



The Official Newsletter from MSWG **Observer**

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**We're taking
a break.**

We'll resume publication
on 7 February 2025.

STORMING THE CLOUD

The convictions of two major shareholders over personal data breach offence across the Strait of Johor may have caught Rexit's shareholders off guard. That said, it is commendable that Rexit has taken proactive measures to ensure its data integrity, mitigate the damage, and work toward restoring investors' confidence.

EXIT OF ETHICS – REXIT’S DATA CONCERN

Takeover bid, massive board revamps, criminal convictions, and data breach allegations, sound pretty much like plots in business movies or TV series, except they are real-life events.

Following a takeover bid led by Dato’ Seow Gim Shen (Dato’ Seow) and a group of companies in February 2024, the past year has been a roller coaster ride for Rexit Berhad, a Software as a Service (SaaS) solutions provider listed on the Main Market Bursa Malaysia.

In February 2024, Dato’ Seow, Metaco Asset Holdings Sdn Bhd (Metaco) and Bemas Holdings Sdn Bhd (Bemas) made their grand entry into Rexit via the acquisition of 53.27% of the listed entity for RM78.4 million, or 85 sen apiece from Rexit Venture Sdn Bhd, Global Hartabumi Sdn Bhd and Datuk Chung Hon Cheong (Datuk Chung) via direct business transaction. The takeover resulted in a mandatory general offer to acquire all the remaining shares at a cash consideration of 85 sen per share.

A boardroom revamp ensued after the ownership changed hands. On 11 March 2024, Dato’ Seow was appointed as Chief Executive Officer of Rexit. Another three new appointments were made on the same day, with two new independent directors and one non-independent and non-executive chairman appointed on board. Meanwhile, a Chief Operating Officer with extensive technology and digital transformation background was roped in.

Just when everything seemed to be going well for the Company, things took a sharp turn. On 24 October 2024, news started making rounds that Rexit’s two major shareholders – Dato’ Seow and Kong Chien Hoi (via his interest in Metaco Assets) were each sentenced to 14 weeks’ jail in a Singaporean court for participating in a conspiracy to illegally obtain data of over 9,000 people.

According to a report by *The Straits Times*¹, both had pleaded guilty to one charge each of conspiring with Chinese national Sun Jiao to have the personal information of 9,369 unknown individuals supplied to them for gambling operations. Also, it was reported that Sun was allegedly linked to a global syndicate that conducted malicious cyber activities.

Following the fallout of its major shareholders, Rexit saw its share price slide from 76 sen on 23 October 2024 to a 52-week low of 69 sen on 28 October 2024, representing a 9.2% slide within three trading days.

¹ *Jail for 2 men who illegally obtained data from suspect in malicious cyber activities*, *The Straits Times*, accessed via <https://www.straitstimes.com/singapore/courts-crime/jail-time-for-two-men-who-illegally-obtained-data-from-suspect-in-malicious-cyber-activities>

The counter slid from its all-time high of RM1.44 on 26 March 2024 to 77 sen as of 20 January 2025.

As of the time of publication, Dato' Seow and Metaco's stake in Rexit remained unchanged at 23.33% and 18% respectively. According to bourse filings, Dato' Seow resigned from the Board on 11 October 2024, six weeks after he was redesignated as Executive Chairman, "to focus on personal commitments and the growth of his other new business ventures²".

Data Governance and Data Integrity

Data integrity is paramount for Rexit, given its mainstay of providing SaaS solutions to the financial services sector, particularly the general insurance industry.

Rexit's flagship product, *e-Cover*, provides insurance companies and insurance agents a platform to consolidate the entry of insurance transaction data, eliminating reliance on manual input by insurance company personnel. According to Rexit's website, thousands of insurance agents, more than ten insurance companies in Malaysia, one in Singapore, five banks and telcos utilise its e-commerce portal.

Additionally, Rexit develops, manages, and operates the *mySalam* portal, a national health protection scheme serving eligible members.

Beyond its core business in the insurance sector, Rexit has expanded its SaaS model to the unit trust industry with the *e-PPA* system, facilitating the submission of unit trust investment and redemption applications using EPF contributions.

On 21 October 2024, Rexit announced the decision to appoint an independent cybersecurity firm to reaffirm the security of its organisational data against potential breaches. This decision came just three days before the sentencing of Dato' Seow and Kong in a Singaporean court.

Subsequently, on 1 November 2024, Rexit engaged LE Global Services Sdn Bhd (a subsidiary of ACE Market-listed LGMS Berhad) to perform a cybersecurity audit. This was in addition to internal audit findings, which concluded that there were no data breaches and that the company's data security processes were resilient against threats.

Following the investigation by LE Global Services, Rexit announced on 6 January 2025 that findings from the cybersecurity firm reaffirmed its earlier internal findings that there were no signs of compromise nor data leaks in either the open or dark web related to the shared services applications it operated.

² Rexit's announcement dated 11 October 2024, accessed via https://www.bursamalaysia.com/market_information/announcements/company_announcement/announcement_details?ann_id=3491275

Given Rexit's core business revolves around financial institutions, personal data, and financial transactions, it cannot afford to take cyber threats lightly. However, compared to PLCs with material cybersecurity risks, Rexit has disclosed relatively little about its measures to safeguard data privacy and security³. Its two-page sustainability statement made no mention of materiality matters with significant impacts on its business activities, including cybersecurity, data privacy, or data governance.

At this juncture, the financial impact of this incident on Rexit remains uncertain pending the release of its quarterly results ended 31 December 2024 tentatively in February 2025. Nevertheless, in an interview with local media in October 2024, Rexit's adviser Datuk Chung acknowledged that the episode involving Dato' Seow would impact the confidence of customers, resulting in short-term impacts on its new business to the tune of "10% to 15%"⁴.

Shareholders should also take note that the Company changed its fiscal year-end to 31 December 2024, from 30 June 2024 earlier. Following this, Rexit has been granted by the Companies Commission of Malaysia for the extension of time up to 30 September 2025 to hold its 20th AGM in accordance with Section 340 of the Companies Act 2016.

For the 15-month reporting period ended 30 September 2024, Rexit raked in RM15 million of net profit against RM39.61 million in revenue. For FY2023, it recorded revenue and net profit of RM27.29 million and RM11.01 million, respectively.

Conclusion

Trust takes years to build, seconds to shatter, and a lifetime to restore. While Rexit has cleared the suspicion of data breach, the reputational damage inflicted by this saga may take years to mend.

The chronicle of events in Rexit underscores the critical importance of ethics and governance in a company. Directors or shareholders with a history of criminal misconduct may severely damage a company's reputation, eroding stakeholder trust and hindering its ability to attract investments or forge partnerships.

That said, it is commendable that Rexit has taken proactive measures, including both internal and external audits, to ensure the integrity of its database, mitigate the damage, and work toward restoring investors' confidence.

Will Rexit be able to return to its all-time highest share price of RM1.44? Only time will tell.

[END]

³ *Rexit's Annual Report 2023*

⁴ *Article titled "Rexit to appoint forensic auditor to ensure no data leak", published on page 18, The Edge Malaysia Weekly issue 21 – 27 October 2024.*

DISCLOSURE OF INTERESTS

With regard to the companies mentioned, MSWG holds a minimum number of shares in all the companies covered in this newsletter.

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