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# PRESS CUTTINGS

## Oversupplied global iron ore market

Firm says situation may prolong for as long as half a decade



## Solar panels bring light to Amazon

At least two million in darkest reaches of Brazil are without access to modern energy

ITUXI EXTRACTIVE RESERVE  
Brazil: In the darkest reaches of

## Nation's 'coal capital' pledges pollution reduction

SHANGHAI: Northern China's over the October-March period, of no more than 10 micrograms per this winter.

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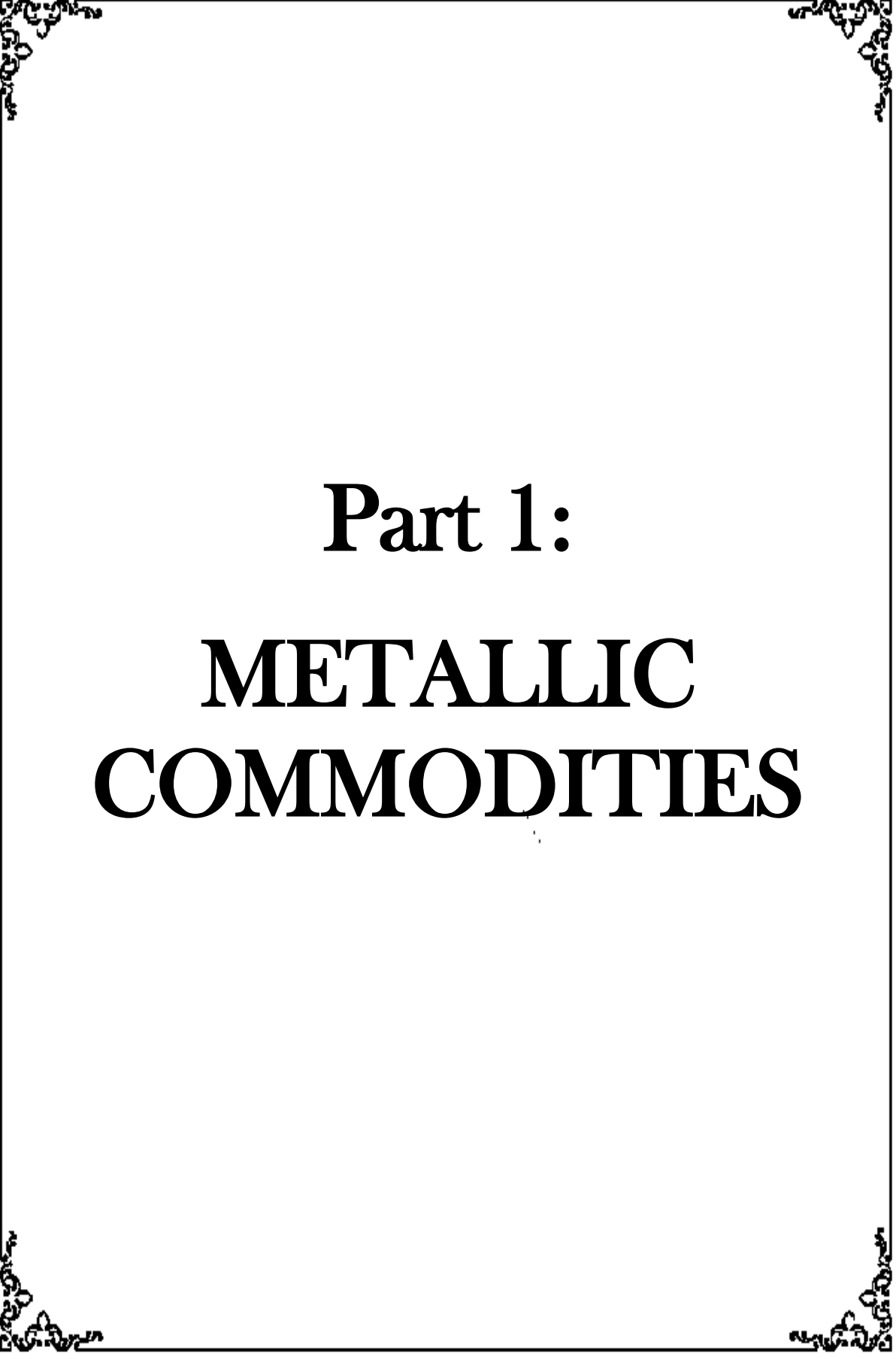
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**Part 1:**

**METALLIC  
COMMODITIES**

Source : Star Biz  
Date : 02 October 2017 (Monday)

# Gold jewellery exports to hit RM6bil this year

By DAVID TAN  
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**GEORGE TOWN:** The Penang Goldsmith Association (PGA) is projecting the value of Malaysia's gold jewellery exports to hit about RM6bil in 2017, compared to RM7.18bil achieved in 2016.

"The decline would be due to the value added tax (VAT) imposed by the UAE government for their importers and higher gold prices.

"The VAT which is around 9% has deterred UAE gold jewellery importers from buying Malaysian manufactured gold jewellery," PGA adviser Joeson Khor told *StarBiz*.

The UAE is the top buyer of Malaysian-made gold jewellery products for 2016.

According to Matrade data, Malaysia exported some RM6.48bil worth of gold jewellery products to the UAE in 2016.

From January -July 2017, exports to the UAE declined to RM3.48bil from RM3.7bil in the same period last year.

Besides the UAE, the other key export markets for Malaysian gold jewellery products during the seven-month period were Singapore, Hong Kong, Japan, and the United States.

For the same period, Malaysia imported RM1.74bil worth of jewellery products compared to RM1.71bil in the same period of 2016.

Khor said the volume was unlikely to have any significant impact on the market share of local gold jewellery manufacturers in the country.

Due to the prevailing economic uncertainties prevailing in the country and higher gold prices, the retail sales of gold jewellery products has dropped about 30%, according to Khor.

"Gold price is expected to increase further this year," he added.

Gold price currently hovers around US\$1,225 per ounce compared with US\$1,187 per ounce early this year.

# Metal scandal rocks Japan

Kobe Steel staff falsifies data on strength of some aluminium products

**TOKYO:** Kobe Steel Ltd unleashed an industrial scandal that reverberated across Asia's second-largest economy after saying its staff falsified data related to strength and durability of some aluminium and copper products used in aircraft, cars and maybe even a space rocket.

The company's stock ended 22% lower in Tokyo as customers including Toyota Motor Corp, Honda Motor Co and Subaru Corp said they had used materials from Kobe Steel that were subject to falsification.

Boeing Co, which gets some parts from Subaru, said there is nothing to date that raised any safety concerns. Rival aluminium makers gained.

Kobe Steel's admission raises fresh concern about the integrity of Japanese manufacturers, and follows Takata Corp misleading automakers about the safety of its air bags, and last week's recall by Nissan Motor Co of cars after regulators discovered unauthorised inspectors approved vehicle quality.

Kobe Steel said on Sunday the products were delivered to more than 200 companies but didn't disclose customer names, with the falsification intended to make the metals look as if they met client quality standards. Chief executive officer Hiroya Kawasaki is now leading a committee to probe quality issues.



**In doubt:** A man walks past the signboard of Kobe Steel at the group's headquarters in Tokyo. The company's admission about data falsification raises fresh concern about the integrity of Japanese manufacturers. — Reuters

The fabrication of figures was found at all four of Kobe Steel's local aluminium plants in conduct that was systematic, and for some items the practice dated back some 10 years ago, executive vice-president Naoto Umehara said on Sunday. The comments were confirmed by a company spokesman.

Toyota said it has found Kobe Steel materials, for which the supplier falsified data, in hoods, doors

and peripheral areas.

"We are rapidly working to identify which vehicle models might be subject to this situation and what components were used," Toyota spokesman Takashi Ogawa said. "We recognise that this breach of compliance principles on the part of a supplier is a grave issue."

Kobe Steel said it discovered the falsification in inspections on products shipped from September 2016

to August 2017, adding there haven't been any reports of safety issues. The products account for 4% of shipments of aluminium and copper parts as well as castings and forgings.

"The incident is serious," said Takeshi Irisawa, an analyst at Tachibana Securities Co. "At the moment, the impact is unclear but if this leads to recalls, the cost would be huge. There's a possibility that the company would have to shoulder the cost of a recall in addition to the cost for replacement."

Subaru has produced training planes for Japan Self-Defense Forces and wings for Boeing jets such as the Boeing Dreamliner, according to a spokesman, who added the company was checking which planes and parts used affected aluminium.

"Nothing in our review to date leads us to conclude that this issue presents a safety concern, and we will continue to work diligently with our suppliers to complete our investigation," Boeing said in a separate statement.

Honda said it used falsified material from Kobe Steel in car doors and hoods while Mazda Motor Corp confirmed it uses aluminium from the company. Suzuki Motor Corp and Mitsubishi Motors Corp all said they are checking whether their vehicles are affected. — Bloomberg

## London's gold crown slips on MiFID with New York poised to catch up

**LONDON:** London is losing its Midas touch.

New rules from regulators, on top of uncertainties over the UK's future relationship with the European Union, are denting the city's position as the biggest centre for gold trading in the world. The changes threaten to push up costs, a key competitive advantage of London's over-the-counter market.

Even before the regulations come in, the average net daily volume of gold settled by London Precious Metals Clearing Ltd fell 12% in two months to 18.5 million ounces in August. In New York, the British capital's biggest rival, trading in gold contracts jumped more than 25% in the third quarter from the previous three months, with activity during European hours surging 32%.

That's as traders scratch their heads over how changes to EU rules over reporting of transactions, known as MiFID II, and capital

requirements under the so-called Basel III framework will affect their costs in London, where deals are mainly off exchange.

"MiFID is just a pain, and it's not the only one," said David Gornall, a former chairman of the London Bullion Market Association and founder of DG Metal Consultants LLP in London, which dispenses advice on coping with legislation. "People don't know what's expected of them."

At issue is whether over-the-counter (OTC) trading of gold, which is backed by metal in a vault but isn't typically delivered or allocated, should count as derivative trading. If it is, under the revised Markets in Financial Instruments Directive, then traders may face higher costs, eroding the main advantage of trading off-exchange.

That reduces London's advantage over New York, where gold is traded via derivatives on the Comex Exchange, perhaps encouraging

some to reconsider where they place deals.

On top of such pressures, the UK's vote to leave the EU has already prompted some banks to consider moving staff from London to other cities in the union.

Cleared trading in London, which makes up only part of total volume, fell below New York's for the first time in 2016, according to data from research firm CPM Group.

"They're moving business out of London," George Gero, a managing director at RBC Wealth Management, said by phone. "If you add everything together, there's been more volatility and liquidity on Comex," he said, also citing increases in high-frequency trading, haven demand and hedging record share prices as positive trends for the exchange.

The city's greatest challenge may come from tightening of rules governing lenders' balance sheets as set out in the Bank of International

Settlements' Basel III accord, according to DG Metal Consultants' Gornall. Efforts by the LBMA to lobby for the BIS to recognise gold as a high-quality liquid asset were thwarted by a lack of reliable data on trading volumes.

"Trading gold OTC is going to become more expensive and more challenging for certain participants as a result of Basel," Kate Eged, head of precious metals at the London Metal Exchange (LME), said in an interview in London on Thursday.

"Is regulation pushing some volumes onto exchanges? Yes. Do I think this is going to lead to the death of OTC trading, in any asset class not just gold? No, absolutely not."

The LME and a group of banks have launched gold and silver futures contracts in a bid to make trading in the city more transparent.

Bloomberg LP, the parent company of Bloomberg News, provides

transparency and transaction reporting for firms complying with MiFID II.

The LBMA is seeking to overhaul the OTC market before new regulations are set to hit early next year. The association and financial technology firm Boat Services Ltd are launching a trade repository to register volumes, with a total of 13 market making banks. It has also convinced vault operators to publish figures on their holdings.

Still, the prospect of volumes shifting away from London's off-exchange market has other venues licking their lips, with CME Group Inc's Comex in New York hoping to be a key beneficiary.

"There's lots of confusion with MiFID II and what's coming out in January 2018," Young-Jin Chang, global head of metals products at CME Group, said by phone. "Regulation under the CME is a certainty – the market likes to see certainty." — Bloomberg

# Unlocking the secret garden

Jewellery collection draws inspiration  
from elements of flora and fauna

IMAGINE a magical garden made out of diamonds, coloured in rose and white gold.

Diamond and Platinum is inviting its customers to unlock their imagination and create their very own dream garden through its latest "Le Jardin" collection.

Translated as "the garden", the range of diamond pendants, rings, bracelets, bangles, necklaces and earrings draw inspiration from elements of the flora and fauna.

Designs include the Jardin Pixies – dragonflies, magical mushrooms, dancing bees, Pomme de Jardin (apple in the garden) – that are sure to capture and melt the heart of many.

To unlock the secret garden is the Jardin Key series, the highlight of the collection, that consists of sunflower and birdhouse key charms used for bracelets.

They are also unique as wearers have the flexibility to turn them into pendants for necklaces.

The launch of the jewellery collection was held at Cocott' KL in Taman Tun Dr Ismail, Kuala Lumpur where guests were treated to a French high tea.

Diamond and Platinum Sdn Bhd marketing manager Amanda Kuan said that the Le Jardin range was

more than a symbol of femininity and delicacy.

"Flora and fauna are the core elements whereby we present our customers the fantasy of a dream garden.

"Whenever you're in a garden, you will feel a sense of calmness. And that is what we hope to achieve – bringing wearers into another world by unlocking their imagination," she explained.

As for the key charms, Kuan said the key has always been a favourite jewellery design that people look for.

"But we didn't want to design just any key, so we decided to incorporate the elements of Le Jardin," she said.

Aside from Le Jardin, Diamond and Platinum also unveiled the "Linked" collection which was designed for the adventurous who treasure the values of the past and a simple life.

The jewellery pieces are inspired by simple lines and turned into knots to symbolise reunion and infinity, while offering a timeless design.

According to Kuan, knots are also a universal symbol signifying love, bond, unity and harmony.

"Contemporary consumers are increasingly looking for the





(From left) Diamond and Platinum Sdn Bhd director Leslie Choong, Miss World Malaysia 2011 Chloe Chen, model Victoria Nur Mohamad Shah Johan and Kuan at the launch of the 'Le Jardin' collection.

meaning behind products and seeking ways to personalise items to reflect their personalities," she said, adding that incorporating knot motifs are a trend these days.

Both Le Jardin and Linked collections were created by jewellery designers Dave Kok and Josh Lee who have the combined experience of 26 years.

The jewellery pieces are line extensions of each collection that were launched two years ago, under the brand Signature-D, a fashion jewellery collection made with real diamonds and gold.

Diamond and Platinum is having a promotion where customers stand to receive an exclusive rose gold diamond flower charm worth RM399 with a purchase of Jardin Key collection.

Additionally, with purchases of RM1,800 and above from the Signature-D collection, customers can receive an exclusive rose gold diamond flower pendant worth RM399.

Promotion ends Oct 29.

For details, visit [www.diamondn-platinum.com](http://www.diamondn-platinum.com)



The Linked collection incorporating knot motifs in the jewellery pieces.

# Mining firm can appeal in suit against activist

**PUTRAJAYA:** After winning two rounds in a defamation suit by the Raub Australian Gold Mining (RAGM), activist Hue Shieh Lee will now face the company in the final round at the Federal Court.

This time, RAGM has won leave to appeal on four questions of law touching on freedom of speech for activists.

Chief Justice Md Raus Sharif granted RAGM leave to appeal against the earlier courts' findings, ruling there was merit to its application.

The panel that included Chief Judge of Malaya Ahmad Maarop and Justice Balia Yusof Wahi also

unanimously allowed the four questions of law to be argued at the appeal stage.

The questions are:

\* Whether Hue's statement was defamatory, when balanced against Malaysia's present right to freedom of speech;

\* What the criteria is for rights to freedom of speech for an activist;

\* Whether a person accused of defamation could selectively deny parts of a statement instead of expressly denying the entire publication where her statement was carried; and

\* Whether a plea of justified and fair comment voids the defence's

denial against a plaintiff's specific claim that they had published defamatory words.

RAGM had filed the suit against Hue, who was then the vice-chairperson of Ban Cyanide Action Group, over statements made against the company's gold mine near her village in Bukit Koman, Pahang.

Hue is a resident of Bukit Koman and the group was formed to look after the health and welfare of residents impacted by a gold-processing facility operated by RAGM.

The suit involves two articles published in 2013 by *Malaysiakini* and *Free Malaysia Today*.

In May 2016, the Kuala Lumpur High Court dismissed the suit, ruling that RAGM had failed to prove Hue's statement against the gold mine was of malicious falsehood.

In October last year, the Court of Appeal upheld the judgment, finding Hue was within her rights as an activist to express her concern for the health of villagers when reading out survey results on health issues at a press conference.

The company was represented by lawyers Tan Sri Cecil Abraham, Sunil Abraham and Daniel Chua, while lawyer Gurdial Singh Nijar acted for Hue.

# Moody's assigns Ba3 rating to Press Metal notes

Rating outlook stable, proceeds to be used to pay existing debts

**PETALING JAYA:** Moody's Investors Service has assigned a Ba3 corporate family rating (CFR) to Press Metal Aluminium Holdings Bhd's proposed senior notes of up to US\$400mil (RM1.7bil).

Press Metal's recently incorporated unit Press Metal (Labuan) Ltd will undertake the issuance of the US-dollar denominated senior notes due 2022.

The ratings agency said the notes will be guaranteed by Press Metal and key subsidiaries including 100%-owned Press Metal Bhd and 80%-owned Press Metal Bintulu (PMB) and Press Metal Sarawak (PMS). Together, PMB and PMS own and operate all of Press Metal's aluminium smelting capacity.

"The rating outlook is stable. The proceeds of the notes issuance will be primarily used to repay existing indebtedness," it said.

Press Metal is the largest aluminium producer and extruder of aluminium products in South-East Asia.

"The Ba3 CFR reflects Press Metal's low-cost aluminium smelting capabilities, supported by a long-term power purchase agreement with Sarawak Energy, solid Ebitda (earnings

**We expect Press Metal to maintain its cost advantages, which partially mitigate the price risk on its aluminium sales.**

Brian Grieser

before interest, tax, depreciation and amortisation) margins, conservative financial policies, and low financial leverage with debt/EBITDA, expected to be around two times in 2017," said Moody's vice-president and senior credit officer Brian Grieser.

Press Metal generated EBITDA margins in the mid-to-high teens over the past three years.

The company benefits from a low cash cost per ton relative to other aluminum producers, driven primarily by its access to low

energy tariffs as part of its 25-year power purchase agreement with Sarawak Energy.

"We expect Press Metal to maintain its cost advantages, which partially mitigate the price risk on its aluminium sales.

"Margins also benefit from low employee and logistic costs, and the correlation between the price of aluminium and alumina, which represents the largest component of its cash costs.

"Press Metal's CFR also incorporates its small scale relative to global competitors, limited operational track record, and exposure to the volatility in the prices of aluminium and raw materials," he said.

The ratings also reflect Press Metal's geographic concentration, with all its aluminium smelting capacity located in Sarawak, Malaysia (A3 stable) and its dependence on Bakun Dam's hydro-electric power plant – operated by Sarawak Energy – to supply all the power needs of its two smelter locations.

Press Metal's long-standing relationship with Sumitomo Corporation (Baa1 negative) as an investor, customer and marketer of its products is a positive credit consideration.

Source : Star Biz

Date : 19 October 2017 (Thursday)

## China steel firms shield profits from volatile market

**MANILA:** China's steel mills and traders are embracing more sophisticated ways to sell metal and buy raw materials to protect their bumper profits amid rising price volatility.

Steel mills typically sell their finished products at market prices to traders that later sell them on to end-users such as construction companies, also at market prices.

However, some mills and traders are adopting new arrangements to lock in their profits on expectation that prices may decline as demand could drop as activity in the construction industry, a major steel consumer, slows during the cold, winter months.

Steel prices in the world's top producer surged to their highest in 4½ years this summer and mills are making more than 1,000 yuan for every tonne of metal they produce, the highest in more than seven years, based on data from brokerage CLSA.

Prices climbed on supply worries as China has shuttered steel mills for not complying with environmental rules. However, prices in

September posted their biggest monthly drop in a year because of demand concerns from the expected winter slowdown and as the environmental crackdown will also close steel-consuming industries.

Amid this price uncertainty, mills are now buying raw materials such as iron ore and coking coal and selling their future products to one trader at an agreed price, officials from two Chinese steelmakers said.

By fixing those prices, the mills can secure their profit margins. "Whatever is good for the mill to reduce the risk and protect the profit then they consider it," said one of the officials, from a mill in China's southern Fujian province.

In turn, some traders are signing long-term contracts with customers, like construction companies, who have agreed to take the same tonnage at a fixed price each month, said Alexis He, director of sales for derivatives at CEFC Shanghai Resources Co Ltd.

By hedging those sales on the futures market "they can price in a reasonable safety net and provide a fixed-price contract to downstream construction companies ahead of time," said He.

It is mostly smaller mills that have partaken in these "more creative ways of doing business", said He. "But now, we're seeing bigger mills getting interested because they're hearing about it in the market." — Reuters

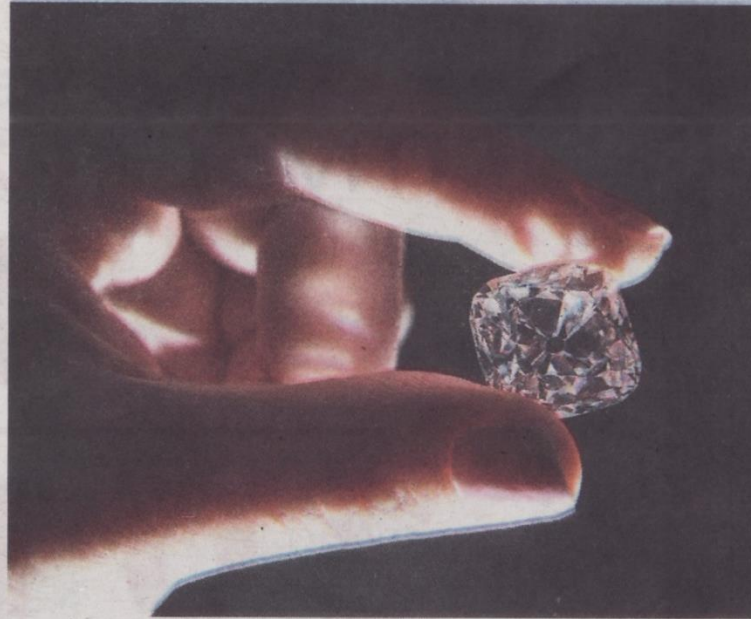
## Jewel once set in French crowns to go on auction

GENEVA: A large pink diamond once set in the crowns of numerous French kings and emperors will go under the hammer in Geneva next month, Christie's auction house said.

Le Grand Mazarin, a 19.07-carat light pink diamond, was a gift to Louis XIV in 1661 and was set in the crowns of almost all of the monarchs and emperors of France who followed, Christie's said yesterday.

The diamond is "a timeless symbol of beauty, a French royal treasure adorning no fewer than seven kings and queens beginning with the Sun King Louis XIV", Christie's chairman for Europe and Asia Francois Curriel said in a statement.

"Above all, it is a witness to 350 years of European history. This stone belongs to a class of its own."



### Sparkling history:

The Le Grand Mazarin was featured in the crown of seven French kings and queens.

— AFP

The gem was named after Cardinal Mazarin, an Italian cardinal, diplomat and art collector who served as chief minister under Louis XIII and Louis XIV, and who bequeathed it and other diamonds to the Sun King in his will.

The pink stone, originally dug out of the ancient mines of Golconda in India, sparkled on the crowns of Louis XV and Louis XVI.

It also graced the crowns of

Napoleon I, Napoleon III and Empress Eugenie, among others.

It has since passed through the hands of famous French jeweller Frederic Boucheron and later the Baron von Derwies.

Christie's said it was currently part of a private collection.

The auction house said it hoped to rake in between €5.1mil (RM25.3mil) and €7.7mil (RM38.2mil) for the diamond. — AFP

# Steel output in China sinks to lowest level in six months

**SINGAPORE:** Steel output in China sank from a record, sliding to the lowest level in at least six months, as the anti-pollution drive touted in President Xi Jinping's landmark policy address this week began to make its mark.

Output fell to 71.83 million tonnes in September from 74.59 million tonnes the month before, according to the statistics bureau yesterday, a day after Xi's speech to the Communist Party congress reaffirmed his commitment to rolling back environmental abuse. Over nine months, production was still higher than in 2016, rising 6.3% to 639 million tonnes, the figures showed.

China's concerted drive to cut pollution from its old-industry factories, especially over winter, is roiling metals markets, and Xi referenced the policy in his address to the twice-a-decade Communist Party congress. In steel, China's output has proved resilient in the past year as although officials have shuttered some mills that fell short of standards, remaining producers boosted supplies in the run-up to wintertime curbs that have yet to fully kick in.

"We expect strict enforcement of the winter supply-cut policies in order to guarantee planned reductions in pollution," Citigroup Inc analysts including Tracy Liao said in a report received yesterday. The bank estimates total production losses of as much as 37 million tonnes from the winter shutdowns.



**Output falls:** A file picture shows workers walking in a warehouse in the Han-steel plant in China. Chinese steel output fell to 71.83 million tonnes in September from 74.59 million tonnes the month before. — AFP

The bureau's figures also showed a drop in production from China's vast aluminum industry, which is facing winter cuts too. Output was 2.61 million tonnes last month, 5.6% less than a year ago, the bureau said. Citigroup has forecast supply cuts of 1 million to 1.5 million tonnes. China is the top producer of steel and aluminum.

The production data came with figures that showed gross domestic product was 6.8% in the third quarter, matching the estimate in Bloomberg survey. In his marathon speech, Xi

mapped out a strategy for development to 2050 that emphasized the quality of growth over quantity or pace of expansion.

Steel dropped with iron ore yesterday. Futures for reinforcing bar, a product used in construction, lost 2.2% on the Shanghai Futures Exchange as hot-rolled coil also fell. In Singapore, SGX AsiaClear iron futures were 2.5% lower at US\$60.15 a tonne. On Wednesday, spot iron ore in Qingdao was at US\$62.72 a dry ton, down from almost US\$80 in August, according to Metal Bulletin Ltd. — Bloomberg

## Kobe scandal shows cost of race to improve metals

**TOKYO:** Behind the scandal engulfing Kobe Steel Ltd over the falsification of data for some of the materials it supplied is a harsh reality for Japanese steel companies: the need to provide higher and higher quality metals to compete.

Kobe Steel rocked Japan's industrial economy with revelations this week that it faked data on the quality of some aluminum, copper and iron powder sales. Chief executive officer Hiroya Kawasaki said more cases could emerge as the company continues its investigations.

Among those affected are automakers – among the biggest customers for steel producers – who have been seeking more advanced products to cut weight while retaining strength and versatility.

“The steelmakers are really trying to protect their turf, because this is a life-and-death situation for them,” said Thanh Ha Pham, senior vice-president in Japan for investment bank Jefferies Group LLC. “It's improve or die.”

The trade-off for carmakers between a vehicle that's strong enough to be safe but light enough to be energy-efficient has led to an array of alloys and efforts to break the dominance of steel, from McLaren's iconic carbon-fiber F1 supercar in the 1990s to Ford Motor Co's decision to switch its venerable F150 pick-up to aluminum in 2015.

While Kobe Steel's falsified reports may be an isolated incident in the industry, Japan's steelmakers have spent a fortune developing new types of steel and other metals to meet demands from automakers for fuel-efficiency, whether the car has a 300 kg petrol engine under the hood, or a 300 kg lithium-ion battery. About two-thirds of the weight of most vehicles is still steel.

But some in the industry see a limit to how thin steel can go, because it would need to be so rigid that it can no longer be molded into car parts.

“We can keep going like this for another 10 years” Toshinao Minakuchi, head of the automotive steel sheet technical solutions department at Nippon Steel & Sumitomo Metal Corp, said in a Sept 5 interview. “But at some point, the limit is coming for steel.”

Nippon Steel, Japan's top producer, is working to improve both the strength and formability of its high-tensile steel by 20% to 30% over the next five to 10 years and is also conducting research on mixing steel with other materials.

A Nippon Steel spokeswoman later said the company isn't in a position to comment on the quality issue, saying that it isn't involved in aluminum and copper products.

The pressure for ever-lighter, thinner and stronger materials has prompted an increase in the use of other metals, such as aluminum, as well as advanced polymers and carbon fiber.

Materials companies including Royal DSM NA and Teijin Ltd. are to trying to marry the properties of steel and plastics by developing a new generation of hybrid products that integrate the two.

“Fusion is the future,” said Yuji Nakahara, president of DSM's Japan unit, which is working with steelmakers on some projects.

He predicts the plastic content of vehicles will rise to 25% by 2030, from about 15% now.

“All parts of the car should be multi-material composites going forward: the right material in the right place.”

Kobe Steel said more than 200 customers, which it didn't identify, were sold products that failed quality control tests, but there have been no reports of safety issues.

A spokesman for the company said pressure to meet delivery deadlines was one reason behind the failure, but the incident is linked to the company's quality management, not its customers.

As countries such as China, India and the UK announce plans to phase out fossil fuel-powered vehicles, the pressure on steelmakers may accelerate as carmakers try to shed weight to extend the driving range of each battery charge. — Bloomberg

# Steel companies ask for more tax incentives

Run-up to  
**Budget Day**  
**2018**  
 27 OCTOBER 2017

By HANIM ADNAN  
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**PETALING JAYA:** Local steel players, whose businesses are gradually picking up after a five-year slump, are vying for more tax incentives under Budget 2018 to ensure the survival of the RM41bil industry.

Malaysia Iron and Steel Industry Federation (Misif) president Datuk Soh Thian Lai said the Government should consider a five-year corporate tax relief for steel businesses undergoing consolidation exercises such as mergers and acquisitions (M&As) and joint ventures (JVs).

Misif, the umbrella body for the local steel sector, has over 130 members mostly in the midstream and downstream levels with several upstream steel players, which, in turn, represent almost the entire steel value chain.

Soh told *StarBiz* that Misif “was encouraging consolidation among the iron and steel industry players” to gain greater economies of scale.

In addition, it will create entities that would be more efficient, environment friendly, energy efficient and are able to withstand competition at home and gain better access to the global market.

For example, local steel manufacturers interested to have JVs with Chinese steel players could synergise their operations and venture into other areas of infrastructure and industrial development.



**Soh:** Misif is encouraging consolidation among the iron and steel industry players.

He added that such tie-ups could facilitate new technological and product development, export market expansion opportunities and human capital development for the industry to move forward.

“This is a positive development whereby our local players can refocus their business model and strategy,” Soh said.

For foreign investors, he said they could also venture into high-value-added products which do not compete with similar products or capacity available in Malaysia.

“Such an undertaking will bring a positive change in the local steel industry landscape and create new and downstream activities in various sectors,” said Soh.

Back in 2013-2015, local steel players raked

up losses of up to RM2bil due to the global slump in steel prices and the influx of below-cost imported steel products, mainly from China.

Under Budget 2018, Soh said Misif also hoped that the One Belt, One Road (Obor)-related projects to be implemented in Malaysia would make it conditional for the developers to purchase 30% local steel products or any construction and infrastructure-related products.

Obor-related projects in Malaysia would likely focus on port infrastructure construction, land-water transportation channels, port-to-port cooperation and increasing capacity in information technology in maritime logistics.



Source : Star Biz  
Date : 25 October 2017 (Wednesday)

# Oversupplied global iron ore market

Firm says situation may prolong for as long as half a decade

**MUMBAI:** The global iron ore market may be oversupplied for as long as half a decade, keeping prices under pressure, according to billionaire Anil Agarwal's Vedanta Ltd, which plans to fight back by raising the quality of its output amid a global shift toward higher-grade material.

Supply would exceed demand for the next three to five years, keeping prices between US\$50 and US\$60 a tonne for ore with 62% iron content, according to R. Kishore Kumar, chief executive officer of the company's iron ore division.

Weak prices and the rising preference for higher-grade supplies by China is hurting miners on India's western coast, which shipped out most of the nation's lower content ores, he said in a phone interview from Goa.

The global market is in a state of flux, with lower-grade ore increasingly shunned in favour of better-quality material that is less polluting as China seeks to clean up its environment.

BHP Billiton Ltd, the largest mining company, said there is a new reality as the flight to quality boosted the premium users would pay for higher-grade ore. The trend has gathered pace as benchmark prices gyrated this year, with the commodity falling into a bear market last month.

"Demand for higher-grade ore will continue as long as the steel margins support their purchase of higher grade," said Kumar referring to mills' profitability, which has risen this year.

"The lower-grade is getting discounted, the higher-grade is getting an excessive premium. So when the margins of steel, whenever they change, it may change this equation."

Benchmark ore with 62% content was US\$62 a dry tonne on Monday, after losing 21% last month, according to Metal Bulletin Ltd, while 58% content material was US\$36.66 and 65% shipments were US\$44.90. The spread between the grades has ballooned since the start of 2016.

To respond to the changing dynamics and compete better with other producers, the unit



**Market demand:** Stackers and reclaimers moving iron ore to rail cars at Rio Tinto's Port Dampier operations in Western Australia's Pilbara region. The global market is in a state of flux, with lower-grade ore increasingly shunned in favour of better-quality material. — AFP

of London-listed Vedanta Resources Plc planned to raise the iron content in its ore to 58%-to-59% from 54%-to-57%, Kumar said.

That would increase production costs for the miner, which has capacity to produce 7.8 million tonnes a year of lower-grade ore from mines in Goa and Karnataka, he said.

The inability to export lower-grade ore had led to the build-up of inventories at ports and mines, with Vedanta sitting on about four million tonnes, about half of which it planned to upgrade to higher content, Kumar said.

Vedanta exported most of its production and now planned to sell to mills on the west coast after the quality upgrade and to its own

pig iron plant, he said.

Shares of Vedanta Ltd, which also produces aluminum, zinc, copper and oil, have rallied 55% in Mumbai this year. They rose 1.9% to 335.45 rupees at 12:32pm yesterday.

India usually exports lower grades to China, Japan, and South Korea, with Goa as the biggest shipper before a ban on mining in 2012 due to environmental concerns. The curb was lifted two years later and exports have been recovering.

Overseas shipments rose to 31 million tonnes in the year to March 31 – about half from Goa – from 5.4 million tonnes the previous fiscal year. — Bloomberg

Source : Star Biz  
Date : 25 October 2017 (Wednesday)

# Auditors doubt LionDiv's ability to continue operations

They have issued disclaimer of opinion on its financial statements

**PETALING JAYA:** Lion Diversified Holdings Bhd's (LionDiv) external auditors Ernst & Young (EY) have issued a disclaimer of opinion on the group's financial statements for the 2017 financial year (FY17), casting doubt on its ability to continue as a going concern for the second year in a row.

The audit report filed with Bursa Malaysia yesterday showed that significant and multiple uncertainties, along with their possible combined effects on the steel product maker's financial statements ended June 30, 2017, prevented EY from having enough audit evidence to make an audit opinion.

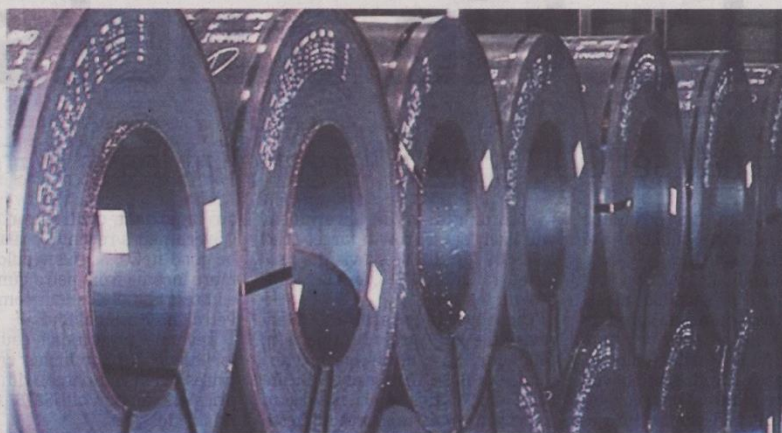
EY said there was a material uncertainty that might cast significant doubt on LionDiv's ability to continue as a going concern.

Not only did LionDiv post net losses for FY17 amounting to RM65.9mil (group level) and RM132.2mil (company level), its current liabilities also exceeded its current assets by RM869.6mil (group level) and RM190.8mil (company level).

"The group and the company may be unable to realise their assets and discharge their liabilities in the normal course of business," EY said.

The audit firm noted that LionDiv's management was forming a plan to regularise the group's financial condition, but EY added that it could not determine whether it was proper for the management to use the going concern basis of accounting. This is because of the uncertainties on the plan's timing and successful implementation.

Due to the shutdown of the operations of wholly owned subsidiary Lion DRI Sdn Bhd in Banting since the previous financial year, EY is also unable to get enough audit evidence in relation to the measurement of revenue, as well as raw materials and consumables used



**Material uncertainty:** Steel product manufacturing is one of the three main business segments of the group.

by the group, and the valuation of inventories in the previous year.

Hence, the auditors could not determine whether it was necessary to adjust the results of operations and the opening accumulated losses for FY17.

EY said it could not be certain of the appropriateness of assumptions made by an independent valuer in estimating the recoverable amount of the direct reduced iron plant owned by Lion DRI in FY16. Accordingly, EY's audit opinion on the FY16 financial statements was modified.

LionDiv has three main business segments – steel product manufacturing, property development and management, and electron-

ic and mechanical contract manufacturing services.

According to LionDiv's latest annual report, the group posted a significantly lower loss before tax of RM39.3mil for FY17 ended June 30, versus a loss of RM910.1mil in FY16.

The group turned around to record an operating profit of RM30mil on a revenue of RM423.38mil, largely contributed by the property segment.

LionDiv triggered the Practice Note 17 in August 2016 as, based on the unaudited interim financial report for the fourth quarter ended June 30, 2016, its shareholders' equity on a consolidated basis was less than 25% of LionDiv's issued and paid-up capital.

Source : Star Biz

Date : 26 October 2017 (Thursday)

## Press Metal gets BB- long-term rating from S&P Global

PETALING JAYA: S&P Global Ratings has assigned a *BB-* long-term corporate credit rating to Press Metal Aluminium Holdings Bhd with a positive outlook, in light of the aluminium extrusion and smelting firm's modest production and scale as an aluminium smelter and extruder.

"The company also has debt-funded its capacity expansion, and its

cash flow adequacy ratios will remain sensitive to fluctuations in aluminium prices," said S&P.

It added that Press Metal's sound cost position, with low power costs and limited reinvestment needs in the operations support its debt reduction potential through 2019 and mitigate these constraints.

S&P said it regards the company's scale and fairly narrow operating

diversity as the main rating constraint.

"The company is a small aluminium producer, with a capacity of 760,000 tonnes and aluminium extrusion capacity of 160,000 tonnes. That's about 1% of the global aluminium capacity and multiple times smaller than other peers rated by S&P Global Ratings, such as Norsk Hydro ASA, Aluminium Corp

of China, or Vedanta Resources Plc.

"Press Metal's scale is unlikely to change materially over the next two to three years because it would need to source low-cost power to remain cost competitive."

S&P also said it expects no major change to Press Metal's product range, which currently focuses on commodity aluminium products, including ingots, billets and wire

rod, for which barriers to entry are limited.

"We expect Press Metal's production and cash flows to remain concentrated to its Bintulu and Mukah sites in Sarawak, with contribution of more than 80% through 2019. The high geographic and single-asset exposures affect the company's credit profile because it reduces earnings quality and predictability."

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# Chua: Steel industry still vital to the country

Deputy minister says Govt looking at how the sector can move up value chain

By DANIEL KHOO

danielkhoo@thestar.com.my

**PETALING JAYA:** The steel industry is still important to Malaysia and will continue to be so in the future, said Deputy International Trade and Industry Minister Datuk Chua Tee Yong.

"There is this misperception that the steel industry is no longer important to Malaysia.

"There is also an export element that is being contributed by the industry, which is around RM28bil, and looking at how much they produce, they still do play an important role in terms of supplying the necessary raw materials to the domestic market," Chua said at a press conference at the trade forum on the Malaysian iron and steel industry.

"In terms of investment, the Government has always been actively looking at how the industry can move up the value chain in the steel industry or to look into sustaining this industry.

"The ones who survive have usually gone through some kind of consolidation or innovation," he added.

Chua said that the steel industry also attracts attention from foreign investors from time to time.

"If you look at foreign direct investments

(FDIs), from 2010 to 2016 for basic metal products there has been a total of RM32bil of FDIs.

"This shows that the steel industry also does attract foreign investors: some are through joint ventures or through the establishment of new plants," he said.

He said there needs to be more JVs or collaboration between local and foreign players to ensure the industry survives and remains competitive in Malaysia.

"This is especially so for steel industries as they need to operate through economies of scale," he said.

On whether the Government would help support the steel industry, Chua said: "What would be approved in terms of government incentives would be dependent on the ministry of finance. MITI would always propose especially industries that promote job employment, multiplier effect, the reduction of imports: these are the few criterias that we look at when we promote a certain industry or even job creation like small and medium enterprises."

Meanwhile, the Malaysian Iron & Steel Industry Federation president Datuk Soh Thian Lai said Malaysian steelmakers have no choice but to move up the value chain.

"This is not a choice of whether you want

or don't want to but you have to because you have to understand the surrounding competition.

"In Asean countries, we are growing using high technologies not low technologies.

"Even in China, their processes are high technology as well with automation. That's why in Malaysia we encourage consolidation so that we are able to venture into high value added and high tech products," Soh said.

On the outlook for the steel industry moving forward, Soh said the scenario in Malaysia is "improving substantially" compared to 2014 to 2016.

"There is still some uncertainty though and this largely depends on China.

"But the price ecosystem in Malaysia has largely stabilised due also to government intervention and the cutback in production in China.

"Moving forward, I can say that the outlook for the steel industry is bright for now. There is some light at the end of the tunnel," Soh said.

"In general based on consumption and steel price, steel companies' performance should be improving but some companies may want to do restructuring or reorganisation, it is possible that this type of companies may report some losses," he added.

Source : Star Biz  
Date : 27 October 2017 (Friday)

## Kobe Steel says nearly 90 customers yet to confirm its products are safe

**TOKYO:** Kobe Steel Ltd said 88 of its customers had yet to confirm its products were safe in the light of widespread tampering of specifications, but it has not received any requests for recalls.

Twenty-six of these customers were overseas companies, Kobe Steel CEO Hiroya Kawasaki told a news conference. He did not name any of the companies. "The scope of the wrongdoing found is far beyond what I had imagined at the start of the probe," he said.

Japan's third-largest steelmaker, which supplies manufacturers of cars, planes, trains and other products across the world, said earlier this month that about 500 of its customers received products in which specifications were falsified, one of the biggest industrial scandals in Japan.

Kawasaki updated the total number of affected customers to 525 yesterday and said the company had assessed there were no safety issues with falsely certified products sent to 437 customers.

Of these, 229 customers had confirmed the safety of the products, 91 had found no immediate safety issues and the rest were deemed to be safe by Kobe Steel's own experts.

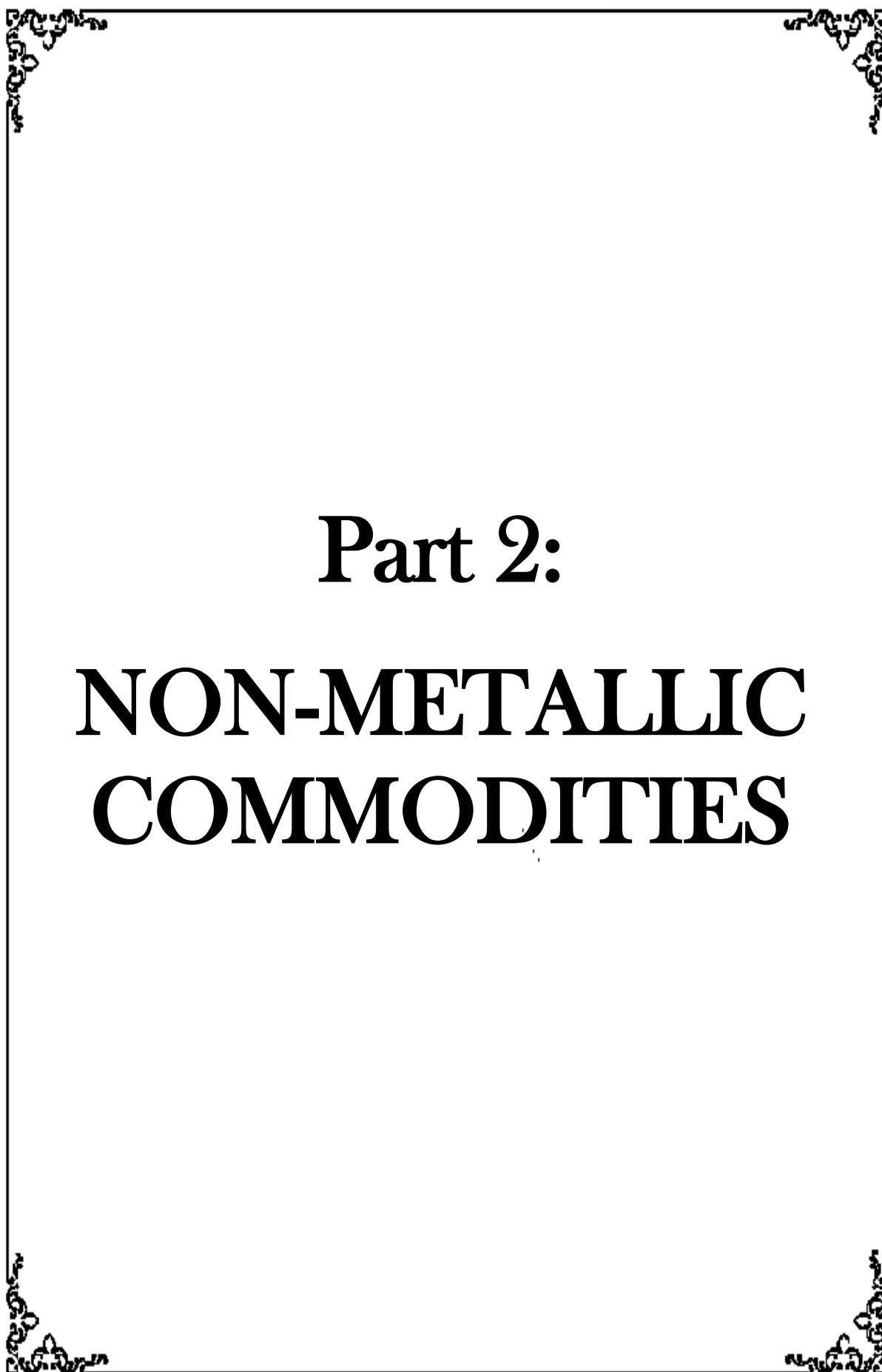
“The scope of the wrongdoing found is far beyond what I had imagined at the start of the probe.”

Hiroya Kawasaki

However, Kobe Steel has lost a badge certifying the industrial quality of some of its products, which experts have said could affect its contracts with customers. There have been no cancellations as yet, Kobe Steel has said.

The company said its Japanese Industrial Standards certificate was revoked for some copper products from its Hatano plant near Tokyo.

Kawasaki said he did not expect more cases where the company is found to have breached Japanese industrial standards, adding the company would comment on the financial impact of the scandal when it released its earnings on Monday. — Reuters



**Part 2:**

**NON-METALLIC  
COMMODITIES**

# Solar panels bring light to Amazon

At least two million in darkest reaches of Brazil are without access to modern energy

**ITUXI EXTRACTIVE RESERVE (Brazil):** In the darkest reaches of Brazil's Amazon, solar panels are bringing light – and could help save the rainforest.

Aurelio Souza is working to install solar panels in villages along the remote Purus and Ituxi rivers in the western Amazonas state.

“The Amazon is the last big frontier for electricity in the country,” says the consultant for a joint programme of the World Wildlife Fund (WWF) and Brazil's environmental agency ICMBio.

“You have at least two million people (in the Brazilian Amazon) without access to modern energy.”

Bringing power to millions might not sound like an obvious way to preserve the world's greatest forest, already under constant pressure from loggers and farmers.

But consider what the solar panels are replacing.

In tiny communities of the Ituxi nature reserve, west of the city of Labrea, small scale farmers almost universally depend on noisy, smoky generators for light and refrigeration – and frequent trips to buy more fuel at higher than usual prices.

To keep fish they catch in the rivers fresh they also use large quantities of Styrofoam, another environmental menace.

“The reduction in the consumption of diesel cuts greenhouse gases and reduces the dependency of communities on fossil fuels,” Souza said.

The project was launched in July in a neighbouring nature reserve,



**Let there be light:** Solar panels donated by the WWF and Brazilian government are installed in the village of Volta do Bucho in the Western Amazon region. — AFP

called Medio Purus, home to about 6,000 people who subsist on fishing and family farms. And without the din of generators drowning out the deep silence of the forest night, life is already changing.

At the community school in the Cassiana community, part of Medio Purus, night classes taught by satellite link have already become a whole lot more rewarding now that

the generator is no longer needed.

Further up the river in the settlement of Jurucua, neighbours are using solar power to run a cassava mill, while Maria Francisca de Souza, 54, is finally able to have river water pumped to her house. She hopes to build her first bathroom soon.

The community association for the Ituxi reserve, with a population

of barely 600, has hooked up to solar power to run a water well pump. There's even a refrigerator for special occasions that used to cost US\$400 (RM1,688) a month in fuel.

These might be small steps but innovation is the best bet for Brazilians in remote communities. Despite an official state policy of bringing power to the entire coun-

try, “the cost is very high in these places”, Souza said.

For Irismar Duarte, vice president of the Ituxi association, the solar panels open the door to more progress.

“Everyone is looking for ways to innovate and people are adapting to the changes.

That's what we're trying to do here,” she said. — AFP

# US\$1.8b investments for Egypt's solar projects

**LONDON:** Egypt's fledgling solar industry attracted US\$1.8bil of investment, largely from the European Bank of Reconstruction and Development (EBRD) and the World Bank's International Finance Corp (IFC).

The EBRD is backing 16 photovoltaic projects, and the IFC is financing 13 in the sunny North African nation with a combined capacity of 1.4 gigawatts. They are writing loans for US\$380mil and US\$203mil, respectively, and have mobilised the rest from co-investors.

"These are the first private

renewable energy projects in Egypt, and it's not an easy macroeconomic or geopolitical situation," Harry Boyd-Carpenter, head of power and energy utilities at the London-based development bank, said in a phone interview.

"Yet because it's got the right regulatory framework in place, Egypt has been able to attract all of these different investors and should comfortably get more than a gigawatt of capacity financed this year."

Egypt is targeting to generate 20% of its electricity from clean sources by 2022. It currently gets

more than 90% of its power from oil and gas, according to data from Bloomberg New Energy Finance.

The solar projects that got funding are being developed in the Benban solar park in Egypt's Aswan province in the southeast. The site is expected to have a capacity of 1.8 gigawatts and cost US\$2.8bil by the time it's complete in the first half of 2019.

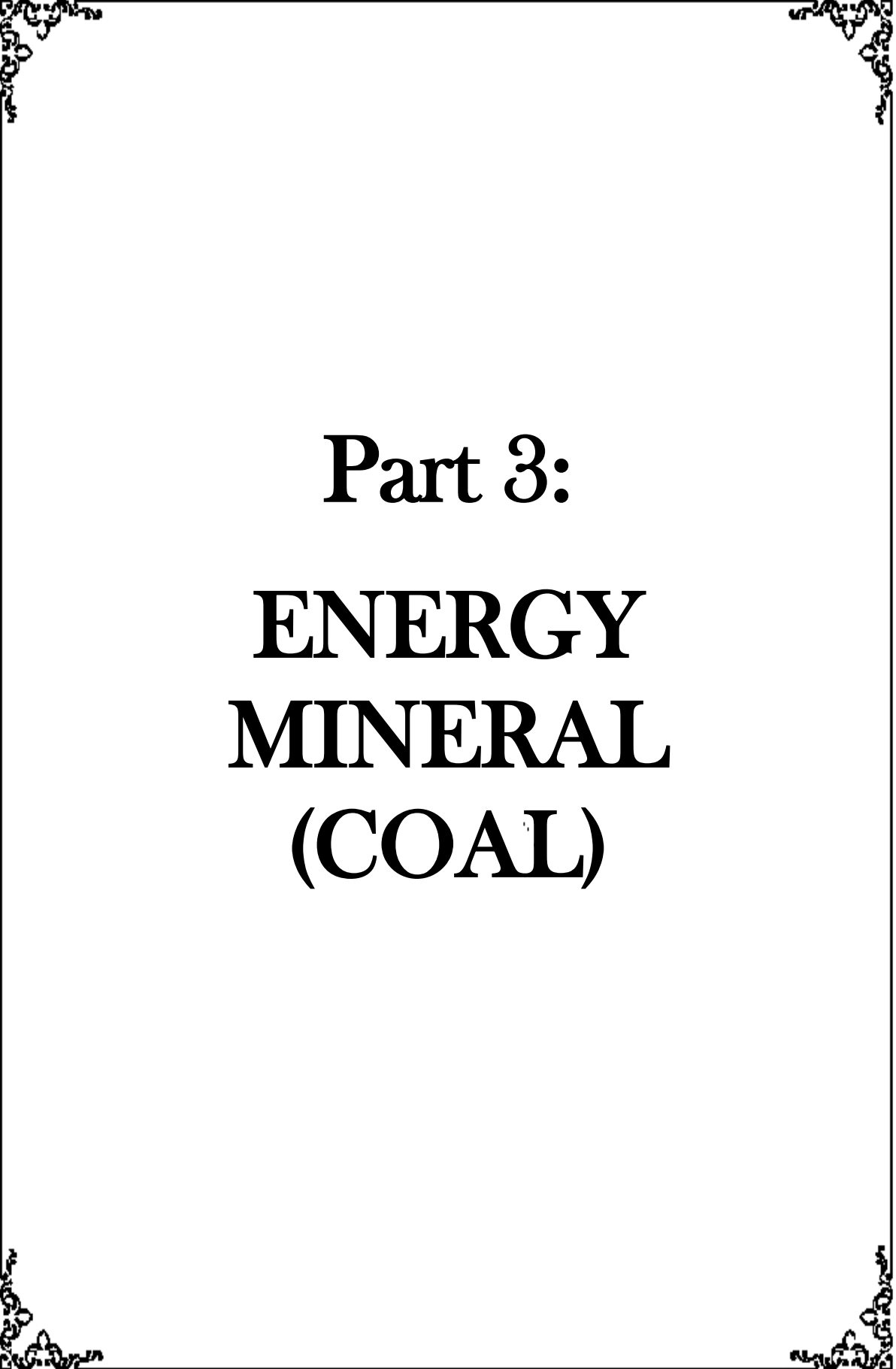
They are being built by international developers such as Scatec Solar ASA of Norway, Saudi Arabia-based ACWA Power and Al Fanar Co, French firms EDF Energies

Nouvelles SA and Eren Renewable Energy SA and Access Power MEA in Dubai.

The loans are part of a programme that the EBRD began in 2015 to invest as much as US\$500mil in solar in Egypt. The plan was delayed due to the devaluation of the Egyptian pound and the fact that the government initially didn't allow international arbitration for renewable energy contracts.

A US\$12bil aid package from the International Monetary Fund last November alleviated some of those concerns. — Bloomberg





**Part 3:**

**ENERGY  
MINERAL  
(COAL)**

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## Nation's 'coal capital' pledges pollution reduction

**SHANGHAI:** Northern China's Shanxi province, the country's top coal producing region, will aim to cut concentrations of hazardous airborne particles known as PM2.5 by 40% over the winter months, the official Xinhua news agency reported.

The province will also aim to cut concentrations of sulphur dioxide – a key component of smog – by 40%

over the October-March period, Xinhua said, citing the province's environmental protection bureau.

China is struggling to meet politically important 2017 air pollution targets, with the coming winter season expected to see smog worsening in some regions, particularly in the North.

The World Health Organization recommends PM2.5 concentrations

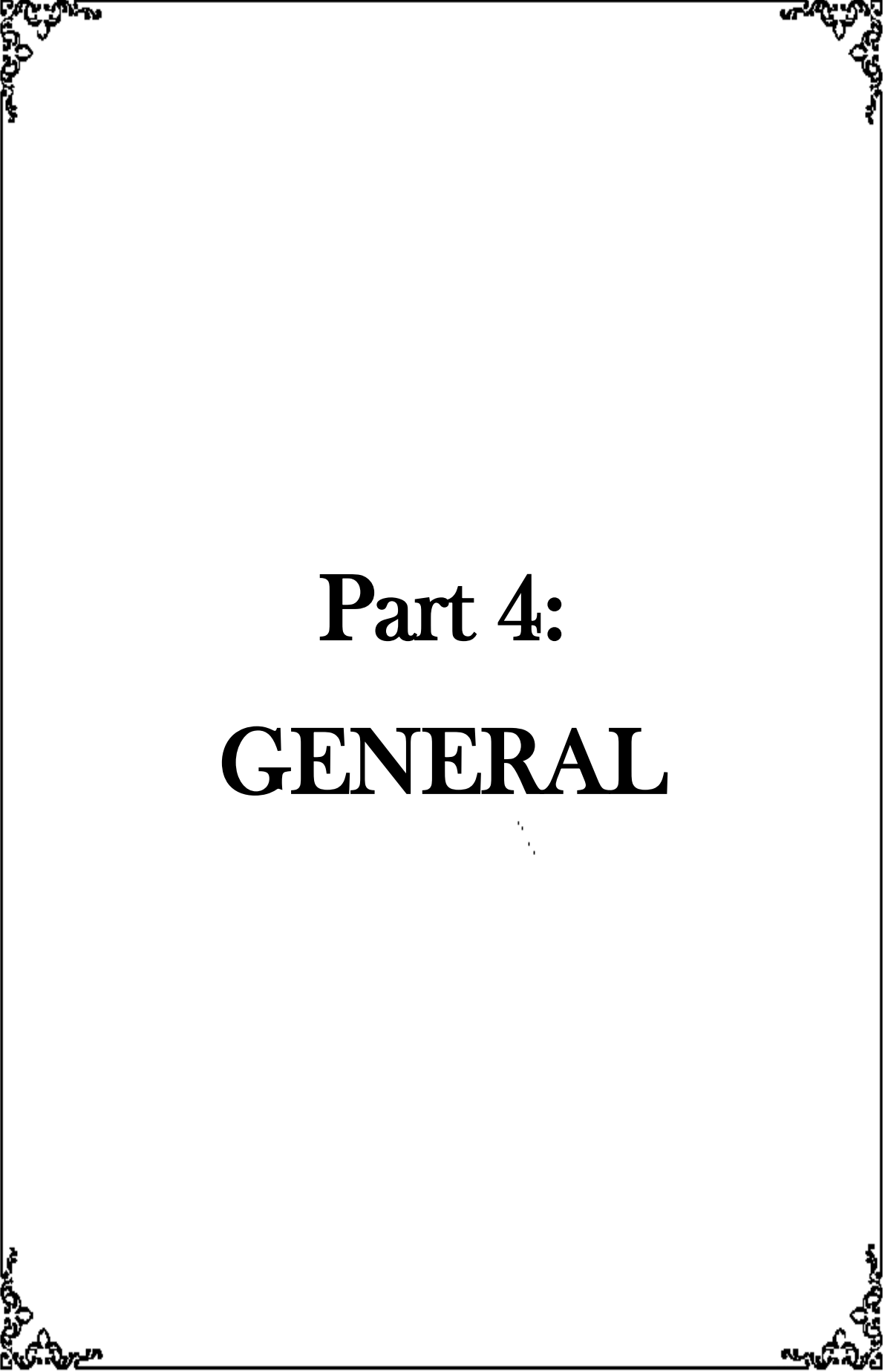
of no more than 10 micrograms per cubic metre, yet China's official air quality target is only 35 micrograms and much of the country records well above that level.

Shanxi already promised to put its local governments under pressure to meet pollution targets, saying city mayors and top party officials will be held fully accountable if air quality in the province declines

this winter.

The province is one of six northern regions included in an intensive campaign to reduce smog this winter.

In a ground-breaking policy document published in 2013, China pledged to reduce PM2.5 by more than 25% in the heavily polluted region of Beijing-Hebei-Tianjin. — Reuters



**Part 4:**  
**GENERAL**

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Source : Star Biz  
Date : 03 October 2017 (Tuesday)

# Ranhill acquires 26.7% in Tawau Green Energy

**KUALA LUMPUR:** Ranhill Holdings Bhd has acquired a 26.7% stake in Tawau Green Energy Sdn Bhd (TGE) for RM18.7mil or RM1 per share.

In a filing with Bursa Malaysia yesterday, Ranhill said its subsidiary Ranhill Capital Sdn Bhd has acquired 18.7 million ordinary shares in TGE on Sept 29.

TGE is principally involved in the design, construct, own, operate and maintain a renewal energy power plant for the purpose of selling electrical energy to Sabah Electrical Sdn. Bhd.

TGE has received requisite approvals to develop a 37MW geothermal power plant at Apas Kiri, Tawau, Sabah.

The plant will operate using Binary ORC Technology utilising indigenous geothermal resources to be exploited at the Apas Geothermal Prospect.

The other shareholders of TGE are Kamarul Kamil (24.3%), Ramzi Sarofim Kozhya Raad (40%) and Exergy S.P.A (9%).

Source : The Star  
Date : 05 October 2017 (Thursday)

## Experts assessing earthquake threats in five Sabah districts

**KOTA KINABALU:** Experts are fanning out in Sabah's five districts in search of cracks on roads and altered flow of streams to come up with a detailed map of underground faultlines.

Universiti Malaysia Sabah geologist Dr Felix Tongkul said the map would enable them to assess possible earthquake threats in Ranau, Kudat, Lahad Datu, Kunak and Semporna.

"If we look underground, the whole state is under some stress. Some parts are moving faster than others.

"This map would give us a picture of what's happening," he said.

Felix said the focus was now in east coast Kunak and Lahad Datu districts where experts warned an earthquake could occur.

Malaysian Meteorological Services Department director Datuk Che Gayah Ismail had two years ago said authorities should be prepared for a possible major earthquake in Lahad Datu.

She said the last major earthquake in Lahad Datu was in 1976 with a magnitude of 5.8.

Stress in the active faults there had been building up since then despite a 3-magnitude tremor in 2012.

Earthquakes can recur at the same location after 30 to 50 years as stress builds up in faultlines.

Felix said mapping out Sabah's faultlines had taken a sense of urgency following the June 5, 2015, earthquake on Mount Kinabalu.

# Slower second half seen

## Economic think tank expects growth to moderate to 5.4% in H2

**KUALA LUMPUR:** Malaysia's economic growth is likely to moderate in the second half of 2017 (2H17), largely due to a high base effect in total exports value, according to Socio Economic Research Centre (SERC).

The economic think tank's executive director Lee Heng Guie said the country's gross domestic product (GDP) is expected to grow by 5.4% in 2H17, compared with 5.7% in the first six months of this year.

For the full year, he sees Malaysia's GDP growing by 5.5% in 2017.

SERC's GDP forecast for 2017 is higher than the World Bank's and the International Monetary Fund's upwardly revised estimates of 5.2% and 4.8% respectively.

The Asian Development Bank had also upgraded its 2017 growth outlook for Malaysia to 4.7%.

"We expect the GDP to grow by 5.5% in the third quarter and 5.3% in the fourth quarter this year, effectively bringing the full-year forecast to 5.5%.

"Medium term growth prospects remain positive as the Malaysian

economy is gaining ground, following the dissipating headwinds of the past two years.

"However, the growth of domestic economic activities is anticipated to slightly moderate moving forward, partly because total exports may grow at a slower pace in 2H17.

"That said, exports growth momentum will likely continue.

"Exports have expanded by 21.5% in August and 30.9% in July, underpinned by continued broad-based recovery in global trade and stable commodity prices," said Lee.

He spoke to reporters after SERC's quarterly economic outlook briefing yesterday.

As for its GDP forecast for 2018, SERC predicts the domestic economy to expand by 5.1%, slightly slower than this year.

Domestic demand will remain dominant in driving the economy moving forward, with the services, manufacturing and construction sectors being key drivers of growth.

When asked whether Malaysians' purchasing power has improved in tandem with the improving macro-

economic conditions, Lee said consumers' real purchasing power has continued to shrink as cost-induced price pressures remain elevated.

"Fuel prices remain a big wild card given the recent run-up in crude oil prices.

"Headline inflation is estimated to increase by 3.9% in 2017, as compared to 2.1% last year," he added.

Meanwhile, SERC has urged the Government to reform the domestic tax system by introducing lower rates and fewer tax brackets, in the upcoming Budget 2018.

"We hope that the Government will offer outright reduction in corporate tax rate by 1% to 23%.

"Currently, the corporate tax rate stands at 24%, one of the highest in the region.

"As for small and medium enterprises, we urge for the reduction of tax rate to 17%.

"The personal income tax rate should also be lowered by 1% to 2%, with higher tax reliefs and rebates related to children education, self-enhancement aspects and medical expenses," said Lee.



**Lee:** We expect the GDP to grow by 5.5% in the third quarter and 5.3% in the fourth quarter.

Reports by ARNOLD LOH, TAN SIN CHOW, R. SEKARAN, CHONG KAH YUAN, CRYSTAL CHIAM SHIYING, LO TERN CHERN and ASHLEY TANG

# 'DOE rejected developer's application'

Ministry: There was no buffer zone between quarry and site

**PETALING JAYA:** The developer's application to build a residential project at the site of a massive landslide that took the lives of nine construction workers was rejected by the Natural Resources and Environment Ministry as it was located near a quarry site.

"The development site is located right next to Teik Granite Quarry, a permanent granite quarry that started operations in 1960," the ministry said in a statement yesterday.

The ministry said it received a planning permission application from the developer on Jan 9, 2015 and the Department of Environment rejected it on Jan 23 the same year.

The statement said the quarry site performed blasting twice a month, the most recent time being on Oct 9.

"Once the rocks are blasted loose from the hillside, they are sent to a crushing site within the quarry to be crushed into smaller pieces for construction use," it said.

The ministry said it did not support the application as there was no buffer zone between the apartment project and the quarrying activities nearby, as required by the

Guidelines of Siting and Zoning of Industries and Residential Areas.

"The quarrying activities are only 162m from the crushing site and between 400m and 500m from the blasting site.

"It is therefore not a safe and peaceful environment for people to live in," it said.

It added that the development also consisted of steep slopes that required a detailed engineering study and possibly, environmental impact assessment approval.

"Unfortunately, they decided to ignore our advice and went ahead with the construction," the statement said.

The ministry also expressed its disappointment at the Penang state government's "lack of oversight" on the project despite its objections from the beginning.

It urged the state government to review further development of hill projects.

At press time, Penang Local Government Committee chairman Chow Kon Yeow could not be reached for comment.

In George Town, DAP's Tanjung Bungalow assemblyman Teh Yee Cheu

said as many as 10 streams are flowing from the top of the hill and passing through the construction site.

He said the streams are located between the site and the quarry, and they flow all year round, bringing water down from what the locals call Zi Zai Hill.

"They are among many tributaries carrying water down from the hill. The water flows along the granite walls of the quarry.

"Although the streams are not big, the amount of water increases after the rain," he said yesterday.

Teh, noted for being outspoken on environmental matters in his constituency, said his pleas to save the hills had been constantly ignored by the authorities.

He also did not rule out the possibility that regular rock blasting at the quarry, about 400m away, may have loosened the soil.

A civil engineer, speaking on condition of anonymity because the matter is under investigation, said the presence of the streams meant a thorough study of the slope is required.

"If a stream can be followed until it reaches downhill, there is little



danger. But if a stream seems to disappear midway on the hill, there is a real risk of sub-surface water accumulation.

"The only way to know is to check the hill meticulously," he said.

He said that because of the recent dry weather, such sub-surface ac-

cumulation could have been slow.

"There may have been signs of soil movement but it could have been hard to see because all the slopes are covered with blue tarpaulin."

Construction workers were carrying out work at the basement

>> From Previous Page

THE STAR, MONDAY 23 OCTOBER 2017

Photos by WAN MOHIZAN WAN HUSSEIN, ASRI ABDUL GHANI, MUSTAFA AHMAD, CHAN BOON KAI, GARY CHEN and CHARLES MARIASOOSAY



**Working against time:** Rescuers carrying the body of a victim after he was pulled out from the debris of the landslide in Tanjung Bungah, Penang. (Top right) A stream running through the site of the tragedy. — AP

area of the affordable housing project when disaster struck at about 8.30am on Saturday.

At press time, the ongoing search and rescue (SAR) operation at the site recovered nine bodies, leaving two victims yet to be found.

Three other workers, who were

earlier reported as missing, managed to escape the mishap with minor injury.

The SAR team has a delicate task to retrieve some of the remains, stuck between steel bars and rocks, without destroying them.

Fire and Rescue Department

assistant director-general (operations) Edwin Galan Teruki, who headed the rescue efforts, said the operation is proceeding well because of good weather.

Malaysian Yuan Kuok Wern has yet to be found and his family could be seen praying at the site.



Source : The Star  
Date : 23 October 2017 (Monday)



## It was a construction site mishap, Lim insists

**GEORGE TOWN:** Chief Minister Lim Guan Eng maintains that the landslide in Tanjung Bungah, which claimed the lives of 11 workers, is a construction tragedy.

He said the Penang Commission of Inquiry will conduct a full and independent investigation to determine the cause of the incident.

“We will take action against those responsible.

“This is a construction site tragedy. Let us focus on that,” he said when asked by reporters if hillside development in the state will be halted following the mishap.

Lim, who was at the site yester-

day, said there must have been something very wrong during construction because there had been no rain for the past few days that could have caused the landslide.

He added that until the commission issues its findings, the developer will be blacklisted and will not be allowed to continue work.

Meanwhile, Penang Forum member Dr Lim Mah Hui said the tragedy was not a simple work-related incident like a scaffolding collapse or crane crash.

“This is hillslope failure and a landslide. What could have caused this?” he asked.

# Penang govt urged to halt all hillslope projects

**GEORGE TOWN:** Opposition parties in the state have asked the state government to review or halt all hillslope projects to prevent a recurrence of a mishap like the landslide in Tanjung Bungah.

MCA religious harmony bureau chairman Datuk Seri Ti Lian Ker urged the state to review all such projects, while Pulau Betong assemblyman Datuk Dr Muhammad Farid Saad said Penang Barisan Nasional would table a motion at the upcoming state assembly sitting to halt these projects in the state pending a proper study.

Ti said the state government should take responsibility for the tragedy as it had been repeatedly warned by NGOs of the possibility

of such an incident.

“Chief Minister Lim Guan Eng should have been mindful of the dangers at hillslope development and listened to the people’s protests,” he added.

Dr Muhammad Farid said the motion was submitted last week, just before the landslide. He hoped that backbenchers from DAP, PKR and PAS will also support the motion, which is for the *rakyat*.

“All hillslope development should be stopped until the study on the cause of the incident at Tanjung Bungah has been determined.

“Developers should be patient and stop such projects for two to three months until the study is completed,” he said.

Gerakan president Datuk Seri Mah Siew Keong said the tragedy could have been prevented had the state government listened to the objections, including those of Tanjung Bungah assemblyman Teh Yee Cheu.

“Teh is from DAP and he has been speaking against these hillside projects. He’s been fighting against this for a long time.

“We call upon the state to re-evaluate all hillside projects to prevent such a tragedy from happening again because people’s lives are more important,” he said after attending a Gerakan Deepavali Open House in Kuala Lumpur.

State Opposition leader Datuk Jahara Hamid said Teh had raised

his concerns on hillslope developments many times but they fell on deaf ears as the state government chose to ignore the views of NGOs and the people.

Gerakan Central Legal and Human Rights Bureau chairman Datuk Baljit Singh lamented that despite repeated warnings more than two years ago from environmentalists, NGOs, residents’ associations and Teh, the state government did not heed their advice.

“Lim’s claim that it was a ‘work-site accident’ is unsatisfying and not convincing.

“He should explain how hillslope projects got approved despite being in apparent violation of the Penang Hill Development Guide-

lines,” Baljit said.

He also urged the state government to reassess all hillslope projects, especially “special projects” under its 2009 project guidelines.

Penang MCA secretary Tang Heap Seng also questioned the state government’s handling of the incident.

“The state failed to set up a Crisis Relief Committee comprising representatives from professional bodies, or a command centre at the site,” he said.

Parti Cinta Malaysia vice-president Datuk Huan Cheng Guan said the state’s Commission of Inquiry should be made up of professionals not only from the state government but also from NGOs and Federal departments to ensure transparency.

# Forum member: Don't just make it about worker safety issues

**GEORGE TOWN:** A Penang Forum member is worried that the state's proposed inquiry into the Tanjung Bungah landslide will only focus on worker safety issues.

Meenakshi Raman, who is also Tanjung Bungah Residents Association chairman, said the inquiry should instead look at the laws that have not been followed and whether or not the Penang Structure Plan (PSP) was neglected.

"It should also look at whether the Penang Island City Council (MBPP), which has the authority to act, failed to properly do its job.

"We hope the commission will broaden its scope of inquiry," she told press conference at the Consumers Association of Penang (CAP) office yesterday.

Penang Forum is a loose coalition of several civil society groups in the state.

The coalition, which includes Sahabat Alam Malaysia, CAP, Malaysian Nature Society, Women for Change, Penang Heritage Trust, Friends of Botanical Gardens, and 25 residents' associations and management committees, urged the state to halt all hillslope projects immediately.

It also wants the state to amend the 2009 guidelines on "special projects" to explicitly prohibit develop-

ment on hill lands except for essential public services.

Forum member Dr Lim Mah Hui said the Penang Hills Watch citizens' initiative provided the state government with information on hill cutting it collected from the public.

"In January, this site was the first case we highlighted to the state government.

"Photos of construction and hill cutting there were presented to the state government. It responded that the 'earthwork is being monitored'," he said.

Dr Lim said Chief Minister Lim Guan Eng wrote in the Safety Guidelines for Hillside Development in 2012 that local governments were to strengthen their geotechnical units, which process and approve applications for hillside developments, and follow up with strict enforcement.

"It says a monitoring team will be established to ensure compliance in construction and performance (of projects).

"The question is what happened then? Did the state and local governments follow their own guidelines? Or was there gross negligence?

"Such a tragedy could have been avoided," Dr Lim claimed.

He also said parties like the State Planning Committee, MBPP's One-



**Speaking out:** Penang Forum members protesting outside the CAP office in George Town.

Stop-Centre Committee (which approved the project), the engineers, the developer and contractors should be investigated.

CAP vice-president Mohideen Abdul Kader said Penangites' concerns over hill development dated back some three decades.

"Remember the proposed Penang Hill development which we managed to cancel in the end? What the state must do now is look after the natural resources and listen to the NGOs.

"Public pressure can make a difference," he said.

Another forum member, Dr Kam Suan Pheng, said the Penang Structure Plan forbade develop-

ment on hill land 76m (250ft) above sea level or with a gradient of 25° and above.

"But many developers cut hillslopes, making them steeper and less stable.

"The weather is always blamed but there was no rain for the past week. So how did the landslide happen?" she asked.

Dr Kam said the Safety Guidelines for Hillside Development clearly state that "if you have a slope ... depending on the height of the slope, you need to have a buffer zone that is greater than the height of the slope."

"From the media reports, the height of the affected slope is 10m,

so there should be a buffer zone of 10m from the foothill," she said, adding that the inquiry should explore this aspect.

Penang Citizens Awareness Chant Group adviser Yan Lee urged the developer to conduct studies on improving on-site safety measures and engage foreign consultants to make sure the project can go on safely.

"They should also make sure the deceased workers' families are taken care of."

Watch the video  
[thestartv.com](http://thestartv.com)



# Drone pix may have captured slope damage

## Tanjung Bungah project buyer photographed site months ago

**GEORGE TOWN:** A buyer of the Tanjung Bungah project that was hit by a landslide may have recorded early signs of trouble months ago.

High-resolution drone pictures he took of the construction site on July 12 show signs of damage at the lower slope where the landslide occurred.

"You can see that the cut slope is broken and there is a big hole," said the buyer, who asked to be identified only as Nik.

He said the hole was strewn with boulders, and there was a large puddle of water at the bottom.

"This is my wife's first home and she wanted me to take the drone pictures to record the construction.

"After the landslide, I reviewed the pictures and on zooming in, I was shocked to see the water and broken slope exactly where the landslide happened.

"What are we going to do now? We have started servicing the loan," said Nik, 29, adding that his wife bought the unit for RM418,000.

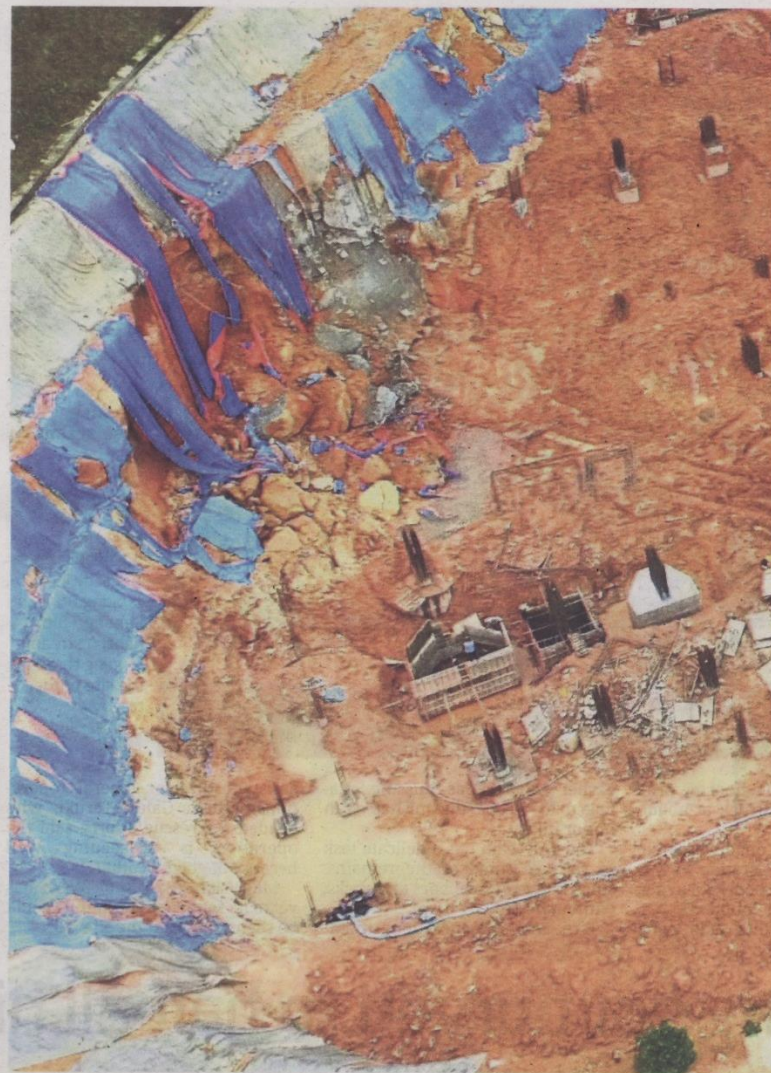
He said other buyers have also

**"I reviewed the pictures and on zooming in, I was shocked to see the water and broken slope exactly where the landslide happened."**

Nik

expressed their worries about the future of the project in a Facebook group.

Pulau Betong assemblyman Datuk Muhammad Farid Saad, a quantity surveyor by profession, said after being shown the drone pictures that he was baffled by the safety measures in place at the site.



**Warning sign?:** The project site captured in a drone photograph taken on July 12.

Source : The Star  
Date : 23 October 2017 (Monday)

# Geologist: Landslide not a threat but sediment could clog river

By **STEPHANIE LEE**  
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**KOTA KINABALU:** More landslides could occur at Mount Kinabalu but experts believe they are unlikely to cause any serious threat to people.

Universiti Malaysia Sabah (UMS) geologist Prof Dr Felix Tongkul said these landslides, including the latest on the eastern side of the mountain on Saturday, were in remote areas and did not affect human settlements directly.

State Tourism, Culture and Environment Minister Datuk Seri Masidi Manjun said a team of Sabah Parks rangers, who trekked the affected area at Mount Kinabalu yesterday, has declared the zone safe.

The team also reported that the landslide was a minor one, he added.

Prof Dr Tongkul, however, said that residents living close to rivers should remain alert as sediment was being washed down by rain.

Referring to the latest incident, where part of the mountain collapsed due to continuous rain and strong winds, Prof Dr Tongkul said he was quite certain that the collapsed section would eventually end up in Mesilou River.

“The only possible consequence we expect is the creation of an artificial dam upstream of Mesilou River, which will cause another round of debris and mud flows if breached.

“If that happened, houses or structures along the river could be washed away while water supply could be affected, as in the aftermath of the quake two years ago,” he said.

He said a team of experts, including himself, would go to the site next week to assess the situation, and would perhaps work with various agencies to come up with disaster prevention plans.

He said there were also fears that such an occurrence would happen again, as many parts of the mountain were eroded or degraded by the June 5, 2015, earthquake.

The earthquake had loosened the mountain soil, boulders and structure, he added, and the mountain and region around it were still settling.

“We are afraid that prolonged heavy rains would cause more landslides, especially on the steeper sides of the mountain,” Prof Dr Tongkul said.

Sabah Parks director Dr Jamili Nais said on his Facebook that landslides were expected as part of the mountain’s stabilisation process, which would take years.

He added that it was why the Mesilou trail and the Mesilou nature resort were closed after the quake.

Sabah Civil Defence Department acting director Lt-Kol Mohd Izaimi Md Daud said Mesilou River’s flow was normal at the moment.

“However, we are monitoring constantly and will advise villagers to relocate if there is a need,” he said.

Meanwhile, many areas in Sabah – especially Kota Belud, which is located on the western front of Mount Kinabalu – remained submerged in floodwaters.

But weather has improved, with water slowly beginning to recede.

Press Cutting  
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by;



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