MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
Official Newsletter from MSWG

FRIDAY | 12 JULY 2024

Tex Cycle: Quiet AGM, Loud Expansion Plans

& Intricate Board Connections

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Tex Cycle's AGM was a rather quiet one with its CoSec chairing the meeting and none of its directors including the executive chairman spoke during the meeting.

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Its recent announcements suggest that this previously low-key PLC is in an expansion phase, driven by the emergence of new shareholders, fundraising activities, strategic business plans, and a proposed transfer of listing.

3

The intricate connections and overlapping interests among its board members have raised concerns about its decision-making process, particularly its investment decisions.

June marked the end of another peak annual general meetings (AGM) season for public-listed companies (PLCs) with December year-end. This provides an opportune moment to reflect on some noteworthy events that have come to our attention.

Quiet and minimal engagement

Our corporate representative had a rather unusual experience at the virtual AGM of Tex Cycle Technology (M) Berhad held on 15 May 2024.

First, the meeting was chaired by its joint company secretary (CoSec), while its executive chairman (EC), Datuk Keh Chuan Seng, attended virtually.

Then, the introduction of the board members was followed by an unusual introduction of the executive chairman through a still picture instead of the usual live video feed of other directors.

Following the introduction of other board members, the CoSec proceeded to the Questions & Answers (Q&A) session. Shareholders were told to type their questions in the "Messaging Box", and the Company would respond with written replies.

Additionally, the CoSec informed attendees that Tex Cycle's responses to MSWG's questions, raised via letter dated 9 May 2024, had been uploaded in the 'Document' tab of the meeting platform. Shareholders could click the PDF link to view the responses. Shortly after this announcement, the CoSec declared that all questions had been answered and concluded the Q&A session.

Tex Cycle's conduct of the meeting caught us off guard. Generally, we send a list of questions to PLCs before their AGM and request that these questions be presented at the AGM for shareholders' benefit.

Unfortunately, there was no presentation of our questions and their replies at Tex Cycle's AGM. Furthermore, the Management did not provide any business overview during the meeting. Nevertheless, it was commendable that the Company sent us their replies a day before the meeting.

The CoSec chaired the AGM, and none of its directors spoke. This lack of engagement and interaction between the board and shareholders at this annual event was disappointing. Thus, it was no surprise that the AGM took just 40 minutes to complete.

Instead of facilitating better engagement and interaction, virtual meetings are prone to abuse, as directors and management could hide behind screens, selectively answering questions and avoiding direct interaction with shareholders.

Perhaps it is time for regulators and authorities to consider mandating PLCs to conduct their AGMs either physically or through a hybrid format to ensure better transparency and engagement.

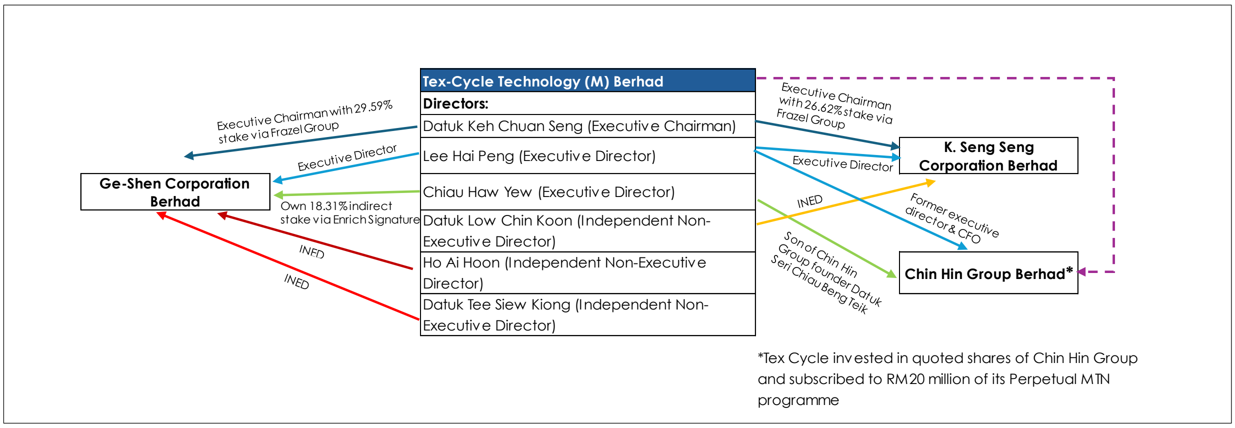
Intricate connections and overlapping interests among directors

Besides, recent announcements from Tex Cycle suggest that this previously low-profile PLC has entered an expansion phase, driven by the emergence of new shareholders, fundraising activities, strategic business plans, and a proposed transfer of listing from the ACE Market to the Main Market of Bursa Malaysia.

Following the departure of the founding Ho brothers from the waste recycling company in April 2023, Frazel Group Sdn Bhd, a vehicle linked with Tex Cycle's EC Datuk Keh, emerged as Tex Cycle's largest shareholder in May 2023 after acquiring a 26.44% stake via a direct business transaction.

Datuk Keh also serves as the EC of K. Seng Seng Corporation Berhad and Ge-Shen Corporation Berhad. Additionally, he holds a 29.59% stake in Ge Shen via Frazel Group.

A closer look at the board of Tex Cycle shows five out of six directors collectively sit on another PLC (as shown below):



(Source: Annual Report 2023)

While Haw Yew (who was freshly appointed to Tex Cycle's board on 1 January 2024) does not sit on the boards of Ge-Shen or K. Seng Seng, he and his brother Haw Loon emerged as the second largest shareholders of Ge-Shen on 30 April 2024 through their private entity Enrich Signature Sdn Bhd, holding an 18.31% stake in the company.

Later, on 13 June 2024, Enrich Signature became a substantial shareholder of Tex Cycle with a 13.25% stake. Both Haw Yew and Haw Loon are sons of Chin Hin Group Berhad (CHGB) founder Datuk Seri Chiau Beng Teik.

Besides, it is worth noting that Tex Cycle's ED, Lee Hai Peng (who was appointed on 28 April 2023), was previously an ED and chief financial officer of Chin Hin Group from January 2015 till December 2022.

Board connections raise concerns over investment decisions

The intricate connections and overlapping interests among Tex Cycle's board members have raised concerns about the board's decision-making process, particularly its investment decisions. Notably, Tex Cycle has invested in shares and term notes of CHGB.

As of 31 December 2023, Tex Cycle's investments in quoted shares amounted to RM29.6 million (FYE2022: nil), with a fair value loss of RM0.5 million (FYE2022: nil). These funds were invested in CHGB and Hextar Technologies Solutions Berhad.

In response to MSWG's questions regarding the rationale of investing in quoted shares instead of its core business, Tex Cycle explained that it aimed to utilise idle funds by investing in profitable and growing stocks over the short to medium term while awaiting its investment plan to progress and materialise. The Company assured that investments in the core business are ongoing and that it has sufficient liquidity to sustain operations and short-term expansion plans.

Additionally, although the investments were at a loss as of the end of FY2023, they had returned to black by the time of the AGM due to a recovery in share prices.

On top of this, Tex Cycle also subscribed to RM20.0 million worth of Perpetual Medium Term Notes (MTN) issued by CHGB at 7.5% fixed coupon p.a., in two tranches on 9 February 2024 and 7 March 2024. The debt papers come with a step-up of 1% every year starting from 2029.

Shortly after the subscription of the second tranche MTN in CHGB, Tex Cycle announced a partnership with Evolusi Bersatu Sdn Bhd to launch Sabah's first integrated scheduled waste management facility. The facility will require a substantial capital commitment of RM100 million to construct.

Consequently, on 31 May 2024, Tex Cycle proposed issuing up to 10% of its total number of issued shares to independent third-party investors, aiming to raise up to RM32.03 million for the construction of the integrated waste management facility.

The Company believes that the Proposed Private Placement is the most appropriate way to raise funds quickly and cost-effectively compared to other equity fundraising options.

Tex Cycle's ambitious plan does not stop here. On 13 June 2024, it announced the acquisition of Meridian World Sdn Bhd, a company involved in chemical processing, provision of wastewater treatment facilities, waste recycling services and trading of industrial chemicals for RM55.0 million in cash, which will be funded by its internally generated funds (RM37 million) and bank borrowings (RM18 million). This will increase the Group's gearing from 0.23 times to 0.42 times.

Puzzling developments at Tex Cycle

It was puzzling to see Tex Cycle investing idle funds in quoted shares and MTN while claiming to need funds for capital requirements on the other hand.

One could argue that the Board and management did not anticipate the substantial capital requirements when the business opportunity arose months after investments in CHGB were made.

However, should the management not be prudent and cautious in capital management, knowing it is on the lookout for opportunities? Surely, the decision to enter into such an agreement with substantial capital requirements would not have happened overnight.

Moreover, the decision to invest in quoted shares and term notes of another PLC exposes Tex Cycle to elevated volatility, given CHGB's stretched and highly geared balance sheet (as highlighted in *The Observer* dated 14 June 2024, titled "*Ajiya's RM250 million loans to Chin Hin – A strategic investment or risky bet?*").

If CHGB fails to fulfill its debt obligations, share prices will be affected, consequently affecting the return of Tex Cycle's investments.

Tex Cycle's rationale for investing in quoted shares and MTN while raising funds through the placement of new shares raises valid concerns about its capital management strategy, resource allocation, and protection of minority shareholders' interests.

Chronology of events

2023

April – Ho Siew Cheong, Ho Siew Weng, and Periasamy A/L Sinakalai ceased to be the substantial shareholders of Tex Cycle. Another Ho brother, Siew Choong, and Periasamy resigned from the board. Lee Hai Peng was appointed to the board.

May – Frazel Group Sdn Bhd, Datuk Keh, Datin Cheong Kai Meng and Lee Hai Peng emerged as new substantial shareholders of Tex Cycle. Datuk Keh was appointed to the board as the EC, following the retirement of Siew Cheong.

June – Tex Cycle invested RM14.62 million in quoted shares. Siew Weng resigned from the board.

November – Another round of investment in quoted shares of RM14.96 million. Change of auditors from Messrs Grant Thornton Malaysia PLT to Messrs HLB Ler Lum Chew PLT.

2024

January - Chiau Haw Yew was appointed to the board.

February – Tex Cycle subscribed for RM10 million of Perpetual MTN issued by CHGB.

March - Tex Cycle subscribed for another RM10 million Perpetual MTN in CHGB, making its total investments in MTN of CHGB amounting to RM20 million.

April - Tex Cycle Sdn Bhd, a wholly-owned subsidiary of Tex Cycle partnered with Evolusi Bersatu Sdn Bhd to launch Sabah's first integrated scheduled waste management facility. The facility will require a substantial capital commitment of RM100.0 million to construct.

May – Tex Cycle proposed to undertake a private placement of up to 10% of its total number of issued shares to independent third party investor(s) to be identified later.

June – Enrich Signature Sdn Bhd emerged as a substantial shareholder of Tex Cycle with a 13.25% stake. Chiau Haw Yew and Chiau Haw Loon are deemed indirect substantial shareholders due to their interests in Enrich Signature.

MSWG AGM/EGM Weekly Watch 15 – 19 July 2024

The following are the AGMs/EGMs of companies on the Minority Shareholders Watch Group's (MSWG) watch list for this week.

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
15.07.24 (Mon) 10.00 am	Ajiya Berhad (EGM)	Ajiya is tabling an ordinary resolution for shareholders' approval for the proposed provision of financial assistance of up to RM250.0 million in the form of a loan to Chin Hin Group Berhad, the holding company of Ajiya.
16.07.24 (Tue) 09.30 am	AYS Ventures Berhad (AGM)	Despite the challenging environment, stringent monetary policies and the lack of large-scale infrastructure projects in FY2024, AYS managed to deliver positive results, with profit after tax (PAT) totalling RM20.839 million, compared to RM42.033 million in the FYE2023.
16.07.24 (Tue) 10.30 am	Yinson Holding Berhad (AGM)	Yinson delivered a strong set of financial results in FY2024, recording higher revenue of RM11.6 billion (FYE 2023: RM6.3 billion) mainly driven by the commencement of Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) business activities for FPSO Agogo and commencement of operations for FPSO Anna Nery. Correspondingly, its PAT increased by 94% y-o-y to RM1.1 billion.
17.07.24 (Wed) 10.00 am	Sapura Resources Berhad (AGM)	The Group registered a net loss of RM37.4 million in FY2024, year, as opposed to a profit after tax of RM79.7 million in the preceding year. This is mainly due to a smaller reversal of impairment of non-current assets which amounted to RM46 million in the current financial year as opposed to RM123 million in the preceding year, and a reduction in

Date & Time	Company	Quick-take
		other income from RM43 million to RM6.4 million in the current financial year.
17.07.24 (Wed) 10.30 am	JKG Land Berhad (AGM)	JKG posted RM169.1 million in revenue and RM27.1 million in pre-tax profit in FY2024 on the back of cumulative sales for its projects of RM449.4 million. Its unbilled sales stood at RM258.5 million.

Points of interest:

Company	Points/Issues to Be Raised
Ajiya Berhad (EGM)	We noted the personal guarantee, which will be delivered by Datuk Seri Chiau Beng Teik, JP, a director of Chin Hin group, in favour of Ajiya to guarantee the repayment of the loan (Page 26 of the Circular). This will reduce Ajiya's risk exposure. However, the primary focus should be on Chin Hin's ability to meet its financial obligations and any adverse impacts on Ajiya. a) Chin Hin also intends to utilise RM50 million to expand its building material division and RM40 million to expand its construction business (Page 4 of the Circular). How will Ajiya manage its cashflow and liquidity in case of delayed or default in payments from Chin Hin if its expansion plans do not materialise as anticipated? b) Chin Hin intends to use RM110 million for the proposed acquisition of CHGP's subsidiaries, namely Chin Hin Construction Engineering Sdn Bhd (100% owned by CHGP) and Kayangan Kemas Sdn Bhd (95% owned by CHGP). CHGP is a 55.36 %-owned subsidiary of Chin Hin. Chin Hin also intends to deploy up to RM50 million of the loan for other investment purposes, including raising its equity stake in SIB and CHGP. Given Chin Hin's interconnectedness with its subsidiaries and related companies, how does Ajiya plan to manage the risk exposure? c) Chin Hin's substantial stake in Ajiya sets the stage for a strategic partnership but also introduces conflicts of

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<tr><th>Company</th><th>Points/Issues to Be Raised</th></tr>
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interest. Decisions favouring Chin Hin may not align with Ajiya's shareholders' best interests.
Lending substantial funds to a closely affiliated company to expand similar businesses can be seen as prioritising Chin Hin's growth over Ajiya's interests. The RM50 million loan will be used by Chin Hin to expand its building material division, which could have been redirected towards Ajiya's own expansion initiatives.
Would it not concern the Board of the abovementioned 3(c)? If so, how has the board of directors of Ajiya deliberated these in the boardroom? Please explain and share with shareholders.
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<tr><td>AYS Ventures Berhad (AGM)</td><td>
1. According to the World Steel Association, the global demand is set to rebound by 1.7% in 2024 (Page 22 of AR2024). Based on this, will AYS be able to maintain its revenue above the RM1 billion mark in FYE2025? If not, why?
2. The Group's Loss Time Injuries (LTI) and Lost Time Injury Frequency Rate (LTIFR) performance is as follows:
<table>
<tr><th></th><th>FY2024</th><th>FY2023</th><th>FY2022</th></tr>
<tr><td>LTI</td><td>2,816</td><td>616</td><td>408</td></tr>
<tr><td>LTIFR</td><td>3,720</td><td>1,093</td><td>719</td></tr>
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To further safeguard the public and the Group's employees from any health and safety hazards associated with its activities, it is doubling its efforts to decrease both LTI and LTIFR as part of its ongoing safety improvement initiatives and engagement programmes (Page 57 of AR2024).
a) There was a sharp increase in LTI and LTIFR in FY 2024 compared to previous years. What contributed to such an increase, and what is the nature of the incidences reported?
b) What lessons have been learned to reduce such incidents? What are the current efforts being taken to decrease LTI and LTIFR, and its progress?
c) What are the targets for LTI and LTFR for FYE2025? Are the current efforts taken sufficient to meet the targets?
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Company	Points/Issues to Be Raised
Yinson Holding Berhad (AGM)	1. The Group has officially launched the Hydromover prototype in November 2023, which is Singapore's very first fully electric cargo vessel. (Page 27 of IAR) a) Has the Hydromover prototype met the expectation of users? If not, what other improvements need to be enhanced on the prototype vessel? b) When does the Group plan to roll out the Hydromover for commercial production? c) How much money the Group has invested in the Hydromover project as of FY 2024? d) Apart from Singapore, where are the markets for the Hydromover? 2. The Group's net gearing ratio based on total loans and borrowings increased from 1.23 times in FY 2023 to 1.66 times in FY 2024. (Page 43 of IAR) a) What is the Group's optimal net gearing ratio? b) When does the Group expect the net gearing ratio to reduce and why?
Sapura Resources Berhad (AGM)	1. The Group faced heightened competition risks in the private aviation space due to aggressive expansion in new hangarage spaces and more competitive pricing, especially by a well-resourced MRO player in Subang Airport. (Page 12 of AR) a) What actions has the Group taken to compete with the well-connected MRO player in the private aviation in Subang? b) What competitive advantages does the Group have over its competitors? Please elaborate. c) Has the Group managed to maintain its position in the private aviation business in Subang Airport in FY 2024 in terms of customers retention? d) What is the expected private aviation space outlook in FY 2025?

Company	Points/Issues to Be Raised
	e) When does the Group expect the private aviation business to turn around? Please support with reasons. 2. The Group was trying to maintain its commercial properties with occupancy rates at a competitive rate, which will be an ongoing and significant concern for the Group. (Page of 10 AR) a) Please explain what measures the Group has taken to attract new tenants and how competitive the Group's commercial property rental rates are compared to those of its competitors. b) How successful were the measures taken to increase the occupancy rates of commercial properties before and after these measures were taken? c) Can the competitive rental rates offered for its commercial properties cover its fixed operating costs? If not, what is the deficit amount?
JKG Land Berhad (AGM)	The Group's PBT declined by 27%, mainly due to comparatively lower project margins for projects in the current financial year, 2024. Additionally, there were cost savings from the finalisation of accounts for construction contracts recognised in the preceding financial year, along with higher financing costs incurred in FY2024. (Page 26 of AR) a) What is the average profit margin for property projects launched in FY 2024 as compared to FY 2023? b) What measures has the Group taken on the lower profit margin property projects? c) Will the lower profit margin property projects persist into FY 2025? If yes, why? d) What is the amount of cost savings from the finalisation of accounts for construction contracts recognised in FY 2023?

Company	Points/Issues to Be Raised
	e) What is the increase in financing costs in FY 2024 as compared to FY 2023?