



MINORITY SHAREHOLDERS WATCH GROUP
Shareholder Activism and Protection of Minority Interest

29 November 2023

BY EMAIL/FAX/HAND
(Fax No: 03 - 6252 8080)

The Board of Directors
MAA GROUP BERHAD
Suite 11.05, 11th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

Attention: Lily Yin Kam May
Company Secretary

Dear Directors,

Re: 25th Annual General Meeting (AGM) of MAA Group Berhad (“MAA Group” or “the Company”) to be held on Thursday, 30 November 2023

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. On 16 November 2023, MAA Group announced a deviation of 10% or more between the announced unaudited financial statements and the audited results for FYE 30 June 2023. MAA Group recorded a net loss of RM1.42 million compared to RM707,000 previously.

The variance of more than 10% was mainly due to an adjustment to a subsidiary's ROU (Right of Use) asset. The depreciation of ROU asset was previously capitalised in Q4FY2023 unaudited results and now had been reflected in the profit and loss statement.

- a) Why did the accounting treatment for ROU assets change from capitalisation to recognition in the profit and loss statement?
- b) The deviation of more than 10% between the audited and unaudited financial results is a matter of significant consequence as investors rely on public announcements to make informed decisions.

What are the measures taken by the Board, Audit Committee and the management to prevent similar circumstances from recurring in the future?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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

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No. 30, JALAN SULTAN ISMAIL

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2. On 15 November 2023, MAA announced a proposal to dispose of its stake in MAA General Insurance Philippines Inc (MAAGAP) for USD58 million (or equivalent to RM276.32 million) via three tranches.

MAAGAP has been the primary income earner for MAA over the years. It contributed RM175 million (or 61.7%) of revenue and RM19.23 million pre-tax profit in FY2023. In contrast, the other business segments posted losses except for the Education Services in FY2023 (page 23 of AR2023).

Generally, the insurance business is regarded as a stable business with consistent income. It would help to cushion the earnings volatility from other divisions in challenging times.

Why then would the Group sell MAAGAP (which is akin to killing the goose that lays the golden eggs) and then reinvest the proceeds into other lesser profitable businesses such as Credit Services, Hospitality Services and Education Services?

3. The Group's borrowings comprise loans from substantial shareholders and redeemable preference shares (RPS), which amounted to RM40.19 million and RM15.48 million, respectively (page 147 of AR2023).

The loans were unsecured and subject to interest at 8% per annum for the period commencing from the first drawdown date and ending 36 months thereafter. As for the RPS, they are non-convertible and shall not be convertible into ordinary shares. The holders of RPS are entitled to fixed dividends of 4% p.a.

In FY2023, the Group incurred finance costs of RM2.52 million for the loans and RPS.

- a) Did the Board consider other means of fundraising before accepting the shareholder loan and issuing RPS at an interest rate of 8% and 4% p.a., respectively?
- b) Why did MAA Group accept loans from the substantial shareholder at a high interest rate of 8% p.a. when it had plenty of room to leverage with a low debt-to-equity ratio of 0.01 times (before accepting the loans in FY2023) (page 202 of AR2023)?
- c) Is the interest rate competitive as opposed to taking a loan from financial institutions? What justifications were presented to the board of directors to accept the loan?

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- d) How did the Company utilise the RM55.67 million loans from the substantial shareholder and issuance of RPS?
- e) In MAA's announcement dated 15 November 2023, it is stated that Melewar Acquisition Limited granted loans aggregated of RM38 million for an interest rate of 10% p.a. to MAA Corporation Sdn Bhd, a wholly-owned subsidiary of MAA Group (page 11 of announcement dated 15 November 2023).

Were these loans the same as the loans stated in AR2023? If yes, please explain the discrepancy in the interest rate.

- f) Who are the holders of the RPS?
- g) The RPS may be redeemed at any time at the option of the issuer at the redemption price of RM1 per RPS. Does the Group plan to redeem the RPS as soon as possible?

Corporate Governance Matters

1. MAA Group contributed a total of RM7.27 million in three charitable funds (page 53 of AR2023).

MAA's executive chairman Tunku Dato' Yaacob Khyra and executive director Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah are sitting on the board of trustees of The Budimas Charitable Foundation (TBCF), which in turn runs the three charitable funds contributed by MAA.

In addition, Ms Anne Rajasaikaran, the chief executive officer overseeing MAA's Education business is also the CEO of TBCF.

- a) Was the amount of RM7.27 million an accumulated or one-off contribution by MAA in FY2023? If it was an accumulated contribution, what was the amount contributed by MAA to the three charitable funds in FY2023? What charitable causes do these funds promote?
- b) The directors' connection in the listed and charitable entity gives rise to potential for conflicts of interest.

What are the policies and guidelines to address potential conflicts of interest and ensure transparency in donations?

- c) Were the donations to these charitable causes subject to review by the Audit Committee or any other independent party to ensure the objectivity and

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transparency of donations? Please elaborate on the processes and procedures involved in approving donations.

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/RF/LCY/MAA/AGM2023

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