

MINORITY SHAREHOLDERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

New Straits Times, Business Times – Tuesday, 14 December, 2021

MSWG AGM/EGM WEEKLY WATCH
13 – 17 DECEMBER 2021

MSWG had issued AGM/EGM letter to the following PLCs for their shareholders meeting held from 13 - 17 December 2021.

The extraction of the question raised in the letter is highlighted here. For the details of other questions, please login to MSWG website at www.mswg.org.my

One of the points of interest to be raised:

Company

Points/Issues to be Raised

Lotte Chemical Titan Holdings Bhd (EGM)

On 28 October 2021, LCT's subsidiary, LCI, had issued letter of awards (LOAs) to LEC to undertake EPC works on part of the LINE project for USD1,645.6 million.

LEC is 43.8% owned by Lotte Chemical Corporation (LCC), which in turn is the controlling shareholder of LCT with 75.9% direct interest.

The LOAs awarded to LEC comprise an onshore LOA and an offshore LOA. The onshore EPC contract will be entered into by LCI, LEC and an Indonesian company, whereas the offshore EPC contract will be entered into by LCI and LEC.

(a) What are commercial benefits of implementing such structure to LCI and LCT?

(b) What are the potential legal and tax issues that may arise due to the splitting? How does LCT deal with these potential risks?

(c) Will an umbrella agreement entered between LCI and the onshore and offshore contractors ensure that any gaps that arise because of the split structure are appropriately covered?

(d) As the award of works to LEC is a related party transaction, what is the assurance that such RPT is not detrimental to the interest of LCT's minority shareholders?

Hiap Teck Venture Bhd (AGM)

Eastern Steel Sdn. Bhd. ("ESSB"), a joint-venture company

For FY2021, the Group recorded a share of gain of RM76.01 million from ESSB as compared to RM3.84 million in the preceding financial year.

ESSB's current project to further enhance cost effectiveness is the development of a 400,000 MT coke oven plant. The first 100,000 MT was completed in June and the second 100,000 MT in October 2021. The next 200,000 MT is expected to complete in FY2022. The new coke oven plant is expected to significantly reduce production costs and improve ESSB's profitability going forward, and enhance its contribution to the Group (Page 11 of the Annual Report 2021).

(a) Considering the significantly increased share of gain and the current development in ESSB, what is the prospect of the Group achieving another good contribution from the joint-venture company in FY2022?

(b) What is the progress of the 200,000 MT coke oven plant development? Is the plant on schedule?

(c) With the new coke oven plant, what is the expected reduction in the production costs?