (Tue) 11.00 am	GDEX Berhad (AGM)	GDEX achieved revenue of RM636.9 million for the 18-month financial period ended 31 December 2021. For the 12-month financial year ended 30 June 2020, it registered a revenue of RM364.0 million.

		Its profit before tax amounted to RM58.2 million for FPE2021, while PATMI stood at RM41.5 million in FPE2021. This was attributed to enhanced operating efficiencies as well as higher earnings contribution from the Group's investee companies in Indonesia and Vietnam.
08.06.22 (Wed) 11.00 am	MSM Malaysia Holdings Berhad (AGM)	For FY2021, MSM's revenue surged by 3.4% to RM2.26 billion on the back of improved selling prices across all customer segments. At the same time, it posted a net profit of RM125.3 million mainly due to gains from disposal of subsidiary. It expects the 2022 will be a challenging year and remains cautiously optimistic on its turnaround plan amidst the rising price of raw sugar, freight and natural gas costs and weaker Ringgit.
08.06.22 (Wed) 10.30 am	Paramount Corporation Berhad (AGM)	Paramount recorded higher revenue of RM681.4million in FY2021 (FY2020: RM593.6 million), while its PBT grew by 37% to RM70.3 million (FY2020: RM51.5 million). Meanwhile, its net profit of RM42.7 million was 36% higher than the RM31.3 million achieved in FY2020, without contributions from the discontinued operations.
08.06.22 (Wed) 11.00 am	Greenyield Berhad (AGM)	On a year-on-year basis, the Group's revenue had increased by 36.11% to RM45.38 million compared to RM33.34 million in FY2020. Meanwhile, its profit before tax was also higher at RM7.50 million (FYE2020: RM6.89), mainly due to strong sales from the household goods and plantation inputs operating segments. The Group continues to look for growth opportunities while managing costs to ensure the viability of the business.
09.06.22 (Thur) 10.00 am	Malaysia Building Society Berhad (AGM)	The Q1FY2022 saw MBSB's asset quality worsened with its gross impaired loan ratio increased to 5.89% compared to 4.6% in Q4FY2021. At the meantime, its flattish financing growth is a concern with only 1.3% recorded in FY2021 as compared to

		industry total loan growth of 4.5% during the year.
09.06.22 (Thur) 10.00 am	Inix Technologies Holdings Berhad (EGM)	The EGM is to seek shareholders' approval for a few resolutions: - Proposed debt settlement of up to RM8.16 million via issuance of new INIX shares - Proposed 30% private placement - proposed rights issue - proposed share capital reduction by RM40 million - proposed ESOS and issuance of share options to directors including independent non-executive directors (INEDs) - proposed change of company name In line with better CG, MSWG does not encourage the practice of giving options to INEDs as they do not play an executive role in the Company and are responsible for monitoring the option allocation to employees and executive directors.
10.06.22 (Fri) 10.00 am	Supercomnet Technologies Berhad (AGM)	The Company had survived the pandemic quite well as demand for medical devises remained buoyant during the Covid-19 season. Some of its products such as the bronchoscope witnessed a surge in demand during the pandemic because it was used to detect lung infections amongst Covid patients. As the pandemic is transitioning to endemic, it may consider introducing more new products as the demand for medical products which was strong during the pandemic could taper off.
10.06.22 (Fri) 11.00 am	SLP Resources Berhad (AGM)	Overall, SLP recorded a rebound in topline and bottomline performance with a 15% and 7.63% increase in revenue and net profit to RM168.95 million and RM17.73 million respectively in FY2021. Despite the higher sales, it registered a lower profit margin of 10.5% (FY2020: 11.2%) due to higher administrative, selling and marketing expenses.
10.06.22 (Fri) 10.00 am	Frontken Corporation Berhad (AGM)	Frontken achieved another record-breaking year with a revenue of

		RM450.2 million, represented a double-digit growth of 22.2% compared to the last corresponding period due to improved contributions from all its subsidiaries as a result of strong market demand from the semiconductor and oil & gas industries.
10.06.22 (Fri) 11.30 am	Frontken Corporation Berhad (EGM)	Frontken is seeking greenlight from its shareholders to establish a five-year share grant plan of up to 5% of its total number of issued shares for the eligible employees of Frontken and its subsidiaries. At the same time, it also proposed to allocate shares under the share grant scheme to Ng Wai Pin, its Chairman and CEO, and Dr Tay Kiang Meng, its executive director and chief scientist.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
GDEX Berhad (AGM)	1. The group reported first ever quarterly loss in 1QFY22, dragged by the Malaysia operations as a result of stiffer competition and more new market entrants. a) The Malaysian Communications and Multimedia Commission has frozen all new courier service licences for two years, effective for the period of 14 September 2020 to 15 September 2022. Why were there more new market entrants during this period? b) Does the Board expect the other two key markets, namely Vietnam and Indonesia to experience increasing competition as experienced in the Malaysian market. Please provide explanation to the answer. 2. Please shed some light on the competitive landscape, GDEX's estimated market share and growth potential in the key markets, namely Malaysia, Vietnam and Indonesia.
MSM Malaysia Holdings Berhad (AGM)	1. For FY2021, inventories written down and written off were RM13.4 million and RM6.1 million respectively, while the write-down or write-off for FY2020 were significantly lower at RM0.65 million and RM1.4 million respectively (page 282 of AIR 2021). a) Why was there such significant inventories write-down or write-off? b) What is the estimated amount that may be salvaged from the written down inventories? Is there a need to review the inventories management policies?

	2. The ageing profile of the Group's trade receivables shows all categories of past due but not impaired trade receivables. The category of more than 90 days past due but not individually impaired increased significantly to RM45.2 million in FY2021 which constitute 17% of total trade receivables in FY2021 (FY2020: RM12.5 million (constitute 5.5% of total trade receivables in FY2020) (Note 23, page 345 of IAR 2021). a) How much of the RM45.2 million trade receivables have been collected to-date? What are the efforts by management to collect the long outstanding trade receivables? b) To which business segment (Wholesale, Industries or Export) do these customers with long outstanding trade receivables relate to? Please provide the profile of debtors with long outstanding trade receivables include details such as country, amount due, overdue period etc. c) How likely is it that these long outstanding trade receivables require provisions to be made?
Paramount Corporation Berhad (AGM)	The Group's inventory of completed properties has decreased from RM115.4 million in FY2021 to RM71.9 million in FY2021, a reduction of RM43.5 million or 37.7 %. (Page 136 of AR) This is very commendable as many property developers have high inventories of completed properties that are difficult to sell. The inventory of the Group's completed properties that remain unsold stood at RM72 million, of which 96% were commercial units (RM69 million) and the rest, residential. (Page 28 of AR) a) Please provide the locations and values of the unsold completed properties for the commercial and residential units respectively as at FY2021. b) What is the aging profile of the commercial and residential unsold completed properties by unit number and value under the age-bands of less than 1 year, 1-2 years and more than 2 years. c) What is the number and value of the unsold commercial and residential properties that have been sold since the last FY2021?
Greenyield Berhad (AGM)	The Group's cost of sales increased to RM29.4 million (2020: RM22.9 million). (page 47 of AR2021) a) What extent of the increase in cost of sales in FY2021 is due to increase in raw material prices?

	b) To what extent does the Group expect the increasing raw material prices to impact its product's profit margins? Will the Group be able to pass cost increases to its customers?
Malaysia Building Society Berhad (AGM)	1. For FY2021, MBSB had recorded a flattish growth of 1.3% in gross financing compared to industry total loan growth of 4.5% during the year. Besides, MBSB also underperformed compared to most of the banking peers which registered strong financing/loan growth following the revival of economic activities, notwithstanding the full year impact of overnight policy rate (OPR) cuts in 2020. What were the root causes of MBSB's flattish financing growth? How does MBSB improve these weaknesses so the financing growth will be on par with other banking peers in FY2022? 2. In terms of asset quality, MBSB recorded a significantly higher gross impaired loan (GIL) ratio of 5.89% in Q1FY2022 as compared to 4.6% in the Q4FY2021. At the same time, most of the other banks have recorded a lower or moderate GIL ratio quarter-on-quarter. What was the reason for MBSB's rapidly deteriorating asset quality? Has MBSB made sufficient provision previously based on macroeconomic variables and management overlays?
Supercomnet Technologies Berhad (AGM)	The company achieved a strong performance for FYE 2021 where there was an increase in profitability for all 3 business segments namely medical, automotive and industry. The Company had registered a Compounded Annual Growth Rate of 42.9% in revenue since 2017. (Page 23 of AR 2021). The Company had insulated itself from rising raw material transportation costs in FYE 2021 by implementing a cost pass-through solution. What are the measures taken by the Company to mitigate the possibility of customers turning to the competitors of the Company as it cannot indefinitely implement the cost pass through solution as Customers will look for cheaper alternatives?
Frontken Corporation Berhad (AGM)	The Group's capital expenditure for the year for property, plant and equipment was at RM82.8 million, all of which were internally funded. (page 8 of Annual Report (AR) 2021) a) Capex for FY2021 has increased by more than 10x to RM82.8 million from RM7.9 million in FY2020. How much of this is growth capex vs maintenance capex? b) What is the budgeted capex for FY2022?
SLP Resources Berhad (AGM)	SLP registered significantly higher sales from the trading of polymer products in FY2021 which surged about 50% to RM58.29 million from RM39.01 million in the year before (page

	94, Note 16.1 – Disaggregation of revenue, Annual Report 2021). At the same time, SLP's sales to the domestic market surged 24% to RM97.07 million (FY2020: RM78.31 million). a) Why were SLP's polymer products highly sought after in the domestic market? Are the higher sales of polymer products sustainable in the coming years? b) In contrast, sales from the manufacturing and sale of plastic packaging and its related products merely increased 2.47% to RM110.65 million compared to RM107.98 million in FY2020. Does the Management foresee better sales from this segment in FY2022? If yes, what would be the driving factors (e.g., volume growth, higher selling price) for higher revenue? c) In FY2021, SLP had recorded lower production activities and lower sales volume (page 35 of AR2021). What was the total capacity and the utilization rate of SLP's plant in FY2021? What was the year-on-year change in sales volume in FY2021?

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•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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