MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
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The Observer

MSWG will organise a webinar titled "Cyber Security: What's Directors Need to know" at 09.30 a.m. on 8 June 2022 (Wednesday). Please visit https://bit.ly/3Lxx4Kk for registration and more info.

27.05.2022

❖ The role of alternate directors – an alternate view

The Companies Act 2016 (CA 2016) defines "directors" as any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directors or instructions the majority of directors of a corporation are accustomed to act and an alternate or substitute director.

This means alternate directors are acknowledged and allowed under the CA 2016. But their presence may be a relic of the past.

With the prevalence of virtual meetings (including board meetings), surely the need for an alternate director is redundant. The principal director can attend board meetings virtually by audio or video conferencing.

What is telling is that the director who has an alternate director has given the game away by signalling that he may not have enough time to attend board meetings regularly – and hence the need for an alternative.

Food for thought

Boards should not allow for the appointment of alternate directors as the distinct personalities of the principal and alternate director could cause numerous issues.

Firstly, they may have different opinions on some issues. They may not have completeness of knowledge as they split their attendance between themselves- they will not have the complete thread of discussions at board meetings.

Besides, alternate directors may not have the benefit of understanding context (including the history of previous discussions), nor would they take ownership of past decisions. The principal director would be aware of the key agenda of those meetings he attended but the alternate director would not, and vice versa.

Then there is the issue of ascribing liability when things go wrong, whether both should be sanctioned or should sanction be apportioned. Then again, the principal director can blame the alternate director, claiming that the alternate did not brief him adequately and vice versa. The permutation and combination of issues and problems almost seem limitless.

The definition of "director" under the CA 2016 includes alternate or substitute director. An alternate director is subject to the same directors' liabilities under the CA 2016 when carrying out his/her functions as an alternate.

Also, the effectiveness of the board is in doubt as the alternate director may not have the same level of commitment given his role as an alternate. Chances are he may end up attending fewer meetings compared to the principal director.

Shareholders must ask the Board about the rationale behind the appointment of alternate directors. Why was it necessary for the appointment of the alternate director? Would the Board's effectiveness be compromised during their tenure? Will the appointment of alternate directors be prolonged? And lastly, considerations on the skill of the alternate director and other relevant issues.

From a good corporate governance point of view, while the practice is allowed, MSWG tends to take a precautionary view on the appointments of alternate directors. We urge shareholders to question companies about their appointments.

Anyone who consents to act as an alternate director should also understand the implication of doing so. He is subject to the same statutory and fiduciary duties as a director when carrying out his/her functions as an alternate. After all, the alternate is still a director and owes the duties required of a director and will be subject to the sanctions that may be imposed on a director.

An alternate director is entrusted with the powers, rights, duties, and responsibilities only when he is acting in place of the director for whom he is an alternate. At other times, when he is not acting as an alternate, he may not have such powers and rights. This creates interesting scenarios. After a board meeting, could both the director and alternate ask for information from management? The alternate will phrase the request by a preamble that pursuant to the last board meeting that he attended, he needs information from management.

Also, it is interesting to note that there are no specific provisions in the CA 2016 on the appointment of an alternate director. No alternate director may be appointed unless the authority to appoint is provided in the company's constitution.

No shareholders' approval is required for the appointment of an alternate director. As such, the alternate director is not shareholders' choice but the choice of the principal director who in turn is approved by the board.

Directors are required to seek re-election if they retire at the upcoming AGM. But this is not the case with alternate directors. The alternate director avoids the vote of the shareholders he claims to represent. The alternate remains the choice of the principal director duly endorsed by the board – never the shareholders' choice.

Boards should do away with the practice of appointing alternate directors. If a director cannot commit the time to be a director, then he should retire – not appoint an alternate.

Ultimately, the boards play a powerful role in dissuading the appointment of alternate directors. And if the appointment of alternate directors is enshrined in the constitution, it is time for the shareholders to pass the special resolution to remove such a clause. Ideally, the board should get this done hand in hand with the shareholders.

Presently, there is inconclusive case law as to how much liability will be imposed on the alternate director. Maybe, the alternate director should think twice also before accepting an alternate-director position.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 30 May – 3 June 2022

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholders Watch Group's (MSWG) watch list.

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
30.05.22 (Mon) 10.30 am	Spritzer Bhd (AGM)	Spritzer saw a recovery in its revenue with an increase of 7% to RM331.0 million in FY2021, primarily due to the increase in the sales of drinking products after movement restrictions were relaxed and the reopening of more economic sectors in the final quarter of 2021. Moving forward, the prospect of Spritzer would be driven by the growth of Malaysian economy and domestic business activities.
30.05.22 (Mon) 11.00 am	Pegasus Heights Berhad (AGM)	Pegasus's revenue decreased by 57.2% to RM26.7 million due to the sharp decrease in trading and, to a lesser extent, Project Management Consultancy (PMC) revenue. Its net loss increased by 165.3% to RM19.1 million due to an impairment of goodwill amounting to RM16.0 million. Stripping out the extraordinary impairment, net loss would have declined 56.1% to RM3.2 million.
31.05.22 (Tue) 09.30 am	Syarikat Takaful Malaysia Keluarga Berhad (AGM)	STMKB's operating revenue for FY2021 was higher at RM3.18 billion, compared to RM2.96 billion in FY2020. Its profit before zakat and taxation increased by 3% to RM438.7 million from RM426.8 million, the net

		profit after zakat and taxation was higher at RM412.2 million, compared to RM363.6 million in the previous financial year. The higher revenue was mainly attributable to improved sales by both family and general takaful businesses. Meanwhile, the higher pre-tax profit was mainly attributable to the higher net wakalah fee income.
31.05.22 (Tue) 10.00 am	Techna-X Berhad (AGM)	Techna-X recorded a consolidated revenue of RM68.6 million in FY2021, out of which the technology-driven F&B business contributed approximately RM33.9 million while the energy storage solutions contributed approximately RM23.5 million and the other technology and digital transformation enabler RM11.2 million. Its continuing operations made a net loss of approximately RM21.7 million in FY2021, compared to a net loss of RM19.3 million in previous year.
31.05.22 (Tue) 10.00 am	Comfort Gloves Berhad (AGM)	Its revenue had increased by 46.9% to RM1.39 billion for financial period ended 31 December 2021, compared to RM946.447 million in financial year ended 31 January 2021. Meanwhile, its net profit rose by 50.4% to RM421.5 million from from RM280.2 million in the previous corresponding period. The better performance was mainly driven by higher average selling prices. With an increase of segmentation in rubber gloves market, the Group is developing more specialty gloves to differentiate itself from others.
31.05.22 (Tue) 10.00 am	IHH Healthcare Berhad (AGM)	The FY2022 looks to be promising to IHH as the COVID-19 pandemic enters the endemic stage and this may prompt more inpatient admissions at its hospitals. The pandemic also resulted in the sharp increase in the need for laboratory services and this contributed around RM2 billion revenue to the Company's coffers in FYE 2021. Laboratory services

		revenue is expected to increase in FY2022.
31.05.22 (Tue) 10.00 am	WZ Satu Berhad (AGM)	WZ Satu recorded a pre-tax profit of RM4.8 million in FY2021 as compared to the loss before tax of RM63.5 million in financial period 2020 due to stronger performance registered in all business segments e.g., CEC, Manufacturing and OG segments. The remaining segments had also registered a better result with a lower loss before tax.
31.05.22 (Tue) 11.00 am	WZ Satu Berhad (EGM)	WZ Satu proposed to diversity the Group in Property development and proposed to change its name to "Citaglobal Berhad".
01.06.22 (Wed) 02.00 pm	Eversendai Corporation Berhad (AGM)	Eversendai recorded a net loss of RM146.1 million during the year, represented a RM6.98 million increase in losses from last year (FY2020: - RM139.1 million). The higher losses incurred was mainly due to continued delays in progress of projects (impacted by the COVID-19 pandemic), coupled with impairment loss and write-off of receivables and contract assets amounted to RM55.8 million (FY2020: Impairment loss of RM24.4 million).
02.06.22 (Thur) 10.00 am	Genting Malaysia Berhad (AGM)	The Group's revenue y-o-y increased by 17% to RM13.5 billion (FY2020: RM11.6 billion) and the Group's adjusted EBITDA improved to RM4.0 billion (FY2020: RM2.9 billion) where the increase mainly came from the Leisure & Hospitality Division and the Plantation Division in line with the increase in revenue. As the outlook for international tourism is gradually improving, higher vaccination rates worldwide and the introduction of vaccine passports in certain countries will support the recovery of the tourism, leisure and hospitality industries, including the regional gaming sector.
02.06.22 (Thur) 10.00 am	Malaysian Resources Corporation Berhad (AGM)	MRCB delivered a higher revenue of RM1.4 billion and a PBT of RM61 million in FY2021 compared to a revenue of RM1.2 billion and a LBT of RM154 million recorded in previous year. The higher revenue and profit were largely due to the consolidation of

		Setia Utama LRT3 Sdn Bhd (SULSB) (formerly known as MRCB George Kent Sdn Bhd), which allowed the Group to recognise 100% of the revenues and profits from the project in the fourth quarter of 2021.
02.06.22 (Thur) 10.00 am	Tenaga Nasional Berhad (AGM)	TNB reported a revenue of RM52.63 billion for FY2021, represented a 19.7% increase y-o-y from RM43.98 billion a year ago. The sales of electricity had increased by 19.3% y-o-y to RM51.56 billion, in tandem with the resumption of economic activities in the country. Its net profit grew by 6.9% y-o-y to RM3.86 billion due to the increase in operating profit and the increase in the share of results of associates, as well as accounting gains on the fair value of financial instruments.
02.06.22 (Thur) 11.00 am	Malaysia Airports Holdings Berhad (AGM)	Malaysia Airports' revenue was lower by 10.4% y-o-y to RM1.67 billion in FY2021. On a segmental basis, the revenue from airport operations contracted by 12.8% y-o-y to RM1.47 billion. Aeronautical revenue declined by 9.9% y-o-y to RM798.1 million while non-aeronautical revenue decreased by 16.0% y-o-y to RM668.5 million. Revenue from non-airport operations increased by 12.3% or RM22.6 million y-o-y due to higher revenue from agriculture segment driven by higher commodity prices, demand for its project and repair maintenance and hotel businesses.
03.06.22 (Fri) 10.00 am	Genting Berhad (AGM)	The Group's revenue y-o-y increased by 17% to RM13.5 billion (FY2020: RM11.6 billion) and the Group's adjusted EBITDA improved to RM4.0 billion (FY2020: RM2.9 billion) where the increase mainly came from the Leisure & Hospitality Division and the Plantation Division in line with the increase in revenue. As the outlook for international tourism is gradually improving, higher vaccination rates worldwide and the introduction of vaccine passports in certain countries will support the recovery of the tourism, leisure and hospitality industries, including the regional gaming sector.

03.06.22 (Fri) 10.00 am	Chin Hin Group Berhad (AGM)	Chin Hin reported a revenue of RM1.15 billion in FY2021, represented an increase of RM181.56 million or 18.74% as compared to RM968.76 million in FY2020. Revenue from the distribution of building materials, the manufacturing of AAC and the manufacturing of wire mesh have increased remarkably in FY2021 as the construction site progress started to catch up after the full movement control order has been lifted. The Group reported a higher PBT of RM41.74 million as compared to RM25.11 million reported in FY2020.

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
Spritzer Bhd (AGM)	Spritzer has purchased 1,227.6 acres of land located in Trong, Perak for RM76 million for the expansion of an additional mineral water plant. The acquisition is now pending the approval of the Estate Land Board for the transfer of property from Trong Oil Palm Estates Sdn Bhd to Spritzer. a) When does the Company expect to complete the transaction? b) Based on current supply and demand dynamics of your products, is the Group ready to embark on setting up the new plant in the near term? c) Please elaborate on the expansion plan in terms of capital expenditure, timeline, capacity etc.
Pegasus Heights Berhad (AGM)	The flash floods in the last quarter of 2020 which resulted in the closure of the mall for rectification work until the end of February 2021. (Page 4 of AR) a) Was the flood covered by the Company's insurance policy? b) What is the value of the rectification work? c) What is the amount of rectification work claimable from the insurance company?
Syarikat Takaful Malaysia Keluarga Berhad (AGM)	Following a few major natural catastrophes that took place in Malaysia, insurers were reported to have incurred monetary losses from their underwriting activities. a) What was the size of the insurance payout by STMKB due to natural disasters in FY2021?

	b) Has the insurer incurred monetary losses from these underwriting activities? If yes, what was the size of losses incurred? c) Does STMKB face increasing insurance payout over the years due to the occurrence of natural disasters? How has the pricing and coverage changed over the years? d) Does STMKB expect any significant impact from climate events on its underwriting performance, especially with the frequent occurrence of floods in Peninsular Malaysia recently? e) From STMKB's point of view, what are the opportunities and risks to insurers due to climate events? How does the Group capture such opportunities and contain its associated risks when it comes to family and general takaful businesses? f) As of FY2021, STMKB was the largest insurer in the motor takaful business with a market share of 66.4% (page 11 of Annual Report 2021). What were the innovative products or features STMKB had launched to cater for the growing market needs for greater coverage of flood incidents?
Techna-X Berhad (AGM)	The Group's trade receivables increased by RM31.2 million or 2836% from RM1.1 million in FY 2020 to RM 32.3 million FY2021. (Page 120 of AR) The increase in trade receivables was brought by the acquisition of new businesses, namely the energy storage solutions, technology-driven F&B, other technology and digital transformation enabler in FY 2020. a) Please provide the amount of trade receivables from each of the new business segment mentioned above for FYE 2021. b) How much of the trade receivables from each of the new business segment have exceeded the normal credit period? c) How much of the outstanding trade receivables have been collected from each of the business segment as at February 2022?
Comfort Gloves Berhad (AGM)	1. Group revenue increased by 46.9% from RM946.447 million in FYE 31 January 2021 to RM1,390.655 in FPE 31 December 2021. However, selling and marketing expenses rose significantly by 115.5 % from RM8.228 million to RM17.728 million and administrative expenses escalated by 295.9 % from RM33.433 million to RM132.373 million. (Page 59 of AR 2021) Why were there such significant increases in selling and marketing expenses and administrative expenses which

	did not commensurate with the increase in Group revenue? 2. Impairment loss for Trade receivables amounted to RM3.221 million for FPE 31 December 2021 (FYE 31 January 2021: No impairment) and bad debt written off totalled RM1.102 million (FYE 31 January 2021: RM96,816). (Pages 90, 103 of AR 2021) Why were there significant increases in impairment loss and bad debt written off? What is the probability of recovering the impaired loss amount? Is there a need to review the credit risk management policies? 3. For FPE 31 December 2021, inventories written down and written off totaled RM13.262 million and RM4.217 million respectively while there was no such write-down or write-off for FYE 31 January 2021. (Page 104 of AR 2021) Why was there such significant inventories write-down or write-off? What is the estimated amount that may be salvaged from the written down inventories? Is there a need to review the inventories management policies?
IHH Healthcare Berhad (AGM)	Trade receivables written off increased significantly from RM10.2 million in FYE 2020 to RM20.7 million in FYE 2021. (Page 164 of AR 2021) a) What were the reasons for the significant increase? b) Have the credit policies of the Company been reviewed to ensure only creditworthy customers be extended credit? c) Do you foresee a rise in trade receivables written off in FYE 2022 as the economy is still lethargic?
WZ Satu Berhad (AGM)	The OG Management is poised to diversify into renewable energy development works (i.e., solar, hydrogen & hydro) via strategic collaborations with clients and reputed technology providers and/or OEMs (Page 17 of the Annual Report 2021). a) Does the Group have enough know-how to venture into the renewable energy development works? b) Is the Group currently in any serious discussion on any deal for the abovementioned initiative?
WZ Satu Berhad (EGM)	<u>Proposed Diversification by WZ Satu Group in Property Development</u> Pursuant to the Proposed Diversification, the Group will be subject to various business risks in property development industry, including competition from other property developers (Page 12 of the Circular). a) As a new player in property development, how does the Board plan to address the competition risk, especially from experienced property developers?

	b) What are the Group's competitive advantages over peers in the market?
Eversendai Corporation Berhad (AGM)	In FY2021, the Group recorded a net impairment loss of contract assets of RM35,374,000 (FY2020: RM516,000) (Pages 49-50 of the Audited Financial Statement 2021). a) What are the reasons for the substantial increase in impairment on contract assets? b) What are the measures taken to recover the amount? c) What is the amount recovered, to-date? d) Given the substantial increase in impairment, is there a need to review the credit policy of the Group?
Genting Malaysia Berhad (AGM)	The Group's financial performance in FY2021 reflected the impact of a combination of various travel restrictions and the prolonged temporary closure of the Group's properties, particularly in Malaysia and the United Kingdom ("UK"). Nevertheless, strategic changes implemented in previous years, including a recalibrated cost structure and re-engineered processes, have enabled the Group to work with greater agility as the Group navigates through the uncertainties. (page 3 of AR 2021) What are the major recalibrated cost structures and re-engineered processes and how have these contributed to the Group?
Malaysian Resources Corporation Berhad (AGM)	The revenue from the Engineering, Construction & Environment Division, ("ECED") increased to RM891.3 million in FY 2021 from RM501.4 million in FY2020. (Page 76 of IAR) The cost of sales from ECED also increased from RM428.7 million in FY 2020 to RM867.9 million in FY 2021. (Page 77of IAR). The gross profit from ECED is much lower at RM2.34 million in FY 2021 as compared to RM7.27 million in FY 2020.Thus, the gross profit margin is only 0.26% for FY 2021 as compared to 1.44% in FY 2020. a) Why is the gross profit for FY 2021 much lower than FY 2020? b) What are the major components of cost of sales that recorded substantial increases in FY 2021? c) What are the measures taken by the Group to reduce the high expenses mentioned in (b) above?
Tenaga Nasional Berhad (AGM)	In the company announcement dated 31 December 2021, Tenaga informed that the Government of Malaysia had decided to continue with the implementation of Imbalance Cost Pass-Through (ICPT) mechanism and maintained an ICPT rebate of 2.00 sen/kWh implemented to all customers including domestic customers with monthly consumption of 300 kWh and below, effective from 1 January 2022 until further notice.

	Tenaga also informed that the impact of ICPT implementation, based on the Regulatory Implementation Guidelines, was neutral on Tenaga and would not have any effect to its business operations and financial position. a) While the energy prices were at an elevated level and the ICPT was in an under-recovery position of RM1,300.8mn as at 31 September 2021, the Government of Malaysia decided to maintain an ICPT rebate instead of a tariff surcharge from 1 January 2022 until further notice. With the elevated fuel prices in 1H22, the deficit is likely to expand further in the coming quarters. Given the substantial under-recovery amount, the escalated fuel prices and the predicament of steep upward adjustments in electricity tariff in the near future, does Tenaga expect the ICPT to take prolonged time to return to a neutral position? Does Tenaga expect any forms of subsidy from the government to bring down the deficit? b) Before the above company announcement was made, the ICPT was already in an under-recovery position of RM1,300.8mn as at 31 September 2021. Subsequently, the under-recovery position ballooned to RM3,034.4m as at 31 December 2021 due to high fuel price. Please explain why it would not have any effect to Tenaga's financial position given the increasing under-recovery position is expected to result in a significant jump in the receivables of the group, affecting cashflow and net gearing level of the group, as well as the additional interest cost associated with the increasing receivables.
Malaysia Airports Holdings Berhad (AGM)	What is the status of the negotiation on the 99-year land lease with the government for the KLIA Aeropolis development, as well as the negotiation on the operating agreements with the government with regards the 39 airports managed by Malaysia Airports Holdings Bhd in Malaysia (page 106 of FY2021 annual report)? When are these negotiations expected to be concluded?
Genting Berhad (AGM)	The downstream manufacturing business faced a challenging year as the bullish palm oil prices resulted in unfavourable palm oil-gas oil spread that impacted the export sales of biodiesel products. Despite lower sales volume, higher margins were recorded as a result of stronger selling prices achieved for glycerine, a by-product of biodiesel. (page 6 of AR 2021) a) To what extent has the Group been affected by lower export sales of biodiesel products? b) Is the stronger glycerine selling prices sustainable in FY 2022 and going forward?
Chin Hin Group Berhad (AGM)	As at 31 December 2021, the group's net gearing stood at 1.11x and the current ratio was at 1.00x. Besides, of the RM515.1m of trade receivables as at 31 December 2021, RM349.6m or about two thirds of the total net trade receivables were past due. Even with the proposed disposal of the remaining stake in Solarvest Holdings Bhd, which is subject to

	shareholders' approval at a later date, the net gearing ratio, on pro forma basis, remain elevated at 0.89, in our view. a) Considering Chin Hin is in cyclical industries and in view of the challenging operating environment arising from high inflation, supply chain disruption, labour shortage, rising interest rate environment and property overhang, besides the proposed disposal of the remaining stake in Solarvest, what are the measures being taken/ to be taken by the group to reduce the liquidity risk? b) RM349.6m of the net receivables were overdue with RM184.3m of the amount past due more than 60 days. What are the measures being taken to collect the overdue trade receivables? How confident is Board in collection of the overdue trade receivables?

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DISCLOSURE OF INTERESTS

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