

MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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Lotte Chemical Titan urged to strengthen risk management

BY SULHI AZMAN

KUALA LUMPUR: The Minority Shareholder Watchdog Group (MSWG) is urging Lotte Chemical Titan Holding Bhd, which made its Bursa Malaysia debut as the largest initial public offering (IPO) this year, to "seriously strengthen" its operational risk management to reduce its impact on the company's corporate image and financial objectives.

MSWG's call came following the recent five-day stop-work order issued by the Department of Environment to Lotte Chemical Titan's catalytic cracking reactor plant that is part of its TE3 Project in Pasir Gudang, Johor.

"We believe even with the clarification statement released by the company to claim that the impact of the incidences was minimal to the company, damage has been done and the incidences could have impaired the confidence of

the investing public towards the company," MSWG said in its latest weekly newsletter.

"This is the third incidence of operational disruption that [has] happened to the company within the past three months since the listing of the company in July 2017," the watchdog group added.

Lotte Chemical Titan was issued the stop-work order on Oct 1, which resulted in its share price falling to below RM5 the next day — the lowest since its listing on July 11. After remedial actions were taken to address a chemical odour emission problem — which reportedly reached Singapore's shores and brought about the stop-work order — Lotte Chemical Titan said the order was lifted on Oct 5.

The petrochemical firm owned by Lotte Co Ltd, a South Korean conglomerate, had previously said the issue "does not have any operational impact" as its TE3 Project has not commenced operations.

Code-named TE3, Lotte Chemical Titan had said in its IPO prospectus that the project aimed to increase the output of ethylene, propylene and other by-products such as C4 and C5, which would be done after it had completed the construction of relevant facilities.

"The commissioning and the commercial start-up of the TE3 Project remain on target by the fourth quarter of 2017," Lotte Chemical Titan said in a filing with Bursa Malaysia on Oct 4.

Prior to the disruption, Lotte Chemical Titan announced on Sept 20 that a fire had broken out at its plant in Johor, which caused minor damages. Before that, a 13-day water supply cut in April caused a huge decline in production volume that eroded its earnings in the second quarter ended June 30, 2017.

Lotte Chemical Titan shares slid one sen or 0.2% to close at RM5.22 yesterday, giving it a market capitalisation of RM12.05 billion.