



**MINORITY SHAREHOLDERS WATCH GROUP**  
Badan Pengawas Pemegang Saham Minoriti Berhad (524989-M)

# The Observer

24.08.2018

## MESSAGE FROM THE CEO

The Malaysian Institute of Accountants (MIA) wants to increase the penalty for accountants who flout the law by up to 10 times.

A fine of up to RM5,000 was set in 1967 under the Accountants Act 1967.

Now, after 51 years, MIA wants to increase it to RM50,000 to serve as a sound deterrent in the future.

The proposed fine of up to RM50,000 seems low when compared to the fines that other statutory regulators like Securities Commission and SSM can impose.

Even a rule-based regulator (non-statutory) like Bursa Malaysia can impose a fine of up to RM1,000,000.

A RM50,000 can be a lot for a smaller accounting firm but a mere drop in the ocean for a big four (and bigger) accounting firms.

The Disciplinary Committee of MIA will probably draw a distinction between smaller accounting firms and big four (and bigger) accounting firms, and rightly so, as the latter have more financial and technical resources and are often a part of an international network of expertise and have more developed in-house international standards and operating procedures.

More should be expected of the big four (and bigger) accounting firms compared to the smaller accounting firms. And surely the financial sanctions should correlate with the different expectations.

The MIA should consider a higher 'up-to' RM threshold when it comes to imposing fines as this would afford them the latitude to do greater justice when it comes to financial sanctions taking into consideration the various distinguishing factors on a case by case basis.

Regards,  
Devanesan  
24 August 2018

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## MSWG'S AGM WEEKLY WATCH 27 August - 30 AUGUST 2018

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](http://www.mswg.org.my).

Date & Time	Company	Venue
27.08.18 (Mon) 3.00 pm	IJM Plantations Bhd (AGM)	Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, Subang Jaya
28.08.18 (Tue) 10.00 am	QL Resources Bhd (AGM)	Saujana Resort, Jalan Lapangan Terbang SAAS, Shah Alam
28.08.18 (Tue) 10.00 am	MMAG Holdings Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, KL
28.08.18 (Tue) 12.00 pm	ATTA Global Group Bhd (AGM)	Sunway Hotel Seberang Jaya, Prai, Penang
28.08.18 (Tue) 3.00 pm	IJM Corporation Bhd (AGM)	Holiday Villa Hotel & Suites Subang, 9 Jalan SS12/1, Subang Jaya
29.08.18 (Wed) 10.00 am	POS Malaysia Bhd (AGM)	Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Shah Alam
29.08.18 (Wed) 2.00 pm	Lingkar Trans Kota Holdings Bhd (AGM)	Kota Permai Golf & Country Club, Kota Kemuning, Section 31, Shah Alam
30.08.18 (Thur) 9.00 am	DRB-Hicom Bhd (AGM)	Holiday Inn Kuala Lumpur Glenmarie, 1 Jalan Usahawan U1/8, Shah Alam
30.08.18 (Thur) 9.30 am	FIMA Corporation Bhd (AGM)	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, KL
30.08.18 (Thur) 10.30 am	Amcorp Properties Bhd (AGM)	Tropicana Golf & Country Resort, Jalan Kelab Tropicana, PJ
30.08.18 (Thur) 11.00 am	Southern Acids (M) Bhd (AGM)	Setia City Convention Centre, Setia Alam, Seksyen U13, Shah Alam
30.08.18 (Thur) 11.30 am	YLI Holdings Bhd (AGM)	Concorde Hotel, Jalan Sultan Ismail, KL
30.08.18 (Thur) 3.00 pm	Kumpulan Fima Bhd (AGM)	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, KL

Some of the points of interest to be raised:	
Company	Points/Issues to Be Raised
IJM Plantations Bhd	The Group incurred plantation development expenditure of RM29.84 million in the current year compared to RM31.90 million incurred in 2017. What is the budgeted CAPEX to be incurred for FY2019?
QL Resources Bhd	1. We noted on Page 116 of the Annual Report that under the MPM segment, revenue increased by RM28.3 million in FY2018 while segmental profit declined by RM22.4 million.  (a) Please explain how the profit could decline despite a higher revenue and

Some of the points of interest to be raised:	
	<p>how would the Board address the problem.</p> <p>(b) On Page 23 of the Annual Report (MD&amp;A), it is stated that the Management is optimistic of a recovery in MPM in particular the bottom line in FY2019.</p> <p>Please explain how the increase in output, as stated, would translate into higher profit as it was not the case in FY2018.</p>
MMAG Holdings Bhd	<p>As stated in the Management Discussion &amp; Analysis on page 23 of the Annual Report, the revenue from Logistics Services has increased from RM3.46 million in the previous year to RM6.28 million in FY2018. Nevertheless, this division recorded a pre-tax loss of RM7.86 million (2017: Pre-tax loss RM 4.09 million) as it is still in gestation stage and more time is needed for income to catch up with the expansion expenses.</p> <p>When will the division be able to contribute positively to the earnings of the Group?</p>
ATTA Global Group Bhd	<p>As stated in the Management Discussion &amp; Analysis on page 13} of the Annual Report, the Group recorded profit after tax of approximately RM27.80 million which represented an increase of 54.2% from the previous financial year profit of RM18.03 million. However, the higher profit is contributed mainly by other operating income of RM31.17 million.</p> <p>Will the Company be able to sustain the current profitability level for FY2019 given most of the profit made in FY2018 was derived from other income?</p>
IJM Corporation Bhd	<p><u>Construction (pages 70 - 73 of the Annual Report 2018)</u></p> <p>(i) Construction Division's outstanding order book surpassed RM9.41 billion, which is all-time high in FY2017. With the change of new Government, would there be any impact on the secured order book of the Group?</p> <p>(ii) As reported on page 73 of the Annual Report 2018, the Division will prioritise the tendering of projects in overseas markets such as India and Vietnam.</p> <p>What is the Group's current overall tender book value for overseas projects? How much contract value that the Division intends to bid in those countries?</p>
POS Malaysia Bhd	<p>2. Under Note 20 on page 179 of the Annual Report, we note that inventories written down increased to RM1.15 million (2017: RM0.56 million).</p> <p>(i) What is the nature of these inventories that was written down?</p> <p>(ii) What is the reason for the significant increase in inventories written down?</p>
Lingkaran Trans Kota Holdings Bhd	<p>The Group's share of results of SPRINT Group has improved by approximately 20% with a loss of RM4.3 million in FY2018 as compared to a loss of RM5.4 million in FY2017.</p>

**Some of the points of interest to be raised:**

	Does the Board expect a turnaround performance from the associate company in FY2019?
DRB-Hicom Bhd	<p>1. As reported on page 293 of the Annual Report, under Note 29(f), doubtful debts of other receivables amounting to RM177.7 million (2016: RM7.2 million) were written off.</p> <p>(i) What is the nature of these doubtful debts of other receivables that were written off?</p> <p>(ii) What actions have been taken to recover the said amounts prior to writing off?</p>
Amcorp Properties Bhd	<p>1) As disclosed on page 20 of the Annual Report, the 20 MW hydro power plant in Sungai Liang, Pahang is expected to achieve its commercial operation in the 3<sup>rd</sup> quarter of 2018.</p> <p>(a) What is the duration of the power purchase agreement with TNB?</p> <p>(b) What is the Feed-in Tariff rate contracted with TNB?</p>
Southern Acids (M) Bhd	<p>As reported in the Management Discussion &amp; Analysis (“MD&amp;A”) on page 12 of the Annual Report, the gross profit margin for the Group’s Oleochemical segment fell from 6.2% to 3.7%. The rising cost of production was due to the plant’s limited room to increase its production capacity. SAB also had to incur maintenance costs and capital expenditure to maintain the plant’s efficiency.</p> <p>(i)What are the measures taken to improve the profit margin?</p> <p>(ii)What was the total maintenance costs and capital expenditure incurred on the plant for FY2018?</p> <p>(iii)What is the outlook of this segment for FY2019?</p>
YLI Holdings Bhd	<p><u>Reportable segment loss (Manufacturing and Trading and Construction (Note 31, page 78 of the Annual Report 2018)</u></p> <p>During the year under review, both major segments recorded losses. For Manufacturing and Trading, the loss of RM7,977,000 was much larger than the previous year’s loss of RM4,021,000 while Construction incurred a loss of RM4,203,000 compared to a profit of RM272,000 in FY2017.</p> <p>(i) What are the plans for these loss-making segments and what immediate steps are being taken to turn around these segments?</p> <p>(ii) What is the latest order book for the Construction segment and how long will it last if the order book is not replenished?</p>

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## MSWG'S WATCHLIST

### Versatile Creative Berhad

The Board of Directors ("Board") of Versatile Creative Berhad ("the Company") wishes to disclose that today the Company dismissed the Company's Managing Director and Group Financial Officer from their employment with immediate effect, as they had failed to satisfactorily answer the allegations made against them in the show-cause letters that were issued to them on 13.08.2018

[Source: Versatile Creative's announcement on Bursa Malaysia's website on 21 August 2018]

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## MSWG'S VIGILANCE

### UTUSAN MELAYU (MALAYSIA) BERHAD ("UTUSAN" OR THE "COMPANY")

#### ***FIRST ANNOUNCEMENT PURSUANT TO THE PRACTICE NOTE 17 ("FIRST ANNOUNCEMENT") OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD***

The Board of Directors Utusan wishes to announce that the Company has triggered the prescribed criteria pursuant to Paragraph 8.04 and Paragraph 2.1(f) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") as the Company has defaulted in payment of the principal and profits of the Bank Muamalat Malaysia Berhad and Maybank Islamic Berhad as announced by the Company on 10 August 2018 pursuant to paragraph 9.19A of the Listing Requirements and the Company is unable to provide a solvency declaration to Bursa Securities.

[Source: UTUSAN's announcement on Bursa Malaysia's website on 20 August 2018]

### PLS Plantations Bhd ("PLS Plantation" or "The Company")

PLS Plantations Bhd 's external auditors, Moore Stephens Associates PLT have expressed going-concern consideration in their report based on the Company's financial reports for FYE 31 March 2018.

The external auditors' assessment on the PLS Plantation Group's ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the Directors on assumptions supporting the cash flow forecast, including the revenue and profit margins. These are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.

[Source: PLS Plantations Bhd 2017 Annual Report]

#### Listing of PN17 and GN3 companies

##### PN17 Companies

1. AMTEK HOLDINGS BERHAD
2. APFT BERHAD
3. ASIA KNIGHT BERHAD
4. BERJAYA MEDIA BERHAD
5. BERTAM ALLIANCE BERHAD
6. CHINA AUTOMOBILE PARTS HOLDINGS LIMITED
7. DAYA MATERIALS BERHAD
8. EKA NOODLES BERHAD
9. HB GLOBAL LIMITED
10. KINSTEEL BHD
11. KUANTAN FLOUR MILLS BERHAD
12. MAA GROUP BERHAD
13. MALAYSIA PACIFIC CORPORATION BERHAD

14. MAXWELL INTERNATIONAL HOLDINGS BERHAD
15. MULTI SPORTS HOLDINGS LTD
16. PERISAI PETROLEUM TEKNOLOGI BERHAD
17. PETROL ONE RESOURCES BERHAD
18. STONE MASTER CORPORATION BERHAD
19. SUMATEC RESOURCES BERHAD
20. TH HEAVY ENGINEERING BERHAD
21. YFG BERHAD
22. UTUSAN MELAYU (MALAYSIA) BHD

#### GN3 Companies

1. G NEPTUNE BERHAD
2. 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/>

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### LOCAL NEWS AND DEVELOPMENTS

**KL luxury condo segment likely to see improvements**

<https://www.thestar.com.my/business/business-news/2018/08/23/kl-luxury-condo-segment-likely-to-see-improvements/#KRjOSx6COioBYm0V.99>

**MIA proposes increasing penalty by up to ten times**

<https://www.thestar.com.my/business/business-news/2018/08/23/mia-proposes-increasing-penalty-by-up-to-ten-times/#PrAILIGjgYfJe6bJ.99>

**2Q GDP at 4.5%, below consensus estimates**

<https://www.thestar.com.my/business/business-news/2018/08/17/2q-gdp-at-4pt5pct-below-consensus-estimates/#wz7mm00MpZGLZAUk.99>

**Malaysia to Strive for better ties with China**

<https://www.theedgemarkets.com/article/malaysia-strive-better-ties-china>

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### GLOBAL NEWS AND DEVELOPMENTS

**Asia Embraces Dual-Class Shares, and Investor Activists Smolder**

<https://www.bloomberg.com/news/articles/2018-08-07/asia-embraces-dual-class-shares-and-investor-activists-smoulder>

**SEC rejects bitcoin ETFs**

<https://www.cnbc.com/2018/08/22/sec-rejects-bitcoin-etfs.html>

**The Biggest Risks for U.S. Equity Investors**

<https://www.bloomberg.com/view/articles/2018-08-20/u-s-equities-global-growth-not-turkey-is-the-biggest-risk>

**Stealth Bear Market in International Stocks Rising Steadily**

<https://www.bloomberg.com/news/articles/2018-08-21/stealth-bear-market-in-international-stocks-rising-steadily>

**Oil Trades Near \$67 as Investors Assess Outlook for U.S. Crude**

<https://www.bloomberg.com/news/articles/2018-08-21/oil-extends-gains-above-66-as-u-s-inventories-seen-shrinking>

Big Questions on Global Economy Hang Over Jackson Hole Gathering

<https://www.bloomberg.com/news/articles/2018-08-19/big-questions-on-global-economy-hang-over-jackson-hole-gathering>

Tariffs Will Hurt U.S. More Than Rest of World, Maersk Says

<https://www.bloomberg.com/news/articles/2018-08-19/tariffs-will-hurt-u-s-much-more-than-rest-of-world-maersk-says>

## MSWG TEAM

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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 Versatile Creative Bhd.*

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### Feedback

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

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