MSWG
MINORITY SHAREHOLDERS WATCH GROUP

The Observer
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CHECK | SCRUTINISE | INSPECT

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Annual reports are intended to provide shareholders with clear and comprehensive insights into a company's performance and strategic direction. However, Destini's latest Annual Reports fell short of this objective, as numerous errors have been identified, creating confusion rather than offering clarity.

ERRORS, ERRORS AND ERRORS

Annual reports are pivotal documents that offer a comprehensive overview of a company's performance, strategic direction, financial health, corporate governance, and sustainability initiatives. At a minimum, they must present clear and accurate facts and figures.

However, Destini Berhad's (Destini or the Group) Annual Report 2024 (AR2024) reveals significant shortcomings in ensuring accuracy and attention to detail. The Group's failure to proofread the document, resulting in numerous errors, has raised questions about its diligence and potentially impacted shareholder trust.

Destini's Turnaround Strategy

Destini is an integrated engineering solutions provider with interests in aviation and defence, energy, mobility, and marine sectors. The Group operates in Malaysia, Singapore, China, Australia, the United Arab Emirates (UAE), and the United Kingdom, serving local and international clients.

Despite its diverse portfolio and geographical presence, Destini experienced a 14% decline in revenue, falling to RM159.33 million for the financial period ending 30 June 2024. Additionally, the Group reported a substantial loss of RM133.47 million during the year, primarily due to higher financing costs and impairment charges.

In response to these challenges, Destini has implemented a comprehensive turnaround strategy to strengthen its core operations and build resilience for sustainable growth. This strategy focuses on organisational optimisation, stakeholder engagement, financial restructuring, digital transformation, and building a sustainable growth pipeline.

However, the material errors found in AR2024 contradict its stated goals of enhancing trust and engagement with stakeholders, undermining its credibility and relationship with shareholders.

Proofreading and Oversights

The publication of Destini's AR2024 was overshadowed by several errors, ranging from typographical mistakes to factual inaccuracies that risked misleading shareholders about the Group's performance and governance. In turn, investors were unable to make informed investing decisions based on the information disclosed.

Firstly, while the cover of the annual report correctly stated 'Annual Report 2024,' the header within the report was erroneously titled 'Annual Report 2023.' This discrepancy was not addressed in the errata announcement but was subsequently corrected in the revised AR2024. Nevertheless, this oversight raises questions about the adequacy of quality control processes and how such a fundamental error in referencing the reporting period was overlooked in an official document.

The table below shows some of the errors that Destini has rectified. These errors are important financial data that could mislead investors about the Group's true financial performance.

DESTINI'S ERRATA TO ANNUAL REPORT 2024

NO	SECTION	LOCATION	CURRENT	AMENDMENT
1	Management Discussion and Analysis	Page 31	The energy sector recognised a higher LATNCI of RM 23.85 million compared to a profit of RM 3.33 million in the corresponding quarter. This loss was primarily due to impairment of receivables and investments amounting to RMNil.	The energy sector recognised a higher LATNCI of RM23.85 million compared to a profit of RM3.33 million in the corresponding quarter. This loss was primarily due to impairment of receivables and investments amounting to RM 24.18 million
		Page 33	Destini's marine division saw widened losses with a PATNCI of RM2.04 million in FPE2024, compared to a LATNCI of RM50.18 million in FY2022. This increased loss was primarily due to reduced boat manufacturing and impairment of receivables and investments in associate companies amounting to RM1,91 million. This was on the back of a dip in revenue to RM56.39 million in FPE2024 from RM63.60 million the year before.	Destini's marine division saw a PATNCI of RM2.04 million in FPE2024, compared to a LATNCI of RM50.18 million in FY2022. There were less impairments provided in this financial period 2024 as compared to the huge impairments of receivables and investments in associate companies FY2022. Revenue recognised between the two periods had reduced to RM56.39 million in FPE2024 from RM63.60 million the year before.
			Following Destini's strategic exit from the shipbuilding business, the Group's marine division now focuses on lifeboat manufacturing and commercial marine services. During the year in review, losses from this division were primarily attributed to administrative expenses as the business realigned its operations.	Following Destini's strategic exit from the shipbuilding business, the Group's marine division now focuses on lifeboat manufacturing and commercial marine services. During the year in review, profit from this division were primarily attributed to lower administrative expenses as the business realigned its operations resulting in better efficiency and impairment was at its minimum.

LATNCI: Loss after tax and non-controlling interest
PATNCI: Profit after tax and non-controlling interest

Source: Destini's announcement to Bursa Malaysia

More errors

The revised annual report is not free from errors. For instance, on page 34, the absence of spacing between paragraphs rendered the report difficult to read, reflecting poor formatting standards.

Besides, the outdated reference to the "Corporate Governance Report 2020" instead of "Corporate Governance Report 2024" on the same page further highlighted the lack of attention to detail.

> **CLIMATE ACTION**
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> Decarbonisation is not just a part of everyday conversation anymore and is increasingly becoming critical components of business strategy across all industries globally. Reducing the amount of carbon footprint is part of the broader sustainability agenda that is widely adopted by small to large organisations.
> In September 2022, Bursa Malaysia enhanced its sustainability reporting framework under the Main.
>
> Market Listing Requirements which include prescribed sustainability matters and indicators deemed material for all listed issuers on climate change related disclosures which includes a transition towards a low-carbon economy.
>
> In line with this the Group has taken various measures to ensure that its carbon footprint is reduced. One of its significant initiatives is to have installed solar PV panels on its corporate office roof to shift its energy consumption in a more sustainable manner.

Source: page 34 of Destini's AR2024

Failure to Act Promptly

Despite receiving MSWG's letter days before the Annual General Meeting (AGM), the Group did not immediately rectify the mistakes in AR2024. Companies are expected to take swift action to acknowledge and identify the mistakes and issue errata ahead of the AGM.

> **TIMELINE OF EVENTS**
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> **30 October 2024:** The first version of the Annual Report 2024 was released.
>
> **26 November 2024:** MSWG sent a formal letter highlighting a list of questions to the Group five days before the AGM.
>
> **2 December 2024:** The AGM took place, during which the Board reckoned the oversight.
>
> **4 December 2024:** A revised version of the Annual Report was released.

MSWG had, during the AGM, requested that Destini promptly issue an errata announcement to amend the errors. During the AGM, the Board and management acknowledged its oversight and attributed the mistakes to typographical errors.

The Company only corrected the annual report via Errata announcement to Bursa Malaysia on 4 December 2024, 35 days from the announcement of the annual report and 3 days after MSWG raised the matter at the AGM. However, the errata announcement revealed that some changes made were related to factual inaccuracies beyond the "typographical errors" it claimed.

A Call for Vigilance in Annual Reporting

This incident serves as a timely reminder that shareholders, particularly MSWG, closely examine a company's annual report. The annual report is not just a formality but a critical document that must be treated seriously. It should accurately reflect factual matters, as even seemingly minor errors can raise concerns about the company's governance and professionalism.

Furthermore, the annual report is a legal document mandated by regulations, and its preparation requires vigilance and diligence. Companies must ensure robust corporate reporting processes, with thorough review mechanisms to prevent such oversights. This commitment is essential to upholding trust and maintaining accountability to shareholders and stakeholders.

[END]

MSWG CHAMPIONING GOVERNANCE EVOLUTION AT THE 2024 OECD-ASIA CORPORATE GOVERNANCE ROUNDTABLE

Dr. Ismet Yusoff participated as a panel member at the 2024 OECD-Asia Roundtable on Corporate Governance held in Manila, Philippines.

During the session, he emphasised the growing complexity of board responsibilities, citing how sustainability and digital transformation have necessitated the formation of specialised committees beyond traditional ones like audit and remuneration. Drawing on MSWG's experience in Malaysia, he highlighted how board committees can enhance governance by offering strategic guidance and ensuring accountability in addressing emerging business challenges.

Dr. Ismet also discussed trends in establishing these committees across jurisdictions, providing examples of how regulatory frameworks and business practices shape their roles and composition. His insights underscored the importance of aligning governance structures with local and global standards to meet the expectations of diverse stakeholders.

MSWG AGM/EGM WEEKLY WATCH

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
24.12.24 (Tue) 09.30 am	Boustead Heavy Industries Corporation Berhad (EGM)	The Company proposed the following exercise: Disposal by BHIC Defence Technologies Sdn Bhd, a wholly-owned subsidiary of the Company, of 2,550,000 ordinary shares in Contraves Advanced Devices Sdn Bhd (CAD), representing 51% equity interest in CAD to Rheinmetall AG, for RM54.00 million in cash.
27.12.24 (Fri) 10.30 am	MNC Wireless Berhad (EGM)	The Group proposed to carry out a rights issue with free warrants (Warrants D) on the basis of 3 rights shares with 1 free Warrant D for each existing Share held by the entitled shareholders of MNC. Additionally, the Group proposed to vary the utilisation of proceeds raised from a private placement exercise undertaken by the Company previously.

POINTS OF INTEREST

Company	Points/Issues to be raised
Boustead Heavy Industries Corporation Berhad (EGM)	**<u>Proposed Disposal</u>** The directors are of the view that the Group has lost the joint control in the joint venture. Throughout the FYE 31 December 2023, the management encountered difficulties in obtaining information, including financial information from Contraves Advanced Devices Sdn Bhd Group (CAD Group), and further upon request made to obtain access for a review of CAD Group's FYE 2023 financial position and results, the access was however limited to certain information as decided by the

Company	Points/Issues to be raised
	management of CAD Group as a result of not receiving unanimous consent from CAD Group's shareholders (Page 8 of the Circular). a. Did BHIC take any legal or contractual measures or initiate good faith discussions under the shareholder's agreement to enforce its rights and secure access to the required information? If not, why? b. How have the abovementioned situations helped the Board to be more vigilant before embarking on future business joint ventures? What lesson has the Group learned from this? c. What key measures will the Board and management intend to take for BHIC's future business joint ventures to ensure such instances will not recur?