

**MSWG****MINORITY SHAREHOLDER WATCHDOG GROUP****Badan Pengawas Pemegang Saham Minoriti Berhad**

Incorporated in Malaysia \* Company No. 524898-M

# The Observer

11 August 2017

## MARKET AND REGULATORY UPDATE

### *Malaysia Weighs Dual-Class Shares as Exchanges Battle for IPOs*

It was reported by Bloomberg that Bursa Malaysia Berhad had in its emailed response to Bloomberg queries stated that it is considering whether to allow companies with dual-class share structures.

According to the report by Bloomberg, the structures give company founders and leaders outsized powers that are seen by investor advocates as undermining the one share, one vote system of corporate governance. Approval by Bursa Malaysia would mean opponents of the structures would face an increasing number of stock exchanges willing to list firms with multiple classes of stock.

*[Source: Media release on Bloomberg's website on 8 August 2017]*

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## MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

### *LOTTE CHEMICAL TITAN HOLDING BERHAD ("LCTHB")*

LCTHB had revised its public issue price for its initial public offering from RM8 to RM6.50 on 4 July 2017 and eventually its shares was listed on the Main Market of Bursa Malaysia on 11 July 2017. However, its share price tumbled by as much as 36.3% from RM6.50 to RM4.14 amid the release of its 2<sup>nd</sup> quarter results of 2017.

LCTHB reported its earnings fell 71.8% to RM113.61million from the RM404.03million a year ago. Its revenue declined 11.1% to RM1.77 billion from RM1.99 billion. The deteriorating financial result was primarily due to the decrease in the sales volume due to the decrease in production volume attributable to unplanned water interruption by Syarikat Air Johor in April 2017 and lower sales due to festive season in June 2017.

*[Source: LCTHB's announcement on Bursa Malaysia's website on 16 June 2017, 4 July 2017 and 31 July 2017]*

**MSWG'S COMMENTS:**

We noted that LCTHB's Prospectus did disclose the 11-day water disruption which resulted in a production loss of 75,000 tonnes. Nevertheless, there were no disclosures made on the potential financial impact as LCTHB claimed that it could not have estimated the impact, nor were there any disclosures made on the cascading effects for the unplanned shutdown to LCTHB's direct and indirect cost of doing business.

Given that LCTHB has been in this petrochemical business since the 1990s and the fact that LCTHB did experience an emergency plant shutdown of an aggregate of 38.3 days back in 2014, the Management should have the experience to provide information on the potential impact on its financial figures arising from the water disruption, a key operational risk highlighted in the prospectus. We also noted several other compounding factors such as fair value losses on derivatives, write-off of property, plant and equipment and share of loss from associate affecting the overall results.

We opined that greater care or higher due diligence efforts should have been taken on the reporting figures arising from fluctuations of earnings results quarter on quarter. On this point, necessary qualifications should be exercised by Management to disclose the effect and reviewed by "Those in charge of Governance" in the review process to safeguard the interest of the investing public.

We are made to understand that the regulators are looking into the case and we look forward to the outcome of the review.

***MALAKOFF CORPORATION BERHAD ("MCB")***

MCB announced that its 90% owned subsidiary, Tanjung Bin Power Sdn Bhd ("TBP") has signed an agreement with IHI Corporation Japan, ISHI Power Sdn Bhd, and IHI Power Systems (M) Sdn Bhd (collectively referred to as "the Litigation Respondents"), and Sumitomo Corporation, Zelan Holdings (M) Sdn Bhd and Sumi-Power Malaysia Sdn Bhd (collectively referred to as "the Arbitration Respondents") (TBP, the Litigation Respondents and the Arbitration Respondents shall collectively be referred to as "the Parties") to resolve and settle the disputes between the Parties in accordance with the terms and conditions of the aforementioned agreement. The signing of the agreement is expected to contribute positively to the earnings and net assets of MCB Group for the financial year ending 31 December 2017.

*[Source: MCB's announcement on Bursa Malaysia's website on 4 August 2017]*

**MSWG'S COMMENTS:**

MSWG welcomes the settlement as the Parties have finally reached a consensus to the disputes. We hope more information, including the amount of compensation and the terms and conditions of the agreement, would be disclosed for the information of shareholders of MCB when the Parties move on to finalising and implementing the agreement of settlement.

For this week, the following are the AGMs/EGMs of companies which are in the Minority Shareholder Watchdog 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](http://www.mswg.org.my).

Date & Time	Company	Venue
16.08.17 (Wed) 11.30 am	ATTA Global Group Bhd (EGM)	Iconic Hotel, Jalan Icon City, Icon City, Bukit Mertajam, Penang
16.08.17 (Wed) 02.00 pm	ATTA Global Group Bhd (AGM)	Iconic Hotel, Jalan Icon City, Icon City, Bukit Mertajam, Penang
19.08.17 (Sat) 11.00 am	Petra Energy Bhd (EGM)	Menara OBYU, 4, Jalan PJU 8/8A, Damansara Perdana, PJ

The points of interest to be raised:	
Company	Points/Issues to Be Raised
ATTA Global Group Bhd (EGM)	<p>As reported in the circular on page 8, the Group has seven (7) bundle machines and seven (7) excavators, with productivity of approximately 3,600 metric tons per month. Under the minimum scenario, the Group will purchase 8 units of new equipment/machineries, while maximum scenario will purchase 20 units.</p> <p>(i) What is the current production requirement by the Group?</p> <p>(ii) What would be the impact to the operation if the proceed under minimum scenario, maximum scenario 1 and maximum scenario 2? Please explain.</p> <p>(iii) What is the current reliability of existing machine?</p>
ATTA Global Group Bhd (AGM)	<p>1. ATTA Global Berhad recorded profit after tax of RM18.02 million as compared to loss after tax for the preceding FYE of RM2.43million. The turnaround financial performance was mainly attributable to the improved profit margin and higher other income.</p> <p>Could the Company sustain current profit margin for FYE2018?</p> <p>2. According to Malaysia Steel Institute (MSI), the growth momentum in 2017 is expected to remain weak reflecting continued import penetration, high cost of domestic production, and quality of human capital.</p> <p>Could the Board share what are the key measures the Group would take to address these risks?</p>

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## MSWG'S WATCHLIST

### AFFIN HOLDINGS BERHAD ("AFFIN")

On behalf of the Board of Directors of Affin, Affin Hwang Investment Bank Berhad ("Affin Hwang IB") announced that Affin had on 4 August 2017 submitted an application to Bank Negara Malaysia ("BNM") to seek BNM's approval for Affin to:

1. acquire 8,411,959 ordinary shares in AXA Affin GI (“Shares”) from Felma Marketing Services Sdn Bhd (“Felma”) for a cash consideration of RM99.09 million; and
2. to enter into a share purchase agreement with Felma for the Proposed Acquisition (“SPA”).

Further details on the Proposed Acquisition will be announced later upon the execution of the SPA after the approval of BNM has been obtained.

*[Source: Affin’s announcement on Bursa Malaysia’s website on 4 August 2017]*

### REGULATOR’S REPRIMAND LIST OF THE WEEK

No	Regulator	Companies	Reasons
1	Bursa Malaysia	Nakamichi Corporation Berhad (Nakamichi)	<p>Bursa Malaysia has publicly reprimanded Nakamichi and its 4 directors for committing breaches of paragraphs 9.22(1) and 9.23 read together with paragraph 9.28(1) of the Main Market Listing Requirement where Nakamichi had failed to announce and/or issue the following financial statements within the timeframe of 18 September 2015 stipulated by Bursa Malaysia. In addition, the 4 directors of Nakamichi were also fined a total of RM545,600.</p> <p>The penalties were imposed on the 4 directors of Nakamichi as stated below:</p> <ol style="list-style-type: none"> <li>1. See Thoo Chan</li> <li>2. Darren Solomon Low Jun Ket</li> <li>3. Goh Tai Wai</li> <li>4. Mak Siew Wei</li> </ol> <p>[Date: 4 August 2017]</p>

### LOCAL NEWS AND DEVELOPMENTS

Can Premier Nalfin stay listed

<https://www.nst.com.my/business/2017/08/266035/can-premier-nalfin-stay-listed>

Malaysia July palm oil stocks likely to see first growth in three months

<http://www.themalaymailonline.com/money/article/malaysia-july-palm-oil-stocks-likely-to-see-first-growth-in-three-months#wTjm4TxRX6opRkCh.97>

A more nimble, efficient CCM

<http://www.thestar.com.my/business/business-news/2017/08/05/a-more-nimble-efficient-ccm/>

Malaysia’s June exports up 10% to RM73.1bil from year ago

<http://www.thestar.com.my/business/business-news/2017/08/04/malaysia-june-exports-rose-10pc-to-rm73-1bil/>

EPF: No plans on Bandar Malaysia

<http://www.thestar.com.my/business/business-news/2017/08/04/epf-no-plans-on-bandar-malaysia/>

No criminal charges against former Kencana Petroleum's executive director

<http://www.thestar.com.my/business/business-news/2017/08/04/no-criminal-charges-against-kc-yeow/>

SC files civil suit against KC Yeow, seeks RM1 million penalty

<http://www.theedgemarkets.com/article/sc-files-civil-suit-against-kc-yeow-seeks-rm1-million-penalty>

Another kitchen sinking year expected for Media Prima

<http://www.thestar.com.my/business/business-news/2017/08/03/another-kitchen-sinking-year-expected-for-media-prima/>

Will China's deleveraging hit Malaysia?

<http://www.theedgemarkets.com/article/will-chinas-deleveraging-hit-malaysia>

Bursa Malaysia Securities reprimands, fines and suspends Kwan Chun Han for misconducts/violation of rules

<http://www.bursamalaysia.com/corporate/media-centre/media-releases/5241>

MGO exemption for UMW-OG is 'fair and reasonable', says Mercury Securities

<http://www.theedgemarkets.com/article/mgo-exemption-umwog-fair-and-reasonable-says-mercury-securities>

10 outstanding Malaysian-based Asean companies, individuals named

<http://www.themalaymailonline.com/money/article/10-outstanding-malaysian-based-asean-companies-individuals-named#wfrzxZGyLQEaFo6g.97>

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## GLOBAL NEWS AND DEVELOPMENTS

Strong US jobs report seen in July, wages likely rose

<http://www.themalaymailonline.com/money/article/strong-us-jobs-report-seen-in-july-wages-likely-rose#7XVJWhVqRPXvYbWK.97>

Japan's GDP seen expanding for 6th straight quarter on domestic demand

<http://www.thestar.com.my/business/business-news/2017/08/04/japan-gdp-seen-expanding-for-6th-straight-quarter-on-domestic-demand/>

EU commissioner sees UK payments continuing to 2020 despite Brexit

<http://www.thestar.com.my/business/business-news/2017/08/07/eu-commissioner-sees-uk-payments-continuing-to-2020-despite-brexit/>

As short sellers target Chinese companies in Hong Kong, hostility mounts

<http://www.thestar.com.my/business/business-news/2017/08/07/as-short-sellers-target-chinese-companies-in-hong-kong-hostility-mounts/>

June global semiconductor sales surge on-year to RM140b

<http://www.thestar.com.my/business/business-news/2017/08/05/june-global-semiconductor-sales-surge-to-rm140b/>

Weak Indonesia consumption signals marginal rise in Q2 growth rate

<http://www.thestar.com.my/business/business-news/2017/08/04/weak-indonesia-consumption-signals-marginal-rise-in-q2-growth-rate/>

Global demand for gold drops 14% in first half of 2017

<http://www.thestar.com.my/business/business-news/2017/08/03/global-demand-for-gold-drops-14pct-in-first-half-of-2017/>

China regulators plan to crack down further on overseas deals

<http://www.theedgemarkets.com/article/china-regulators-plan-crack-down-further-overseas-deals>

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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 save for Lotte Chemical Titan Holding Berhad.*

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### Feedback

We welcome your feedback on our newsletter and our work. Email us at [mswg.ceo@mswg.org.my](mailto:mswg.ceo@mswg.org.my) with your comments and suggestions.

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