



MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia . Registration No. 200001022382 (524989-M))

The Observer

08.07.2022

❖ Multiple sanctions on Khee San Berhad

Bursa Malaysia Securities Berhad recently acted against candy manufacturer, Khee San Berhad by reprimanding the Company and issuing a fine of RM885,000 against nine of its directors.

The Company was designated as a Practice Note 17 (PN17) counter in November 2021 after one of its wholly-owned subsidiaries was placed under judicial management.

The announcement of classification as a PN17-affected issuer came after Khee San triggered the suspended criteria of PN17 back in July 2020. It was not classified as an affected listed issuer then due to Bursa Malaysia's COVID-19 relief measures.

Bursa Malaysia Securities in a statement said the Company was publicly reprimanded for breaches of disclosing default in payments, solvency declarations and corporate governance (CG).

This was not the first time Khee San was sanctioned by regulators over misconduct. Recall that back in May 2018, the Company and its directors were reprimanded by the Securities Commission (SC) for failing to comply with approved accounting standards for the financial years ended 30 June 2015 and 2016. The SC had imposed a total fine of RM1.86 million on the directors.

Default in payments

The latest development saw Khee San reprimanded by Bursa Malaysia Securities for failing to make an immediate announcement to the bourse after its major subsidiary, Khee San Food Industries Sdn Bhd defaulted on various payments on its credit facilities.

The Company had defaulted on RM73.16 million of credit facilities as of 30 June 2019, but it only made the complete disclosure of the defaults in payment to all creditor banks on 6 July 2020 - a delay of more than one year.

This was notwithstanding that the listing requirement states that a listed issuer must make an immediate announcement of default in payment upon the occurrence of default even if negotiations with the lender are still pending or ongoing.

Minority shareholders must take note that defaulting on payments is a serious issue. It implies that a company is unable to pay its dues as and when they fall due. That is often seen as a precursor to many bad things happening to the company, unless the company can arrest and address the situation urgently.

Inaccurate solvency declarations

Secondly, the regulator said that Khee San had failed to ensure the accuracy of the representation that the Company was solvent and would be able to meet its commitments within 12 months via its announcements to the bourse on 9 August 2019, 23 June and 6 July 2020.

The Company had asserted in the statements, that "the solvency declarations were accurate and not false or misleading."

Bursa Malaysia Securities in reprimanding the Company and its directors said, it views the contraventions seriously as the requirements to make an immediate announcement of material default of credit facilities and provide accurate solvency declarations are fundamental to enable investors to make informed decisions concerning the Company's financial condition.

CG breach

Lastly, the bourse also reprimanded Khee San for CG breaches when it falsely declared the position of Dato' Sri Liew Yew Chung as non-executive chairman/director in the annual report ended 30 June 2017 (which was issued on 31 October 2017) and the annual report for the 18-month financial period ended 31 December 2018 (which was issued on 8 May 2019).

This was a false misrepresentation as Liew was carrying out an executive role in the Company and was calling all the shots.

The false declaration of Liew as a non-executive chairman/director in the annual reports was a breach of CG practice. It misleads shareholders as they rely on annual reports as one of their sources of information to make investment decisions.

Conclusion

Bursa Malaysia Securities' action against Khee San and its board sends a strong signal that the bourse will not hesitate to act against PLCs and directors who disregard the rules of Bursa or do not adhere to CG practices.

Almost always, the bourse takes regulatory action against the culpable directors and not the company. Imposing fines on the company only hurt minority shareholders as the bottom line will suffer. Directors are natural persons. They are the alter ego of the company. The company is only a legal person which has neither the mind nor heart nor motivation to do wrong. To that extent, the bourse should be commended.

Regulators should continue to act without fear or favour so that investors' confidence in the stock market can be enhanced. This will invite more foreign investors to invest

substantially. That confidence can only spell good news to the minority shareholders as more market activities take place.

PLCs and directors owe a duty to shareholders to navigate their companies in compliance with Bursa's rules and in adherence to CG practices followed. Anything lesser, would be detrimental to the investing community.

Khee San, being a PN17 or a distressed Company, should have been more compliant in observing the rules. As it was, shareholders already had a negative perception of the Company due to its PN17 status. The reprimand and fine do nothing to improve the negative perception.

Khee San is currently trading at 12 sen which is around its lowest level in 52 weeks. The market capitalisation for the Company is around RM16.5 million.

What may have started as a sweet adventure for minority shareholders may leave minority shareholders with a bitter after-taste.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 11 – 15 July 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
14.07.22 (Thur) 10.30 am	Yinson Holding Berhad (AGM)	Yinson recorded a 25.6% decrease in revenue in FY2022 to RM3.6 billion from RM4.8 billion in previous year. The decrease was mainly due to a one-off outright sale recognition of RM1.0 billion from FPSO Abigail-Joseph upon its lease commencement in October 2020. Meanwhile, its EBITDA stood at RM1,402 million and net profit of RM524 million, which were 13.5% and 27.2% higher than the previous financial year.
15.07.22 (Fri) 10.30 am	Yong Tai Berhad (EGM)	Yong Tai proposed to seek shareholders greenlight for the exercises below: <ul style="list-style-type: none">- Consolidation of five Yong Tai shares into 1 Yong Tai share- Bonus issue of up to 103.1 million free warrants on the basis of 1

		warrant for every 4 consolidated shares held.
		- Repayment of debts amounted to RM46 million owing to creditors via the issuance of 92 million new Yong Tai shares.

One of the points of interest to be raised:	
Company	Points/Issues to Be Raised
Yinson Holding Berhad (AGM)	<p>The Company has been actively buying its shares back in this current financial year even though the local stock market sentiment is weak. As at March 2022, the Company has bought back its shares valued at RM202 million, RM178 million as at FY 2022 and RM174 million as at FY 2021.</p> <p>The Group's total loans and borrowings has also increased to RM9,299 million as of March 2022, RM8,758 million as at FY 2022 and RM6,106 million as at FY 2021.</p> <p>a) Why did the Company not utilise the cash available to pare down its loans and borrowings as its loans and borrowings have been increasing over the years?</p> <p>b) What is the expected saving in interest cost based on the Group's borrowing cost if the Company has pared down its loans and borrowings instead of share buyback valued at RM202 million?</p> <p>c) What is the Company's opinion on the intrinsic value of its shares?</p>

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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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