



**MINORITY SHAREHOLDERS WATCH GROUP**  
Shareholder Activism and Protection of Minority Interest

13 September 2022

**BY EMAIL/FAX/HAND**  
(Fax No: 603-6413 3271)

The Board of Directors  
**JOE HOLDING BERHAD**  
A1-2-2 Solaris Dutamas  
No. 1 Jalan Dutamas 1  
50480 Kuala Lumpur  
Wilayah Persekutuan  
Malaysia

**Attention: Mr Tan Kok Siong**  
**Company Secretary**

Dear Directors,

**Re: 23<sup>rd</sup> Annual General Meeting (“AGM”) of Joe Holding Berhad (“JOE” or the “Company”) to be held on Thursday, 22 September 2022**

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In the interest of minority shareholders and all other stakeholders of the Company, we would like to raise the following questions: -

**Operational & Financial Matters**

1. In FY2022, the Group recorded a significant loss before tax of RM32.6 million (FY2021: RM0.98 million). The current year performance was affected by adjustments on fair value loss on investment securities of RM32.12 million (FY2021: RM0.41 million) (pages 9 & 53 of AR2022)

What are the securities that have contributed to the significant amount of fair value loss on investment securities? How does the Board manage the risks associated with investing in these investment securities?

2. On 27 May 2022, JOE Holding (M) Investment Limited, a wholly-owned subsidiary company of the Company had acquired a total of 150 million ordinary shares in Bioalpha Holdings Berhad (“Bioalpha”) for a total purchase consideration of RM45 million fully satisfied by cash which representing 12.40% of the existing total number of issued shares in Bioalpha via off market transaction. (Note 38, page 116 of AR2022)

**BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD**

Incorporated in Malaysia Registration No: 200001022382 (524989-M)

LEVEL 23, UNIT 23-2, MENARA AIA SENTRAL

No. 30, JALAN SULTAN ISMAIL

50250 KUALA LUMPUR

TEL: (603) 27320010

E-mail: [mwatch@mswg.org.my](mailto:mwatch@mswg.org.my) Website: [www.mswg.org.my](http://www.mswg.org.my)

- (a) Based on JOE's Bursa announcement dated 1 June 2022, the purchase consideration of RM0.30 was arrived based on the willing seller willing buyer basis. Share price of Bioalpha was as follows:

	<b>Market Price</b>	<b>Premium to the purchase consideration of RM0.30</b>	<b>%</b>
As at 27 May 2022, the day JOE acquired Bioalpha shares	RM0.155	RM0.145	93.5%

*(Source: Share prices were taken from Bursa Malaysia website)*

The share price of Bioalpha on the date of acquisition and for past 12-months period ended 27 May 2022 (28 May 2021 to 27 May 2022) has not traded above RM0.30. As at 12 September 2022, the share price has fallen even further to RM0.105 (Source: Refer to Bioalpha's share price chart on Bursa Malaysia website).

Why didn't the Company buy Bioalpha shares from the open market when the share price was trading lower than the purchase consideration price?

- (b) Given that Bioalpha is a loss-making company with audited net loss of RM1.52 million for financial year ended 31 December 2021, and its 3-months unaudited 31 March 2022 recorded net loss of RM4.23 million which was announced on 31 May 2022, what was the level of due diligence carried out by the Company for this investment in Bioalpha?
- (c) Subsequently, Bioalpha recorded a net loss of RM11.94 million for its 6-months unaudited 30 June 2022 results, please explain to the shareholders why the acquisition of Bioalpha at a high premium price to market is in the best interest of the Company and its shareholders.
- (d) What was the level of oversight provided by the independent directors in approving the acquisition of Bioalpha?

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3. Inventories write-down amounted to RM1.37 million (FY2021: RM0.34 million) (page 53 of AR2022).
  - (a) What were the reasons for the increase in write-down of inventories?
  - (b) How much of the written down inventories are still saleable?
4. Impairment losses of trade receivables written off amount to RM1.90 million (FY2021: Nil) (Note 12, page 83 of AR2022)
  - (a) How long have the impairment losses on trade receivables been overdue?
  - (b) What actions have been taken to recover the said amount prior to writing off?
5. As at 31 March 2022, the Group placed an amount of RM0.084 million (FY2021: RM20 million), being the cash deposit placed in a securities account opened with a stock broking firm in Hong Kong for investment purposes. (Note 13, page 85 of AR2022)

What is the reason for the huge decrease in the cash deposits placed in the securities account? Has the money been used to purchase securities in Hong Kong? If yes, please provide brief details of the investment.

6. Down payment for construction of glove production line amount to RM19.49 million (FY2021: RM34.39 million). During the financial year, the Group had decided to relocate the glove production line to Chepor, Ipoh. Therefore, Company A had agreed to refund the deposit to the Group's subsidiary company. The Group had received a refund of RM29.31 million up to the date of report. (Note 13, page 85 of AR2022)
  - (a) Will Company A be providing a full refund of RM34.39 million to the Group? Or to what extent will the refund be?
  - (b) Are there any penalties imposed by Company A in relation to the Group's decision to relocate the glove production line to Chepor, Ipoh?
  - (c) To-date, has the Group received all the refunded deposit monies?

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- (d) What were the roles played by the Audit and Risk Management Committee to ensure that the Board is vigilant in executing its strategies for investment in the glove business without incurring wastages and penalties to the Group?
7. The Company had on 16 November 2020, obtained Shareholders approval for the diversification into Glove Business. The Group has contracted a company to construct glove production line in the previous financial year. The construction work has yet to be commenced at the end of the previous financial year. During the financial year, the Group had decided to relocate the glove production line to Chepor, Ipoh. (Note 37(a), page 115 of AR2022)
- (a) Based on JOE's Bursa announcement dated 5 August 2022, as at the date of the announcement, the acquisition of the two (2) NBR/NR Powder Free Double Former Dipping Lines ("Machineries") from Fintec Glove Sdn Bhd for RM14.47 million was fully completed. Has the two (2) NBR/NR Powder Free Double Former Dipping Lines commenced operations? If not, when will it commence operation?
- (b) The Group had through various capital raising exercises such as private placements and rights issues raised a total of RM142.8 million to venture into the glove business (page 11 of AR2022). Please briefly update shareholders on the progress of the Group's investment in the glove business?

### **Corporate Governance Matters**

8. Practice 5.9 of the Malaysian Code of Corporate Governance states that the board should comprise at least 30% women directors. Pursuant to the Company's explanation, the Board currently does not have any female director. The Board acknowledges the importance of gender diversity in the Board. (page 27 of CG Report 2022)

The Company newly appointed a male director on 28 September 2021 (page 5 of AR2022).

- (a) Did the Nomination Committee consider any female candidate as potential director, prior to appointing a male director?

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- (b) Please note that all public listed companies on Bursa Malaysia should have at least one-woman director by June 2023.
9. The total cost incurred for the Internal Audit function of the Group in respect of the FY2022 amounted to RM10,000 (FY2021: RM30,075). (page 31 of AR2022)
- (a) What is the reason for the huge decrease in internal audit fee?
- (b) Given that the fee is rather small (approximately RM833 per month), how many internal audit reports were issued for FYE 2022? What areas did the internal audit reports cover?
- (c) How does the audit committee assure itself that there is adequate coverage and an effective audit function?

Please present the questions raised herein, and the related answers, to the shareholders present at the forthcoming AGM. At the same time, we await a written reply as soon as possible for our records.

Thank you.

Yours sincerely



**Devanesan Evanson**

Chief Executive Officer

DE/ECYL/JOE/AGM 2022

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