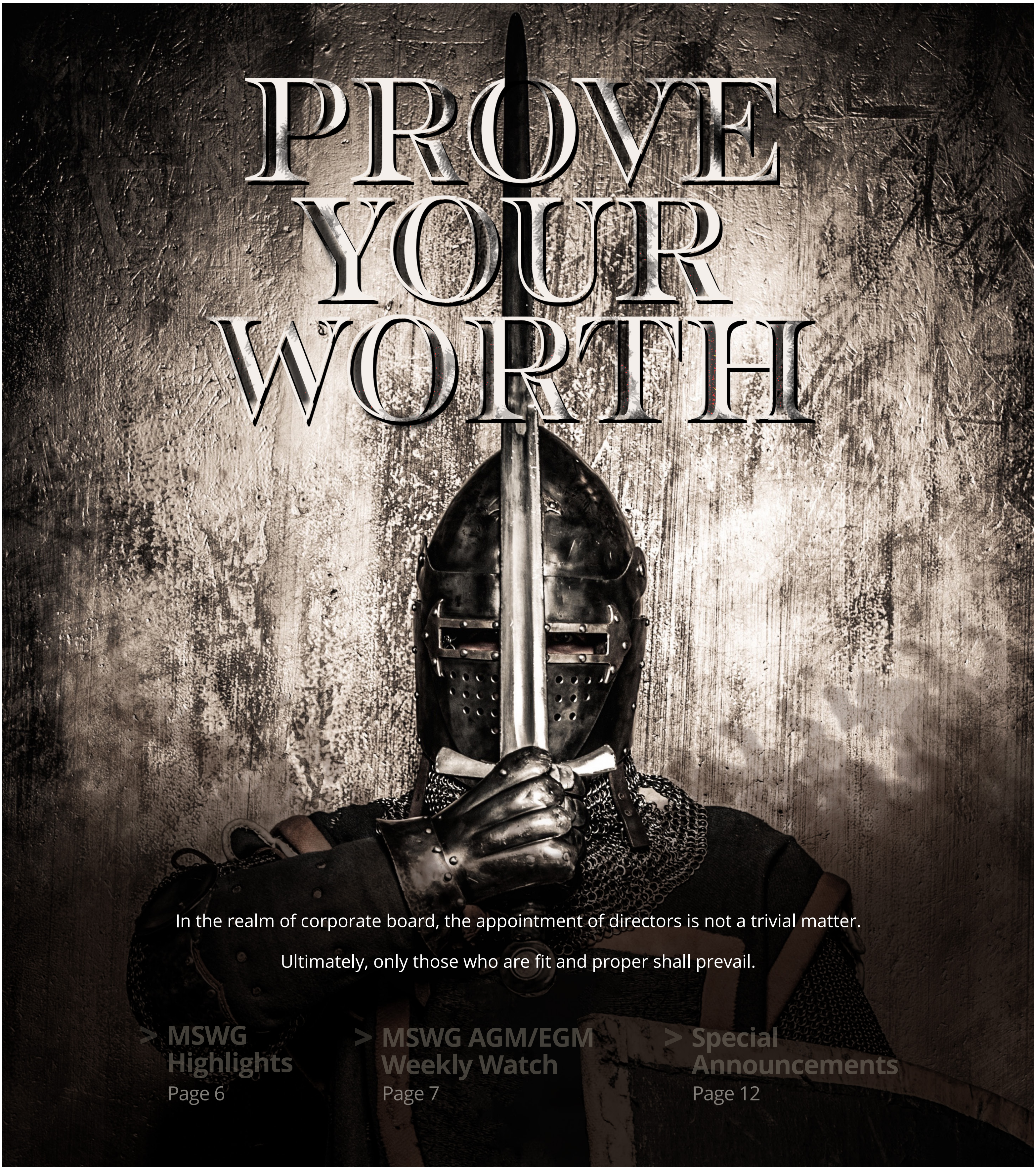
MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
Official Newsletter from MSWG

FRIDAY | 18 OCTOBER 2024



In the realm of corporate board, the appointment of directors is not a trivial matter.

Ultimately, only those who are fit and proper shall prevail.

THE FIT AND PROPER TEST FOR BOARD DIRECTORS

In the high towers of corporate governance, where decisions shape empires and fortunes rise and fall like the turning of fiscal quarters, the appointment of a director to the board is no mere game—it is a trial of mettle, strategy, and wisdom. Much like the power-hungry nobles who vie for influence in ancient dynasties, those who seek a seat at the table of public-listed companies (PLCs) must prove themselves worthy, for the fit and proper criteria stand as the iron standard.

The Pillar of Trust: Integrity and Character

In the corporate realm, reputation is everything. A director must not only possess an untarnished name but must stand taller than rumours and whispers. Like a knight in polished armour, their integrity must gleam for all to see. Any crack in their character can shatter the very trust that upholds the boardroom's foundations.

Thus, the first blade they must wield is honesty, for bending the truth bends the fate of the company. Their past must be as clean as freshly audited books—untainted by scandal. The Lords of the Market—the shareholders—will accept no less.

This reveals the folly of some directors in local PLCs, though entrusted with great power, allow their presence to wane when the hour demands it most. To be present in the halls clad in garments unworthy of their station, or worse still, to forsake their place and send a fleeting shadow from afar, is to cast aside the mantle of leadership as though it were a trifle. Such careless deeds tarnish the honour and dignity expected of those who sit at the high table, unravelling the trust that binds them to the seat of power.

The Mind of a Sage: Competence and Experience

A director's wisdom must rival the finest scholars. For what good is a sword in the hands of one who does not know how to wield it? Competence is the shield with which a director guards the company from the slings and arrows of a volatile market. Experience is their armour, forged in the fires of past roles, tested in the battlefield of strategic decisions and board meetings, it must be proven that they have faced corporate dragons before—and lived to tell the tale.

In a curious twist of fate, figures once robed in authority from distant realms - former senior civil servants—have found themselves appointed to the councils of PLCs like A Berhad, E Berhad and S Berhad. Though each has served the nation with distinction, they now step into a domain where knowledge of corporate governance reigns supreme. These appointments often come without the benefit of prior boardroom experience, leaving these figures untested in the fires of corporate decision-making.

Their stature, earned through years of service to our nation, commands respect, and their contributions in other fields are undeniable. Yet, questions arise: Can such leaders, unfamiliar with the intricacies of corporate governance and corporate matters, truly navigate the complex waters of corporate leadership? Or perhaps, their appointments were merely symbolic gestures, bereft of substance, in arenas where wisdom in corporate governance matters most.

The Bloodline of Accountability: Governance and Leadership

Like the rulers of noble families, directors must uphold a tradition—a lineage of governance. They are not just leaders but stewards of the company's future. Their decision-making, like the decrees of a wise monarch, must be swift, sound, and above all, just.

Here, the fit and proper criteria are akin to a sacred vow. A director must pledge their loyalty to the codes of corporate governance, placing the company's interests above their own. But honour without action is for naught. A director must not be content to sit in the chair idly, for inaction can be as dangerous as ill-conceived ambition.

Their governance must be steady as a ruler managing their fiefdom, and in this, they must be fierce. Will they ensure that every person under their watch adheres to the laws of the land, or will they allow the creeping vines of corruption to grow? Only those with the resolve of a fearless leader can steer the company through turbulent times.

The Shadow of Conflicts and the Balance of Power: A Director's Vigil

Even seasoned rulers can fall prey to conflicts—alliances that become traps, loyalties that turn into chains. A director must remain vigilant, for conflicts of interest are like hidden daggers, ready to twist decisions and cloud judgment. To sit on the board, one must remain as independent as a lone rider. A director shackled by obligations to other entities may find their decisions compromised.

The fit and proper criteria demand that a director judge with clear eyes and an unclouded mind. Like a trusted adviser to a ruler, they must offer counsel without fear or favour, lest they lead the company down a dark path. Independence of thought and action is essential to avoid the curse of conflicts and ensure the director serves the company's best interests.

While it is not a transgression for an independent director to act upon discovering significant issues, they must tread carefully, avoiding overstepping boundaries and encroaching on management's domain. When the independent director embroils in management and operational matters, his independence would also be in question, potentially undermining his objectivity. The codes of corporate governance stress the importance of a clear delineation between oversight and interference. Safeguarding this balance of power is critical to nurturing a strong corporate culture and setting the stage for lasting success. Both the board and management must fulfill their roles with diligence and honour, like sentinels defending their keep.

Yet in the case of B Berhad, the shadow of doubt looms. Two independent directors, bound by blood, sit upon the board. One among them holds more than 5% of the Company's shares, hardly the neutral arbiter they are meant to be. Where, then, is the independence that was sworn? What counsel can be trusted when personal ties and vested interests weave so tightly into the fabric of governance? It is as if a keeper of the watch stands too close to the very gates they are meant to guard, their sight dimmed by the treasures within.

The Winds of Change: Rotating the Council

In governance, it is decreed that directors shall not linger in their seats for eternity, but rather must step down from their thrones once every three years to refresh their wisdom and renew their perspectives. This cycle of retirement serves as a vital reminder that even the most seasoned leaders must yield to the winds of change, allowing new voices to rise and breathe life into the council. Furthermore, the Malaysian Code on Corporate Governance decrees that no independent lord holds sway for more than nine years, lest the realm fall prey to stagnation. Such measures ensure that the board remains vibrant and dynamic, ready to face the challenges of an ever-evolving landscape. In this way, the integrity of governance is preserved, much like a kingdom rejuvenated by the changing of the guard.

Beyond the Laws of the Land

In this era of shifting alliances and rising banners of change, those who cling to mere compliance with the laws of the land walk a perilous path, their footing unsteady as the ground beneath them shifts. The realm of commerce has grown more demanding, and the call for higher standards—those rooted in the sacred codes of ESG (environmental, social, and governance) —now echoes from every stronghold. A company that heeds only the letter of the law, ignorant of the global standards, is like a minor house unprepared for the storms of a great war.

To follow the laws alone may grant respite for a time, but without a grasp of the global standards—those forged in the fires of sustainability, social responsibility, and governance—their reign will be brief. Only those who rise above mere survival and lead with foresight will prevail. The others, lacking the vision to see beyond the horizon, will be left behind, forgotten in the shadow of stronger, wiser leaders who embrace the true essence of the age.

Guardians of Governance: Upholding Standards at Every Level

The fit and proper criteria are not confined to the boardroom; they must resonate throughout the entire organisation, from the highest echelons of leadership down to the heart of senior management. Just as a kingdom relies on the wisdom of its lords, so too does a company depend on the calibre of its leaders. Senior management, tasked with executing the board's vision and navigating the daily challenges of the marketplace, must embody the same standards of integrity, competence, and accountability. A failure to apply these criteria at all levels can lead to a fragile governance structure, where poor decisions echo through the ranks and threaten the very foundation of the organisation. Only by ensuring that every leader within the organisation meets these rigorous expectations can a company fortify itself against the storms that may arise and maintain a legacy of strength and resilience.

Conclusion

Once seated on the board, the trials of a director do not cease. Much like a sentry guarding the gates, a director must remain ever vigilant, safeguarding the company against both visible and hidden threats. They must continuously demonstrate their worthiness, for the market's winds are as unpredictable. Only those who are truly fit and proper can navigate these trials and leave behind a legacy of sound governance and sustained success. Ultimately, the fit and proper test for board directors is not merely an initiation; it is an ongoing commitment to excellence in corporate leadership.

[END]

MSWG HIGHLIGHTS

MSWG CEO INVITED TO SPEAK AT INVESTED ROADSHOW

MSWG's CEO, Dr Ismet Yusoff, was invited to participate in the InvestEd Roadshow at University Polytech Malaysia (UPTM) on 4 October 2024. This impactful session, part of a broader initiative by the Securities Commission Malaysia, was organised by the Securities Industry Development Corporation (SIDC) and aimed at educating and inspiring the next generation of financial leaders.

Speaking before an audience of over 200 students, Dr Ismet shed light on the evolving landscape of Malaysia's capital market. He outlined the capital market's key role in the nation's economic growth and development, emphasising its significance for investors and companies alike. Dr Ismet also highlighted Malaysia's capital market journey, explaining its regulatory framework, the importance of corporate governance, and the growing focus on sustainability and ESG (Environmental, Social, and Governance) factors.

Dr Ismet shared insights into current issues affecting the capital market, including the rise of virtual general meetings, corporate governance challenges, and the increasing role of technology and innovation. He encouraged students to stay informed and engaged with these developments, positioning themselves as future leaders who can contribute to a sustainable and well-governed capital market.

MSWG AGM/EGM Weekly Watch 21 – 25 October 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.

QUICK-TAKE

Date & Time	Company	Quick-take
23.10.24 (Wed) 10.00 am	Glomac Berhad (AGM)	In FY2024, Glomac delivered a revenue of RM267.6 million (FY2023: RM341.0 million). This was primarily contributed by the steady construction progress from ongoing projects at its Saujana KLIA and Bandar Saujana Utama township developments and the 121 Residences high-rise residential development in PJ. The revenue was also attributable to the completion of several projects in FY2023. The Group delivered a pre-tax profit of RM32.9 million (FY2023: RM50.5million). The Group' s profitability was impacted by higher construction costs and higher interest expenses.
23.10.24 (Wed) 10.00 am	Apollo Food Holdings Berhad (AGM)	Despite a marginally lower revenue of RM255.270 million in FY2024 compared to RM257 million in FY2023, Apollo Food's gross profit increased to RM72.86 million from RM64.56 million a year ago. Consequently, its gross profit margin improved to 28.54% from 25.12% earlier. The confectionery producer saw the emergence of a new controlling shareholder this year, Scoop Capital Sdn Bhd (SCSB), following an equity buyout from Keynote Capital Sdn Bhd. As of 1 August 2024, SCSB held a 74.78% stake in Apollo Food.

Date & Time	Company	Quick-take
23.10.24 (Wed) 10.00 am	Kelington Group Berhad (EGM)	KGB proposed to acquire the remaining 9.29% equity interest in Ace Gases Sdn Bhd (ÄGSB) for RM35.7 million to be satisfied via a combination of RM10.1 million in cash and RM25.6 million via the issuance of new ordinary share in KGB at an issue price of RM3.3742.
25.10.24 (Fri) 10.00 am	Pintaras Jaya Bhd (AGM)	The Group posted a wider net loss of to RM5.0 million compared to RM2.1 million in FY2023, in line with lower revenue of RM304.9 million from RM333.1 million a year ago. Losses were primarily recorded in the Malaysia construction operations due to liquidated damages arising from late delivery, and increased material and labour costs from projects initiated during the COVID-19 period. Nevertheless, its Singapore operations remain profitable.
25.10.24 (Fri) 10.00 am	ES Ceramics Technology Bhd (AGM)	Despite posting higher revenue at RM368.44 million in FY2024, ESCERAM's profit plunged by 97.4% y-o-y to RM593,000, from RM22.81 million a year ago. The lower profit recorded was primarily due to losses incurred in the glove former division following lower revenue and profit margin recorded y-o-y.

POINTS OF INTEREST

<table>
<tr><th>Company</th><th>Points/Issues to Be Raised</th></tr>
<tr><td>Glomac Berhad (AGM)</td><td>The Group's revenue dropped by 21.5% from RM341.0 million in FY2023 to RM267.6 million in FY2024 while the Group's profit before tax also dropped to RM32.9 million in FY2024 from RM50.5 million in FY2023, decreased by 34.9%. (Page 17 of the Annual Report (AR) 2024)

The Group's newly launched projects are still in the initial development stages and have yet to significantly contribute to its revenue in this fiscal year. (Page 50 of AR2024)

a) Please explain how the situation above resulted in the Group reporting a much lower revenue in FY2024.

b) The Company should be able to plan its property project launches to ensure a steady and regular revenue stream, minimising the Company's financial results being subject to wide fluctuations in revenue and earnings. Please comment.

c) The Group delayed launching new property projects in FY2024. Could it be due to the high inventory of unsold completed property units amounting to RM112 million in FY2024? Please comment.</td></tr>
<tr><td>Apollo Food Holdings Berhad
(AGM)</td><td>1. The Management has outlined the following focuses for FY2024:

- Increasing efficiency and leveraging the Group's strong brand to develop new export market and customer segments.
- Rationalising manufacturing space, upscaling automation, and digitalisation to optimise overall productivity and efficiency.
- Improving distribution and marketing efforts to achieve deeper market penetration

a) What are the untapped export markets the Company is eyeing? Please illustrate the potential and prospects of these markets.

b) As of 30 April 2024, Apollo Food has six factory buildings that serve as corporate office, cake and waffle production plants, and warehouses (page 110, AR2024).
i) Which are the plants earmarked for operation rationalisation, automation and digitalisation</td></tr>
</table>

Company	Points/Issues to Be Raised
	exercises? What is the current automation level (by percentage and processes) among the manufacturing plants? ii) Would the exercise result in a significant reduction in the workforce required? To what extent has the Group embraced automation and technology to reduce its heavy reliance on manual labour? iii) What is the estimated capex for the exercise? What are the measurable intended outcomes from these exercises? c) Meanwhile, what are the common challenges the Group faces in product distribution and marketing efforts? How does the Group address these issues? 2. Local market accounted for 74.18% of Apollo Food's total revenue in FY2024, compared to 68.36% in FY2023. Meanwhile, revenue from the ASEAN region (excluding Malaysia) decreased by 18.72% y-o-y to RM61.53 million from RM75.71 million a year ago (page 88 of AR2024). The Others segment also recorded a lower revenue of RM4.36 million compared to RM5.58 million a year ago. a) Why was there a sharp decline in export revenue to the ASEAN region (excluding Malaysia) in FY2024? Was the decline a particular concern for the Group? b) What are the key ASEAN countries Apollo Food exporting to? How does the gradual appreciation of Ringgit Malaysia against US Dollar pan out in trades with these countries? What is the outlook for the export revenue ASEAN region (excluding Malaysia) for FY2025? c) Coupling with the responses provided for Question 2(a), how does the expansion to the new markets improve the overall export performance? Over the long run, what is the ideal ratio between local and export revenue?
Pintaras Jaya Bhd (AGM)	The construction segment widened its loss before tax to RM20 million, compared to about RM5 million in the previous financial year. Losses were primarily recorded in the Malaysia operations, although Singapore operations remained profitable. The primary factors contributing to losses in Malaysia were liquidated damages due to late delivery, and increased material and labour

Company	Points/Issues to Be Raised
	costs from projects initiated during the COVID period. These projects are essentially completed (Page 39 of AR2024). a) What were the pre-tax profits or losses for the Malaysia and Singapore operations, excluding fair value gains or losses on financial assets, in FY2024? b) What was the total amount of liquidated damages recognised in FY2024? Is the Group solely responsible for the delays, and are there possibilities to claim or recover these costs? c) Revenue from Malaysia operations was significantly reduced to only RM886k from RM40.1 million in the previous year as the Group focused on completing unprofitable legacy projects. With these projects now essentially completed, what strategies and focus will the Malaysia operations have in FY2025? d) (d) What is the estimated revenue required for Malaysia operations to reach breakeven, assuming a conservative profit margin in the face of intense competition? Does the Board anticipate breakeven for Malaysia operations in FY2025?
ES Ceramics Technology Bhd (AGM)	1. With the building materials division contributing over 90% of the Group's revenue, what growth opportunities does the Company see in this segment, particularly with the development of data centres and infrastructure projects in Malaysia? 2. The building materials division recorded a profit before taxation (PBT) of RM12.58 million with a PBT margin of approximately 3.68% for the FYE 2024. Meanwhile, the division incurred an impairment loss on receivables of RM6.52 million. As at 31 May 2024, the Group's trade receivables stood at RM95.93 million (net of impairment losses). Premised on the above and given the challenges posed by material cost fluctuation and diesel price rationalisation, is the Company considering any adjustments to its credit policy to mitigate potential credit risks? Please provide justification as to whether adjustments are being considered or otherwise.

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18 NOVEMBER 2024 | MONDAY
9.00 AM - 5.00 PM
AVANTÉ HOTEL, PETALING JAYA

1 DAY COURSE | HRD corp CLAIMABLE

Registration Fee **RM1800**

Early Bird (Before 1 November 2024) **RM1600**

Group of 2 or more **RM1600**

All prices are subject to any applicable government tax.

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Understanding the new
National Sustainability Reporting Framework

NSRF MANDATORY BEGINNING 2025

Learn how the new requirements of IFRS S1 and IFRS S2 impact your corporate reporting obligations

Programme Overview

On 24 September 2024, the Securities Commission Malaysia announced implementation of the National Sustainability Reporting Framework (NSRF). It mandates IFRS Sustainability Disclosure Standards for listed and large non-listed companies. The framework aims to enhance transparency, accountability, and business resilience, aligning with the nation's sustainability goals. Compliance will be phased, starting in 2025 for large Main Market issuers, extending to others by 2027. Climate disclosures, aligned with TCFD recommendations are fully integrated into the ISSB standards.

Part 1 | 9:00 am – 10:30 am

Developments in the International Sustainability Reporting Landscape
- **Commonly Adopted Sustainability Reporting Frameworks**
- **How the ISSB was Formed and Global Adoption Trends**
- **Adoption of the ISSB Standards in a Phased Manner for Malaysia**
- **Design and Applicability of the Standards:**
  - IFRS S1 - General Requirements for Disclosure of Sustainability-Related Financial Information
  - IFRS S2 - Climate-Related Disclosures
- **Future Developments in the Pipeline**

Part 2 | 11:00 am – 12:30 pm

IFRS S1 - General Requirements for Disclosure of Sustainability-Related Financial Information
- Objective & Scope
- Conceptual Foundations
  - Materiality
  - Reporting Entity
- Sources of Guidance
  - SASB Standards
  - GRI
  - ESRS
- Statement of Compliance
- Treatment of Errors

Part 3 | 2:00 pm – 3:30 pm

- **IFRS S2 - Climate-Related Disclosures**
- **TCFD 101 as a Foundational Base for ISSB S2**
  - Climate Risks: Physical and Transition Risks
  - Governance, Strategy, Risk Management, Metrics and Targets
- **IFRS S2**
  - Objective, Scope, Core Content, Application Guidance

Part 4 | 3:45 pm – 5:00 pm

- **Reliefs - Proportionality and Scalability Mechanism,**
- **Transitioning to an ISSB Report and Other Developments**
- Without Undue Cost or Effort
- Consideration of Skills, Capabilities and Resources
- What Would an ISSB Report Look Like Versus the Current Sustainability Report Format(s)
- Assurance of Sustainability Report

Trainer's Profile
San Mei Kim

Mei Kim is a sustainability trainer. Prior to this, she was the former Sustainability Lead, Corporate Governance and Sustainability with the Regulation function at Bursa Malaysia. She co-led the development of key sustainability-related initiatives for the Malaysian capital market. This includes putting in place enhancements to Bursa Malaysia's Sustainability Reporting Framework (consisting of the listing requirements, sustainability reporting guides and related toolkits) as well as capacity building initiatives for public listed companies.

She is a GRI Certified Sustainability Professional and holds a Master in Sustainable Development Management from the Jeffrey Sachs Centre (Sunway University). She is also a member of the Association of Chartered Certified Accountants (ACCA), Association of Certified Fraud Examiners (ACFE) and the Malaysian Institute of Accountants (MIA).

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Understanding the Challenging Role of an Independent Director

Programme Overview

The role of an independent director has evolved significantly over the years, becoming more complex and demanding as corporate governance standards increase. Independent directors are expected to provide objective oversight, mitigate risks, and ensure the highest standards of transparency and accountability within an organisation. This programme equips current and aspiring independent directors with the knowledge, skills, and tools needed to navigate these challenges and fulfil their responsibilities effectively.

Module 1 | 9:00 am – 10:30 am

Introduction to Corporate Governance and the Role of Independent Directors
- Definition and importance of corporate governance
- The role of the board of directors
- The unique role of independent directors
- Legal and regulatory framework for independent directors in Malaysia

Module 2 | 10:45 am – 11.45 am

Defining Independence and Its Challenges
- Criteria for independence under Malaysian law
- Potential conflicts of interest and their implications
- Balancing independence with effectiveness
- Best practices for maintaining independence

Module 3 | 11:45 am – 1.00 pm

The Role of Board Committees
- The importance of board committees
- The role of independent directors in board committees
- Challenges and best practices for committee effectiveness
- The role of the audit committee, nomination committee, and remuneration committee

Module 4 | 2:15 pm – 3:30 pm

Challenges of Independent Directors & Mitigating Solutions
- Information Asymmetry
- Time Constraints
- Groupthink
- Relationship with Executive Directors
- Legal and Regulatory Compliance
- Lack of Understanding of the Company's Industry

Module 5 | 3:45 pm – 5:00 pm

Case Studies on Independent Directors

Trainer's Profile
Norhisham Abd Bahrin

Norhisham Abd Bahrin, a Corporate and M&A Partner at Azmi & Associates, specialises in investments, restructuring, and corporate governance. With over 20 years of legal experience, he regularly addresses legal issues impacting businesses, including M&A, Companies Act, Corporate Governance, and Corruption Prevention, in various public and in-house corporate training sessions. He has also provided coaching to board members of public listed companies and GLCs such as PETRONAS, Sime Darby, UMW Holdings, PERODUA, FGV, FELCRA, PUNB, PNS, MARA, Pelaburan Mara Berhad, PKNS, and others. Norhisham holds an LLB (Hons.) from the International Islamic University Malaysia and an MBA in International Business from the University of East London.