



# The Observer

27.09.2019

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

### **LONDON BISCUITS BERHAD ("LBB" or "the Company")**

*WINDING-UP PETITION BY DESA POTENSI SDN. BHD.*

The Board of Directors of the Company announced that it has been served with a winding-up petition ("Petition") by Desa Potensi Sdn. Bhd ("Petitioner") on 18 September 2019.

The Petitioner is claiming for RM16.41 million, being the unpaid invoices issued by the Petitioner during the period from 1 April 2019 to 30 June 2019

The Company has sought preliminary legal advice and it intends to challenge and oppose the Petition.

Save for the legal fees disbursements involved to challenge and oppose the Petition, the Company does not expect to incur any other further losses arising from the winding up proceedings

[Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6286145>]

### **MSWG's Comments**

Upon being categorised as an affected listed issuer under Practice Note 17 in July 2019 due to a default in payment to Bank of Nova Scotia, London Biscuits Berhad (LBB) has to deal with other major blows.

- Writ of summons from financial institutions and bankers, include Bangkok Bank Berhad ("Bangkok Bank"), Alliance Bank Berhad ("Alliance"), Malaysian Trustee Berhad ("MTB") and the most recent on 20 September 2019, from Kuwait Finance House (Malaysia) Berhad.

The total amount involved in respect of these banks is RM173.92 million.

- Winding-up petition by the supplier, Desa Potensi Sdn Bhd
- Exodus of Directors

With all these, shareholders will surely be very concerned and worried as to the prospect and future direction of the Company, especially more so since the announcements are not providing sufficient information and are not being made on a timely manner. The shareholders need more transparent and timely information with sufficient content to make their investment decisions in respect of LBB shares.

#### Timely announcement

It is worth noting that the writs of summons and Statements of Claim issued by Bangkok Bank, Alliance and MTB were received by the Company on 23 August, 26 August and 4 September respectively. However, LBB only made the announcement on 17 September.

In a reply to Bursa Malaysia's query on the delay in making an immediate announcement, the Company said they were exploring the possibility for bankers to withdraw the writs of summons on 11 September.

"The proposal was furnished to the creditor banks. There has been no formal response of acceptance or rejection of the same", the Company said.

According to Paragraph 9.03 (1) and 9.03(3)(a) of the Main Market Listing Requirements (MMLR), a listed issuer must make immediate public disclosure of any material information which may include concerns on the listed issuer's assets and liabilities, business, financial condition or prospects.

Some of the examples of events which may require immediate disclosure include the commencement or involvement in litigation and any material development arising from such litigation (MMLR Paragraph 9.04 (f)).

Besides, filings showed that the ex-Group CEO Dato Sri Liew Yew Chung had disposed a total of 1.5 million shares in the open market on 6 and 10 September respectively – well before making the public announcement on 17 September. Liew resigned on 13 September due to health reason.

#### Is the information in the announcement sufficient?

In relation to all the announcements on the writs of summon and statements of claims received from the financial institutions, it was stated that "No operational and financial impacts are expected from the legal suit ....".

Nevertheless, the Board is of the opinion that the Company is not solvent and is unable to provide a solvency declaration as required under Paragraph 9.19 A(4) of the Main Market Listing Requirements.

In retrospect, LBB previously stated that a writ of summons served by Bank of Nova Scotia Berhad would not cause any significant impact on the financial and operations positions of the Company in July. However, it later confirmed the default in payment and slipped into Practice Note 17 category.

For the announcement on the winding-up petition by the supplier, Desa Potensi Sdn Bhd ("DPSB"), it was stated that ".....the Company does not expect to incur any other further losses arising from the winding up proceedings". The Company has sought preliminary legal advice and it intends to challenge and oppose the Petition".

The Board should at least disclose the following information:-

- Would the current state of affairs affect the supply of raw materials to the Company, both from DPSB, and other suppliers, given that the petition relates to trade debts?
- Would the operations of the Company be affected if the supply of raw materials is interrupted?
- Is the default in payment to the trade creditor purely due to financial limitation or are there any other reasons given that the Company intend to challenge and oppose the Petition?

We hope the Board will disclose the above information in LBB's announcement to update on the implications of the current predicament.

#### The exodus of directors

Another worrying issue is the departure of a numbers of directors in the past few months.

Since July 2019, six directors and one principal officer resigned from the Company, while three new directors were appointed to fill in the vacancies. The directors who resigned include ex-Group CEO Dato Sri Liew Yew Chung, and Mr. Loo Seng Kit - who voluntarily resigned after serving for less than a month in the Company as chief financial officer.

Given the urgency to formulate a rescue plan in this critical period, such frequent changes in board composition and the problem of succession plan is worrying and causing greater anxiety to minority shareholders. The frequent board changes may also cause difficulty in the execution of restructuring and rationalization plans – as each new director may have another view of how things need to be done.

By: Lim Cian Yai  
 Manager, Corporate Monitoring

### MSWG AGM/EGM Weekly Watch 30 September – 3 October 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](http://www.mswg.org.my).

Date & Time	Company	Venue
30.09.19 (Mon) 10.00 am	LB Aluminum Bhd (AGM)	Staffield Country Resort, Mantin, Negeri Sembilan
01.10.19 (Tue) 11.00 am	Dayang Enterprise Holdings Bhd (EGM)	Imperial Hotel, Lot 827, Jalan Pos,Miri, Sarawak
02.10.19 (Wed) 02.30 pm	Lotte Chemical Titan Holdings Bhd (EGM)	Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, KL
03.10.19 (Thur) 10.00 am	Berjaya Media Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, KL
04.10.19 (Fri) 10.00 am	Bermaz Auto Bhd (AGM)	Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, KL
04.10.19 (Fri) 11.00 am	Analabs Resources Bhd (AGM)	Kelab Golf Sultan Abdul Aziz Shah, Shah Alam

#### One of the points of interest to be raised:

Company	Points/Issues to Be Raised
LB Aluminum Bhd (AGM)	The Group is continuously looking into its processes to improve efficiency and reduce operational costs in order to enhance its profit margins (Page 62 of the Annual Report 2019).  a) What is the targeted efficiency level as compared to the present level?  b) What is the targeted percentage of reduction in operational costs?
Lotte Chemical Titan	Page 54, Part B of the Circular: Independent Advice Letter

Holdings Bhd (EGM)	<p>by Public Investment Bank (PIB);</p> <p>We note that in your evaluation process, save for PT Chandra Asri Petrochemical Tbk with a market capitalization of IDR127,063.8 billion (equivalent to RM37.4 billion) as at 8 August 2019, which is significantly larger in size and operations as well as operating in different stages of the business cycle as compared to LCI, you were unable to identify any other company listed in Indonesia that is comparable to LCI. As such there is no clear indication of a reasonable valuation range based on the trading comparable multiples approach. In view of the above you did not adopt the trading comparable multiples approach as a cross check method in assessing the Equity Value Range.</p> <p>However, PwC Capital's Independent Equity Valuation letter on page 77, item 4 of the Circular has made a market comparable indicative valuation range cross-check derived under the cost approach.</p> <p>Please comment on the relevance of the assessment taken by PwC Capital and the comparable used in their assessments?</p>
Berjaya Media Bhd (AGM)	<p>Bursa Malaysia has accorded BMedia a deadline extension to 20 December 2019 for the submission of a regularization plan on the Group's PN17 condition, subject to BMedia entering into a definitive agreement with a proposed white knight by 20 October 2019.</p> <p>What is the progress and status considering that there is not much time left?</p>
Bermaz Auto Bhd (AGM)	<p>On Page 12 (Chairman's Statement), it is stated that in the recent Mazda Distributor Commendation Program, Mazda Motor Corporation presented the Company with an award for achieving the highest share and sales volume of all time in the calendar year 2018.</p> <p>(a) What was the percentage of market share in 2018 compared to 2017 and does the Board expect a higher market share in 2019?</p>

	(b) What was the sales achievement outside Malaysia and the outlook?
Analabs Resources Bhd (AGM)	<p>Based on the Statement of Cash Flows for FY2019, there was a purchase of quoted investment amounting to RM48.07 million (2018: RM5.08 million) (page 57 of AR2019). In FY2019, the Group incurred a negative fair value changes of equity investments amounting to RM9.82 million (2018: Nil) (page 51 of AR2019).</p> <p>(a) What is the Board's decision making/approval process in relation to the purchase of quoted investment?</p> <p>(b) The Company has taken a margin trading balance amounting to RM9.62 million (2018: Nil) (page 86 of AR2019). Is this margin trading taken in relation to the purchase of the quoted investments?</p> <p>(c) How does the Audit and Risk Management Committee manage the risk associated with quoted investment and margin trading?</p>

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## MSWG'S WATCHLIST

### **MINTYE BERHAD ("MINTYE" OR "COMPANY")**

#### *PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE*

The offer price under the Proposed SCR has been revised from RM1.30 to RM1.36 for each ordinary share of Mintye.

The Offer price represents 41.67% over the closing price of Mintye share on the last trading day (LTD) prior to the date of the SCR Offer Letter.

Based on the offer price of RM1.36 and the audited consolidated NA per Mintye Share as at 31 January 2019, the Price-to-Book ratio ("PBR") is 0.75.

Based on the offer price of RM1.36 and the audited consolidated NA per Mintye Share as at 31 January 2019, the Price-to-Book ratio ("PBR") is 0.75.

The offer price of RM1.36 give a price-to-earnings ratio ("PER") of 48.57 based the earning per share ("EPS") of RM0.028 from the audited consolidated EPS of Mintye for the financial year ended ("FYE") 31 January 2019.

The Proposed SCR is subject to and conditional upon the approval of the Entitled Shareholders for the Proposed SCR via a special resolution to be tabled at the Company's EGM to be convened ("Special Resolution"). The Special Resolution is required to be approved by:

- (a) at least a majority in number and 75% in value to the votes attached to the Mintye shares held by the Entitled Shareholders cast at the EGM
- (b) Not more than 10% of the votes attached to Mintye Shares held by the entitled Shareholders cast against the Special Resolution at the EGM.

(Source: <http://www.bursamalaysia.com/market/listed-ompanies/company-announcements/6290329>)

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## **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

## Updates

### DAYA MATERIALS BERHAD

The Company has been granted an extension of time up to 27 February 2020 to submit a regularisation plan to the regulatory authorities.

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

REHDA urges govt to review charges, requirements to save cost

<https://www.theedgemarkets.com/article/rehda-urges-govt-review-charges-requirements-save-cost>

SFC refuses to delay new margin financing rule stock brokers say threatens their livelihoods as they struggle to survive amid protests

<https://www.theedgemarkets.com/article/sfc-refuses-delay-new-margin-financing-rule-stock-brokers-say-threatens-their-livelihoods>

Leading Index provides brighter economic outlook in November 2019 until January 2020

<https://www.theedgemarkets.com/article/leading-index-provides-brighter-economic-outlook-november-2019-until-january-2020>

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>

Economists expect inflation at below 1% this year

<https://www.theedgemarkets.com/article/economists-expect-inflation-below-1-year>

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## GLOBAL NEWS AND DEVELOPMENTS



UK to repatriate 16,000 people on 4th day of Thomas Cook collapse  
<https://www.theedgemarkets.com/article/uk-repatriate-16000-people-4th-day-thomas-cook-collapse>

U.S., Japan sign limited trade deal, leaving autos for future talks  
<https://www.theedgemarkets.com/article/us-japan-sign-limited-trade-deal-leaving-autos-future-talks>

Japan to invest US\$10b in global LNG infrastructure projects — minister  
<https://www.theedgemarkets.com/article/japan-invest-us10b-global-lng-infrastructure-projects-%E2%80%94-minister>

Clear warning signs for global recession in 2020 — UNCTAD  
<https://www.theedgemarkets.com/article/clear-warning-signs-global-recession-2020-%E2%80%94-unctad>

EU eyes US\$4 bil tariff strike to take trade fight to Trump  
<https://www.theedgemarkets.com/article/eu-eyes-us4-bil-tariff-strike-take-trade-fight-trump>

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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 .*
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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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