

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

New Straits Times, Business Times – 1 July 2024 (Part 1)

MSWG AGM/EGM WEEKLY WATCH
1 – 5 JULY 2024

MSWG had issued AGM/EGM letter to the following PLCs for their shareholders meeting held from 1- 5 July 2024.

The extraction of the question raised in the letter is highlighted here. For the details of other questions, please login to MSWG website at www.mswg.org.my.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Scanwolf Corporation Berhad (EGM)	<p>Scanwolf proposed diversifying its existing business activities to include construction and related activities.</p> <p>The Construction business will be spearheaded by Mr. Eddy Seah, the managing director of Scanwolf, who was appointed on 16 April 2024. He will be supported by several key management personnel in establishing the Construction business.</p> <ul style="list-style-type: none"> Seah is also the executive director of Fixus Construction Sdn Bhd (Fixus), which he established in 2015. Fixus is involved in the construction and maintenance of buildings and infrastructure. <p>As the ED of Fixus, Mr. Eddy Seah is responsible for the company's strategic planning and business direction. He also partakes in contract negotiations, contract and progress monitoring, budget and quality control, construction and infrastructure works and the overall operations of the construction business.</p> <p>Given his executive roles and duties in Fixus, how does Mr. Eddy Seah devote full commitment to steering the new business and turning around the financial performance of Scanwolf? What is the view of the Nomination Committee in terms of the MD's time commitment? What is Mr. Eddy Seah's shareholding in Fixus?</p> <ul style="list-style-type: none"> Mr. Eddy Seah's involvement in Fixus "may give rise to a potential conflict of interest situation, such situation is mitigated as it is Scanwolf's strategy at this juncture (as a new entrant into the construction industry) to focus on smaller scale construction contracts (circa RM15 million per award) whereby Eddy Seah will ensure Fixus will not be participating" (page 4 of Circular dated 18 June 2024). Scanwolf is a registered Grade G7 contractor with the Construction Industry Development Board (CIDB), which allows the Group to tender for projects of any size or value without limitation. <p>Why was a threshold of RM15 million set for the value of jobs to tender? Prospects of bidding for larger jobs. What parameters were used to determine this maximum contract value to tender?</p> <p>Suppose both Scanwolf and Fixus are equally compatible and qualified to tender for a project, how does Mr. Eddy Seah balance the interests of Scanwolf's minority shareholders with his personal interests in Fixus?</p> <p>We are concerned that such a strategy limits Scanwolf's prospects of bidding for larger jobs.</p> <ul style="list-style-type: none"> What is Scanwolf's area of expertise, and what is the scope of work to be undertaken in the future?
Kim Loong Resources Berhad (AGM)	<p>As part of its plan to achieve long-term sustainability in FFB production, the Group has resumed replanting activities since 2023 and targets to replant about 1,000 hectares per year in coming years. (page 23 of Annual Report (AR) 2024)</p> <ul style="list-style-type: none"> What is the total area that is due to be replanted in the coming years? What was the average age of your overall palm trees as at end-FY2024? And what is the expected average age once the whole replanting programme is completed? What is the budgeted capex for FY2025 and its breakdown between plantation and milling operations?
Crescendo Corporation Berhad (AGM)	<p>The Group's Manufacturing Division saw a profit margin decline to 3.7% in FY 2024, compared to 5.3% in FY 2023. This was mainly due to higher production costs.</p> <ul style="list-style-type: none"> Please explain the reasons for the higher production in FY 2024 and name the 3 components of production costs that have registered increases in FY 2024 as compared to FY 2023. What measures have been taken by the Group to mitigate the further drop in the profit margin going forward? Are the measures successful in terms of improving the profit margin in FY 2025? If yes, by what percentage? If not, why?
Nexgram Holdings Berhad (AGM)	<p>On 14 August 2023, CIMB Bank Berhad served the Company with a letter of demand regarding a corporate guarantee provided to Nextnation Network Sdn Bhd (Liquidated), a former subsidiary of the Company.</p> <p>The letter of demand gave rise to the financial guarantee liabilities of RM265,869. (Page 160 of Annual Report 2023 "AR2023")</p> <p>Further, Tri-G Technologies Sdn Bhd, a 51%-owned subsidiary of the Company, was served a letter of demand on 18 August 2023 by Maybank Islamic Berhad. The total term loan balance of RM1.6 million has been classified as current liabilities. (Page 156 of AR2023)</p> <ul style="list-style-type: none"> What measures are being taken to address and manage the financial obligations? Please elaborate on the oversight and governance processes in place to monitor subsidiaries' financial health and compliance. Are there strategic decisions or adjustments in the Group's business plans considering its current financial situation? The independent auditors' opinion as set out on Page 62 of AR2023: <p>"The above events and conditions indicate a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern." The Company's current financial condition, as indicated by the letters of demand and the independent auditors' opinion, does not appear to have manifested suddenly. Were the payment obligations identified as potential concerns at an earlier stage?</p>

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Quality Concrete Holdings Berhad (AGM)	<ul style="list-style-type: none"> Under the Construction & Property Development segment, the Construction division has an orderbook of RM120 million to be completed in the next two years. We notice that the orderbook size was the lowest among the past three years, compared to RM205 million in FY2023 and RM289 million in FY2022. <p>The Construction division remained the largest revenue contributor to QCHB, with RM78.6 million in revenue contributed in FY2024. On the other hand, the division turned loss-making in FY2024 at a pretax loss of RM7.3 million, compared to a pretax profit of RM1.9 million previously (page 7 of AR2024).</p> <p>We are concerned about the dwindling orderbook and the long-term sustainability of the division.</p> <ul style="list-style-type: none"> What is the tender-book size and the average success rate of securing job? What is the expected replenishment rate for FY2025? Please share the types of projects QCHB is vying for and their contract value. Rising construction material costs and rising interest rates are the key factors resulting in pre-tax losses in the Construction division. Meanwhile, QCHB also provided a foreseeable loss amounting to RM1.34 million on an ongoing project that is expected to be loss-making upon completion (pages 7 and 68 of AR2024). <ul style="list-style-type: none"> i) On average, what is the quantum of cost increases for the key materials compared to the previous year? ii) What is the project that is expected to be loss-making upon completion? When did QCHB secure the project? Did QCHB attempt to pass on the cost increases to its customers and the outcome of it? Has QCHB embedded a contractual provision in the agreement that allows it to pass on the cost increases to customers? How does the Company ensure that similar provisions will not recur? Key Audit Matters (KAMs) (pages 132 and 133 of AR2024) <ul style="list-style-type: none"> - Property, plant and equipment (PPE)[1] External auditors KPMG PLT's comments: The carrying amount of non-financial assets comprised 43% of total assets as of 31 January 2024. Certain subsidiaries were continually loss-making, and this is an indication that the underlying non-financial assets, namely property, plant and equipment, land held for property development and investment properties, of those subsidiaries may be impaired. - Investment in subsidiaries External auditors KPMG PLT's comments: As at 31 January 2024, The total carrying value of investment in subsidiaries amounted to RM128.2 million, representing 95% of its total assets. Certain subsidiaries of the Company were loss-making and recorded negative operating cash flow, which indicated that there may be an impairment on the investment in these subsidiaries. <p>The primary cause of these two KAMs is the loss-making status of certain subsidiaries, which raises the risk of impairment in PPE and investments in subsidiaries if their carrying amounts exceed their recoverable amounts. This could lead to impairment losses and a reduction in asset values on the income statement and balance sheet.</p> <p>How do the Board and management plan to address the two KAMs? What strategies will QCHB employ to manage and mitigate these risks? Please comment on the likelihood of impairment in PPE and subsidiaries.</p>
Hextar Capital Berhad (new) (EGM)	<ul style="list-style-type: none"> On 16 January 2024, Sarawak Consolidated Industries Bhd (SCIB) accepted a letter of award from Landasan Kapital (M) Sdn Bhd for the execution of civil, structural, architectural and mechanical works. The project involves the construction of student hostels in Universiti Malaysia Kelantan located in Bachok, Kelantan. On 12 March 2024, SCIB and Landasan Kapital mutually agreed to terminate the project. SCIB informed that the company is taking necessary measures to protect its interests by enforcing its rights under the contract. This is to mitigate the risks that could potentially arise from the project site's unreadiness, which could lead to delays in site possession and commencement of its scope of work. Considering the tight project timeline and the possibility that an extension of time may not be granted by the project owner, these delays could significantly impact on the project timeline, posing a risk of loss due to late delivery. <p>What measures are being taken to ensure that the Group can successfully manage and complete the construction project within the timeframe given by Landasan Kapital (M) Sdn Bhd?</p> <ul style="list-style-type: none"> Given HexCap's involvement in various business segments such as manufacturing, telecommunication network infrastructure solutions and power generation and transmission, how does the Company justify the need to diversify further instead of focusing on and optimising the performance of the existing business segments?