



The Observer

20.09.2019

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

LTKM BERHAD ("LTKM" or "the Company")

CONDITIONAL VOLUNTARY TAKE-OVER

The Board of Directors of LTKM had on 29 July 2019 announced the receipt of the Notice of conditional voluntary take-over offer dated 22 July 2019 from the joint offerors. The cash consideration for the Offer Shares is RM1.35 per Offer Share. The Independent Adviser (IA) views the Offer as "NOT FAIR" but "REASONABLE". The Non-interested Directors, except the Chairman of the Company concurred with the view of the IA. The Chairman of the Company views the Offer as "NOT FAIR" and "NOT REASONABLE".

The First Closing Date for the acceptance of the Offer was fixed on 3 September 2019, 5p.m. and was subsequently extended to 17 September 2019, 5p.m. On 13 September 2019, the Company announced the Final Closing Date on 2 October 2019, 5p.m.

[Source: Company's announcement in Bursa website on 13 August, 23 August, 30 August 2019 and 13 September 2019]

MSWG's Comments

We see another exit offer that is 'NOT FAIR' but 'REASONABLE' and accordingly, the Independent Adviser (IA) recommends that the Holders ACCEPT the Offer. One of the grounds for the IA's opinion that the offer was REASONABLE was that the shares may be delisted if the 90% Acceptance Condition is met.

In this case, the Independent Chairman of the Company does not concur with the view and recommendation of the IA – something that is uncommon. The Independent Chairman views the offer as 'NOT FAIR' and 'NOT REASONABLE'. The Independent Chairman recommends that the Holders REJECT the Offer on the ground that it is NOT REASONABLE as the LTKM shares

will remain listed and continue to be traded in the event the 90% Acceptance Condition is not met.

It is also interesting to note that the majority of the Non-Interested Directors on the Board agree with the IA's view and recommendation.

Should the minority shareholders follow the recommendation of the IA (who are saying 'accept' because it may be delisted, amongst others) or the Chairman of the Company (who is saying 'reject' because the shares may not be delisted)?

The role of IA is to provide their comments, opinions, information and recommendation on the Offer and to advise the Non-Interested Directors and the shareholders on the Offer accordingly. The Non-interested Directors, on the other hand, state their view on the IA's recommendation after taking into consideration the methodology of the evaluation done by the IA. The recommendation by the IA and the Non-Interested Directors generally form a basis for the shareholders in making their 'accept' or 'reject' decision.

Conflicting recommendation by the IA and the Independent Chairman of the Company (a Non-interested Director) could be confusing and puzzling to minority shareholders – but indicates that the shareholders should carefully consider the terms and conditions of the Offer and evaluate the basis and reasons for the recommendations by both parties.

With the recent changes to the voluntary delisting rules in Singapore Exchange Regulations which requires exit offers to be both 'FAIR and REASONABLE', there have been discussions here in Malaysia whether Malaysia should adopt a similar rule. Adopting the 'FAIR and REASONABLE' rule will avoid such differing opinions as to whether to accept or reject an offer.

The following information extracted from the Independent Advice Circular should be considered by the shareholders in making their informed decision:-

1. Condition of the Offer.

The Offer is conditional upon the fulfilment of the 90% Acceptance Condition where the Joint Offerors have received, on or before the Closing Date, failing which all acceptances shall be returned to the Accepting Holders.

2. Compulsory Acquisition

In the event that the Joint Offerors received valid acceptances of not less than 9/10 in the nominal value of the LTKM shares (excluding the LTKM shares held by the Joint Offerors and person acting in concert with them

as at the date of the Offer) on or before the closing Date, the Joint Offerors intend to invoke the provisions of Section 222(1) of the Capital Markets and Services Act, 2007, to compulsorily acquire all the remaining Offer Shares from the Dissenting Holders.

3. Rights of Dissenting Holders

In the event the Joint Offerors receive valid acceptances resulting in the Joint Offerors holding not less than 9/10 in the value of all the shares in LTKM on or before the Closing Date, a Dissenting Holder may within a period specified by the Joint Offeror write to the Joint Offerors to require the Joint Offerors to acquire his Offer shares on the same terms.

4. The Joint Offerors do not intend to maintain the listing of LTKM on the Main Market of Bursa Securities. As such, in the event that the Joint Offerors receive valid acceptances resulting in the Joint Offerors holding in aggregate 90% or more of the listed shares of LTKM, the Company will consequentially be delisted.

The final decision of the shareholders will, of course, depend on their individual investment objective, risk profile, financial position and their entry price...and their determination of the intrinsic value of the company.

By: Linnert Hoo

MSWG AGM/EGM Weekly Watch 23 – 27 September 2019

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	Venue
23.09.19 (Mon) 3.00 pm	Lafarge Malaysia Bhd (EGM)	JW Marriott Hotel Kuala Lumpur, 183, Jalan Bukit Bintang, KL
24.09.19 (Tues) 2.00 pm	SCGM Bhd (AGM)	Kuala Centre Point Kulai, Lot 1566, Batu 20, Jalan Kulai-air Hitam, Johor
25.09.19 (Wed) 10.30 am	Jasa Kita Berhad (AGM)	Bukit Kiara Equestrian & country Resort, Jalan Bukit Kiara, Off Jalan Damansara, Kuala Lumpur
25.09.19 (Wed)	Solid Automotive Bhd (AGM)	PLO 436, Jalan Gangsa, Kawasan

10.00 am		Perindustrian Pasir Gudang, Johor
26.09.19 (Thurs) 10.00 am	Superlon Holdings Berhad (AGM)	Botanic Resort Club No. 1, Jalan Ambang Botanic, Bandar Botanic, Klang
26.09.19 (Thurs) 11.30 am	Hai-O Enterprise Berhad (AGM)	The Federal Hotel Kuala Lumpur, No.35, Jalan Bukit Bintang, KL
26.09.19 (Thurs) 10.30 am	Magni-Tech Industries Bhd (AGM)	Berjaya Penang Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, Penang
26.09.19 (Thurs) 11.00 am	Magni-Tech Industries Bhd (EGM)	Berjaya Penang Hotel, 1-Stop Midlands Park Centre, Jalan Burmah, Penang
27.09.19 (Fri) 11.00 am	SKP Resources Bhd (AGM)	Hotel Bangi-Putrajaya, Off Persiaran Bandar, Bandar Baru Bangi
27.09.19 (Fri) 11.30 am	Lay Hong Bhd (AGM)	Premiere Hotel, Bandar Bukit Tinggi, 1/KS6, Jalan Langat, Klang
27.09.19 (Fri) 9.30 am	NTPM Holdings Bhd (AGM)	Bukit Jawi Golf Resort, Sungai Bakap, Seberang Perai Selatan, Penang

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
SCGM BERHAD (AGM)	<p>The Company had commissioned the Kulai new plant as at the end of FY2019 to enable it to expand its extrusion capacity of 41.0 million kg per year to 67.6 million kg per year to meet the increased demand. Due to the new plant, the operating expenses increased during the year with the operations having yet to reach its optimal level. (page 10, Annual Report)</p> <p>What is the optimal utilization rate of the factory? When will the operations reach the optimal level? What actions are being taken to manage the cost of operations?</p>
Jasa Kita Berhad (AGM)	<p>Higher losses were attributed to higher amount of inventories written-down of RM5.8m in FY2019 vs RM0.4m in FY2018 (AR2019 Statements of Cash Flows page 53) and start-up expenses in relation to the Company's new venture into automotive batteries. Please provide:-</p>

	<p>a) the reasons for the inventory write-down. Does the Board anticipate further significant write-down in FY2020.</p> <p>b) details of additional capex, if any, to be incurred by the new automotive batteries business in the next two years. When does the Board anticipate this business to break-even?</p>
Solid Automotive Bhd (AGM)	<p>On Page 14, it is stated that the Group profit before tax (PBT) for FYE 2019 of RM2.492 million showed a decrease of RM1.994 million compared to RM4.486 million for FYE 2018 despite higher revenue achieved in FYE 2019. This was mainly due to higher finance costs and higher operating expenses which included higher depreciation and higher staff costs.</p> <p>Going forward, how would the Group address the high finance costs and high operating expenses in order to register higher PBT?</p>
Superlon Holdings Berhad (AGM)	<p>“We recognise the importance of diversifying our geographical coverage for the export market so that our revenue is less reliant on any single country or market. Hence, our Group will continuously explore growth opportunities in new markets” (Page 9 of the Annual Report 2019).</p> <p>a) What are the Group’s efforts to explore growth opportunities in new markets?</p> <p>b) What are the Group ’s specific requirements when deciding to enter into a new market?</p>
Hai-O Enterprise Berhad (AGM)	<p>The venture into Brunei and Indonesia has not seen material development during the year (page 17 of AR2019). What are the reasons for the lack of significant progress in expanding into the two markets? How does the Company view the potential in the two markets?</p>
Magni-Tech Industries Berhad (AGM)	<p>As reported in Note 31 to the Financial Statements (page 107 of the Annual Report), total revenue from a major customer for FY2019 was RM890 million. This amount represents 83% of the Group revenue of RM1.073 billion for</p>

	<p>the year.</p> <p>a) Is there a contract/agreement signed with this single large customer? If yes, what is the expiry date of the contract/agreement? Is there a minimum transaction value per annum committed during the contract period?</p> <p>b) What are the measures taken or to be taken to address the single-customer concentration risk?</p> <p>c) What is the risk level assigned by the Risk Management Team (RMT) to the single-customer concentration risk and what are the recommendations to the Board to mitigate the risk?</p>
SKP Resources Bhd (AGM)	<p>The revenue from one major customer of plastic products amounted to RM1.2 billion representing 74% of total revenue in FY2019 (AR2019 Note 38 page 116). However, this revenue dropped by RM368.8 million from RM1.59 billion in FY2018. What is the reason for this decline and what is the expected revenue contribution from this major customer over the next two years? What is the Company's plan to reduce single customer concentration risk?</p>
Lay Hong Bhd (AGM)	<p>The Group's impairment losses on trade receivables increased significantly to RM9.75 million (2018: RM5.61 million) as disclosed in Note 12 (page 128) of AR2019.</p> <p>(a) Is the amount recoverable?</p> <p>(b) How much of the impairment losses on trade receivables have been recovered to-date?</p> <p>2. Bad receivables written-off has increased significantly to RM2.20 million from RM0.75 million in 2018 (Note 29, page 147 of AR2019).</p> <p>What is the nature of these bad receivables written-off?</p>
NTPM Holdings Bhd (AGM)	<p>The managing director of the Company, Mr. Lee See Jin, has assumed the chairmanship after the resignation of the late Dato Teoh Boon Beng @ Teoh Eng Kuan in March 2019.</p> <p>Why didn't the Company appoint a new chairman or select one among the other existing directors after the</p>

	<p>resignation of Dato Teoh, since the other directors appears capable and experienced? What are the challenges faced by the Company in appointing a new chairman?</p> <p>2) What are the differences between the job scope and duties of the Group MD and the Group Chief Executive Officer as both the Group MD and Group CEO share the same duties and responsibilities (page 15 of the Board Charter)?</p>
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MSWG'S WATCHLIST

YTL LAND & DEVELOPMENT BERHAD ("YTLLand" or "The Company")

UNCONDITIONAL SHARE EXCHANGE OFFER BY YTL CORPORATION BERHAD

The company had on 19 September 2019 announced that the closing time and date for the acceptance of the above Offer have been extended from 5.00 p.m. on 20 September 2019 to 5.00 p.m. on 7 October 2019 ("Final Closing Date").

(Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6286469>)

LONDON BISCUITS BERHAD ("LBB" or "The Company")

WINDING-UP PETITION

The Board of Directors of London Biscuits Berhad ("the Company") had on 18 September 2019 announced that it has been served with a winding-up petition ("Petition") by Desa Potensi Sdn. Bhd. (Company No. 406710-K) ("Petitioner").

The amounts due to the Petitioner are trade debts due by the Company for the purchase of raw material during the period from 1 April 2019 to 30 June 2019 amounted to RM16,413,913.48.

The Company has sought preliminary legal advice and it intends to challenge and oppose the Petition [Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6286145>]

MSWG'S VIGILANCE

Listing of PN17 and GN3 companies

PN17 Companies

1. APFT BERHAD
2. BARAKAH OFFSHORE PETROLEUM BERHAD
3. BERJAYA MEDIA BERHAD
4. BERTAM ALLIANCE BERHAD
5. BRAHIM'S HOLDINGS BERHAD
6. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
7. COMINTEL CORPORATION BHD
8. DAYA MATERIALS BERHAD
9. EKA NOODLES BERHAD
10. HB GLOBAL LIMITED
11. KINSTEEL BHD
12. KUANTAN FLOUR MILLS BERHAD
13. LONDON BISCUITS BERHAD
14. MAA GROUP BERHAD
15. MALAYSIA PACIFIC CORPORATION BERHAD
16. MAXWELL INTERNATIONAL HOLDINGS BERHAD
17. MULTI SPORTS HOLDINGS LTD
18. PERISAI PETROLEUM TEKNOLOGI BERHAD
19. SEACERA GROUP BERHAD
20. SUMATEC RESOURCES BERHAD
21. TH HEAVY ENGINEERING BERHAD

GN3 Companies

1. G NEPTUNE BERHAD
2. IDIMENSION CONSOLIDATED BERHAD
3. WINTONI GROUP BERHAD

Please refer to the link below for the latest status of the company.

<http://www.bursamalaysia.com/market/listed-companies/list-of-companies/pn17-and-gn3-companies/>

LOCAL NEWS AND DEVELOPMENTS

M'sia likely to benefit from higher oil prices following attack on Saudi facilities — HLIB

<https://www.theedgemarkets.com/article/msia-likely-benefit-higher-oil-prices-following-attack-saudi-facilities-%E2%80%94-hlib>

Ringgit strengthens after biggest loss in six weeks

<https://www.theedgemarkets.com/article/ringgit-strengthens-after-biggest-loss-six-weeks>

Energy sector stocks retreat as crude oil prices cool off

<https://www.theedgemarkets.com/article/energy-sector-stocks-retreat-crude-oil-prices-cool>

Global auto sales to stay slow for next two years, says S&P Global Ratings

<https://www.theedgemarkets.com/article/global-auto-sales-stay-slow-next-two-years-says-sp-global-ratings>

GLOBAL NEWS AND DEVELOPMENTS

Asian firms' sentiment bounces from low but recession fears grow — Thomson Reuters/INSEAD

<https://www.theedgemarkets.com/article/asian-firms-sentiment-bounces-low-recession-fears-grow-%E2%80%94-thomson-reutersinsead>

Oil recedes on Saudi supply reassurance, investor focus shifts to Fed

<https://www.theedgemarkets.com/article/oil-recedes-saudi-supply-reassurance-investor-focus-shifts-fed>

FedEx Plunges After Cutting Outlook on Trade War, Weaker Economy

<https://www.theedgemarkets.com/article/fedex-plunges-after-cutting-outlook-trade-war-weaker-economy>

South Korea removes Japan from trade whitelist as feud deepens

<https://www.theedgemarkets.com/article/south-korea-removes-japan-trade-whitelist-feud-deepens>

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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 LTKM Berhad,*

Feedback

We welcome your feedback on our newsletter and our work. Email us at corporateservices@mswg.org.my with your comments and suggestions.

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