



The Observer

18.10.2019

MSWG'S ONLINE POLL

We need your votes! Polls will be open for 3 weeks starting from 11 October 2019 to 2 November 2019.

Please click on the link below:

<http://www.mswg.org.my/mswg-online-poll-october-2019>

MSWG'S QUICK TAKE ON-ONGOING CORPORATE DEVELOPMENTS

GENTING MALAYSIA BERHAD ("GENM" OR "COMPANY")

Genting Malaysia sued over Empire Resorts' privatisation

Bursa Malaysia Securities Berhad ("Bursa Malaysia") had on 17 October 2019 queried GENM by referring to the media article entitled "Genting Malaysia sued over Empire Resorts' privatisation" appearing in the The Edge Financial Daily dated 17 October 2019. Bursa Malaysia had asked GENM to make an announcement for public release confirming or denying the reported article, in particular the following sentences:

1. "An Empire Resorts Ltd minority shareholder is suing the company, its board members and the company's controlling shareholders - Genting Malaysia Bhd (GenM) and Kien Huat Realty III – for steering the company to go private against other shareholders' interest."
2. "The suit sought unspecified damages, and called for a halt to Lim and GenM's effort to take the company private, so that Empire Resorts can reassess its value and seek other offers."

In response to the letter from Bursa Malaysia dated 17 October 2019, GENM's Board confirms the lawsuit by a minority shareholder of Empire. Information on the said litigation is disclosed in the 'Litigation' section of Empire's Proxy Statement (Schedule 14A) dated 11 October 2019 and reproduced below:

"On October 8, 2019, a putative class action complaint challenging the Merger was filed in New York State Supreme Court, Sullivan County. The case is captioned David Mullen v. Empire Resorts, Inc. et al., Index No. E2019-2085 (the "Merger Litigation"). The Merger Litigation alleges that the members of the Board breached their fiduciary duties in connection with the negotiation and approval of the Merger Agreement, as well as in authorizing the disclosures made in the preliminary proxy statement filed with the SEC on September 24, 2019. The Merger Litigation further alleges that each of the Company, Parent, Merger Sub, Kien Huat, and GenM aided and abetted the Board's alleged breaches of fiduciary duty. The plaintiff seeks to enjoin the Merger, or, if the Merger is consummated, rescind the Merger or recover damages, as well as an award of the plaintiff's attorneys fees and costs of the litigation. The defendants deny all such allegations, believe the Merger Litigation is without merit, and plan to defend against all claims stated therein."

(Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6315457>)

MSWG's Comments

Of late it seems like GENM's minority shareholders can only rely on the press for updates regarding the Company. There were no updates by the Company in relation to GENM's involvement in the litigation over its recent Empire Resorts' privatisation.

According to Paragraph 9.02 of the Main Market Listing Requirements (MMLR), a listed issuer must, in accordance with the MMLR, disclose to the public all material information necessary for informed investing and take reasonable steps to ensure that all who invest in its securities enjoy equal access to such information.

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)).

The Company may not be required to disclose such information under the MMLR due to their perceived immateriality or other reasons. However, in view of shareholders' concern with the recent privatisation of Empire Resorts as a responsible Company, the Board should take the initiative to update the shareholders.

The onus to inform shareholders lies with GENM, rather than to wait for Bursa Malaysia to query the Company and to be instructed to make the necessary 'confirm, clarify or deny' announcements.

We only wish GENM would be more proactive in disseminating material information to its shareholders in a timely manner, instead of shareholders learning new developments from the press.

Not announcing what should be announced, and waiting for Bursa Malaysia to prompt an announcement, seems to be the norm amongst some PLCs these days. It is time for Bursa Malaysia to highlight that the onus to announce material information, and information required to be disclosed by the Listing Requirements, is upon the PLC and failure to make such announcements voluntarily is a breach of the Listing Requirements.

By: Elaine Choo
Manager, Corporate Monitoring

MSWG AGM/EGM Weekly Watch 21 October – 25 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.

Date & Time	Company	Venue
23.10.19 (Wed) 9.30 am	TAS Offshore Bhd (AGM)	Tanahmas Hotel, Jalan Kampung Nyabor, Sibuloh, Sibuloh Sarawak
23.10.19 (Wed) 11.00 am	Glomac Bhd (AGM)	Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, KL

24.10.19 (Thur) 03.00 pm	EcoFirst Consolidated Bhd (AGM)	Summit Hotel Subang USJ, Persiaran Kewajipan USJ 1, UEP Subang Jaya
25.10.19 (Fri) 10.00 am	IOI Corporation Bhd (AGM)	Le Meridien Putrajaya, Lebuhr IRC, IOI Resort City, Putrajaya

One of the points of interest to be raised:

Company	Points/Issues to Be Raised
TAS Offshore Bhd (AGM)	<p>As stated on Page 10 (Message to Shareholders), the tugboat market is perceived as a bullish market which drives the new tug construction orders, as health, safety and environmental concern begin to boost the global order book.</p> <p>Based on the reported outlook, is it fair to say that the Board would be confident that the Group would be able to secure more contracts, higher revenue and better financial performance in the coming financial year and the near future? Please elaborate on the more contracts, higher revenue and better financial performance.</p>
Glomac Bhd (AGM)	<p>The Group's investment in unquoted subordinated bonds of an amount of RM10.3 million was fully impaired. (page 124 of Annual Report)</p> <p>a) What was the reason the Group subscribed for the subordinated bonds?</p> <p>b) Who is the issuer of the subordinated bonds?</p> <p>c) What was the reason for the full impairment?</p> <p>d) Is there any potential of recovery from the issuer?</p>
EcoFirst Consolidated Bhd (AGM)	<p>1) Included in Trade Receivables is an amount of RM9.224 million (FY 2019) compared to RM0.55 million (FY2018) due from a person connected to a director. (page 109 of the Annual Report).</p> <p>a) What are the reasons for the substantial increase in the amount due from a person connected to a director within a year?</p>

	<p>b) What is the nature of the amount owing by the person connected to a director?</p> <p>c) Who is the director who is connected to the person owing the debt?</p> <p>2) Dato' Tiong Kwing Hee ("DTKH"), the Group Chief Executive Officer/Executive Director ("GCEO/ED") is also the Managing Director ("MD") and a major shareholder of Mercury Industries Berhad ("MIB").</p> <p>As the GCEO of the Company, it is expected that DTKH will devote his full-time commitment to Ecofirst Consolidated Bhd as he is drawing salary, bonus and other benefits under the contract of service with the Company.</p> <p>Please explain how DTKH manages his time commitment to the Company vis-à-vis his position of an MD in Mercury Industries Berhad given that both are executive positions that require full-time commitment.</p>
IOI Corporation Bhd (AGM)	<p>Proposed Resolution 11 is to pay a gratuity payment to late Tan Sri Dato' Lee Shin Cheng of an amount of RM27.36 million in recognition of his 38 years of service and contribution to IOI Group.</p> <p>a) The Company's CG Statement (Practice 6.1) states that there are no termination, retirement and post-retirement benefits that may be granted to Directors and the top 4 management personnel (who is not Group Managing Director) except for those payment pursuant to statutory requirements.</p> <p>There is no mention of gratuity payment.</p> <p>Why is there an exception to pay the gratuity payments?</p> <p>b) Is the gratuity payment to the late Tan Sri Dato' Lee Shin Cheng stated in his service contract?</p>

	<p>c) Why did the Company choose to pay the gratuity payment instead of making a payment from the retirement benefits scheme of the Company since the Company has such a scheme?</p> <p>d) The late Tan Sri Dato' Lee's estate has decided to voluntarily waive the bonus entitlement for FY2019. How much would have the bonus amounted to?</p>
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MSWG'S WATCHLIST

MULTI-USAGE HOLDINGS BERHAD ("MUH" OR "COMPANY")

Qualified Opinion on the Audited Financial Statements for the Financial Year Ended 30 June 2019

Pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Multi-Usage Holdings Berhad ("MUH" or "the Company") announced on 17 October 2019 that the Company's External Auditors, Messrs. UHY had expressed the following qualified opinion in the Company's Audited Financial Statements for the financial year ended 30 June 2019:

The details of the qualified opinion as disclosed in the Independent Auditors' Report as follows:

Qualified Opinion (Extracted from Auditors' Report of MUH)

We have audited the financial statements of Multi-Usage Holdings Berhad, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 149.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Qualified Opinion

On 24 October 2017, the Auditors' Report on the Financial Statements of the Group and of the Company for the financial period ended 30 June 2017 was issued. The said report contains a qualified opinion by the Company's external auditors, Messrs. Baker Tilly Monteiro Heng as detailed in Note 33.

We are unable to obtain sufficient appropriate audit evidence to determine the nature and extent of relationship that may exist between the Company and its Relevant Subsidiary Companies and the Special Purpose Vehicle ("SPV") by virtue of the said transactions and the debt restructuring exercises. Consequently, we were unable to determine whether the Company had control over the SPV; and the completeness of the comparative disclosures relating to the related party transactions between the Group and the SPV.

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6315453>)

HB GLOBAL LIMITED ("HBGLOB" OR 'COMPANY')

APPLICATION FOR A WAIVER TO SUBMIT A REGULARISATION PLAN AND UPLIFTMENT OF THE COMPANY FROM BEING CLASSIFIED AS A PRACTICE NOTE 17 ("PN17") OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") ("MAIN MARKET LR").

On behalf of the Board of Directors ("Board") of HBGLOB, the Board announced on 15 October 2019 that Bursa Securities has vide its letter dated 14 October 2019, notified the Company that after due consideration of all facts and circumstances of the matter, Bursa Securities has approved HBGLOB's application for a waiver from complying with Paragraph 8.04(3)(a) and Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities ("Main Market LR").

The decision was arrived at after taking into consideration all facts and circumstances of the matter including amongst others, that the Company no longer triggers any prescribed criteria under Paragraph 2.1 of PN17 of the Main Market LR, the latest financial position of HBGLOB as at 30 June 2019 including net assets of RM201.3 million and HBGLOB had recorded two (2) consecutive quarters of net profit up to the quarter ended 30 June 2019, which have been subjected to a limited review by an external auditor.

With the waiver being granted, HBGLOB will be uplifted from being classified as a PN17 Company effective from 9.00 a.m., Tuesday, 15 October 2019.

(Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6310609>)

INDUSTRONICS BERHAD (“INDUSTRONICS” OR ‘COMPANY”)

BURSA MALAYSIA SECURITIES PUBLICLY REPRIMANDS AND/OR FINES 5 DIRECTORS OF INDUSTRONICS BERHAD

Bursa Malaysia Securities Berhad (635998-W) (“Bursa Malaysia Securities”) has on 15 October 2019 publicly reprimanded and/or fined 5 directors of Industronics for breach of the Bursa Malaysia Securities Main Market Listing Requirements (“Main LR”) as follows:-

No.	Director	Penalties Imposed
1.	Liu Wing Yee Amy Executive Director	Public Reprimand and Fine of RM200,000
2.	Leung Kwok Kuen Jacob Independent Non-Executive Chairman Audit Committee member <i>(Resigned on 23 February 2018)</i>	Public Reprimand and Fine of RM200,000
3.	Tsui Kwok Ho Independent Non-Executive Director <i>(Resigned on 23 February 2018)</i>	Public Reprimand and Fine of RM50,000
4.	Lu Zhi Qin Independent Non-Executive Director Audit Committee member	Public Reprimand and Fine of RM50,000
5.	Fung Ling Yip Independent Non-Executive Director Audit Committee Chairman <i>(Resigned on 26 July 2018)</i>	Public Reprimand

Liu Wing Yee Amy, Leung Kwok Kuen Jacob, Tsui Kwok Ho and Lu Zhi Qin had breached paragraph 8.23(2)(a)(i) of the Main LR for failing to ensure that the following were fair and reasonable to ITRONIC and not to the detriment of the Company and its shareholders:-

- the advance/deposit of SGD2.5 million paid to Vashion Group Ltd ("Vashion") on 9 & 16 July 2014 ("the Deposit") pursuant to the conditional deposit agreement dated 9 July 2014 in connection with the proposed subscription of shares in Vashion ("the Deposit Agreement"); and
- the continuing advances to Vashion by virtue of the extensions of the Deposit Agreement until 30 June 2016 via the supplemental agreements dated 30 September 2014, 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015 and/or 31 March 2016 ("Supplemental Deposit Agreements").

Fung Ling Yip (who was appointed on 10 December 2014 i.e. after the Deposit Agreement) had breached paragraph 8.23(2)(a)(i) of the Main LR for failing to ensure that the continuing advances to Vashion by virtue of the extensions of the Deposit Agreement until 30 June 2016 via the supplemental agreements dated 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016 were fair and reasonable to ITRONIC and not to the detriment of the Company and its shareholders.

The finding of breach and imposition of the above penalties on the directors of ITRONIC were made pursuant to paragraph 16.19 (1)(b) of the Main LR upon completion of due process and after taking into consideration all facts and circumstances of the matter including the directors' roles, responsibilities, involvement, knowledge and/or approval of the Deposit, the Deposit Agreement and/or the Supplemental Deposit Agreements and the materiality/impact of the breach to ITRONIC and its shareholders/investors.

Bursa Malaysia Securities views the contravention seriously as the requirements under paragraph 8.23 of the Main LR were one of the key investor protection requirements which served to ensure proper preservation and employment of a company's assets/funds.

(Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6311585>)

ANZO HOLDINGS BERHAD ("ANZO" or "COMPANY")

ANNOUNCEMENT PURSUANT TO PARAGRAPH 8.03A OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The Board of Directors of Anzo announced on 11 October 2019 that based on its Q4 result, the Company has triggered Paragraph 8.03A(2)(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Accordingly, the Company is an affected listed issuer.

(Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6309205>)

Reference is made to an article titled "Anzo has been listed as PN 17 company" which appeared in the Sin Chew Daily on 12 October 2019 ("the Article").

The Article mentioned that Anzo has become a PN 17 Company on 11 October 2019.

The Board of Directors of Anzo on 14 October 2019 denies the Article and wishes to clarify that Anzo is not a PN 17 Company. By reference to the announcement dated 11 October 2019, Anzo is an affected issuer under Paragraph 8.03A (2)(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the Company has an insignificant business or operations where revenue on a consolidated basis represents 5% or less than its share capital based on the latest unaudited financial statements for the financial year ended 31 July 2019.

(Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6309389>)

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. KINSTEEL BHD
11. KUANTAN FLOUR MILLS BERHAD
12. LONDON BISCUITS BERHAD
13. MAA GROUP BERHAD
14. MALAYSIA PACIFIC CORPORATION BERHAD
15. MAXWELL INTERNATIONAL HOLDINGS BERHAD
16. MULTI SPORTS HOLDINGS LTD
17. PERISAI PETROLEUM TEKNOLOGI BERHAD
18. SEACERA GROUP BERHAD
19. SUMATEC RESOURCES BERHAD
20. TH HEAVY ENGINEERING BERHAD

GN3 Companies

1. G NEPTUNE BERHAD
2. IDIMENSION CONSOLIDATED BERHAD
3. WINTONI GROUP BERHAD

Please refer to the link below for the latest status of the companies.

<http://www.bursamalaysia.com/market/listed-companies/list-of-companies/pn17-and-gn3-companies/>

REGULATORY NEWS

SC CHARGES FORMER MANAGING DIRECTOR FOR INSIDER TRADING

The Securities Commission Malaysia (SC) today charged Cheah Yew Keat (Cheah), former Managing Director (MD) of DIS Technology Holdings Berhad (DISTECH), with five counts of insider trading in DISTECH shares.

All five charges were for insider trading offences under section 188(2)(a) of the *Capital Markets and Services Act 2007*. Cheah is alleged to have disposed 2,884,300 units of DISTECH shares via the accounts belonging to one Chuah Ni whilst in possession of non-public information between 1 March 2010 and 4 March 2010.

The non-public information referred to in all charges relate to the alleged misstatement of DISTECH's quarterly financial reports between the 3rd Quarter of 2008 and the 4th Quarter of 2009 which had a significant impact on DISTECH's financial results.

Insider trading is an offence punishable with imprisonment term not exceeding 10 years and a fine of not less than RM1 million.

Cheah claimed trial to the charges. Sessions Court Judge Tuan Hasbullah Adam, who set bail at RM200,000 with one surety, also required Cheah to surrender his international passport to the court.

(Source: <https://www.sc.com.my/resources/media-releases-and-announcements/sc-charges-former-managing-director-for-insider-trading>)

LOCAL NEWS AND DEVELOPMENTS

Empire Resorts' minority shareholder sues Genting Malaysia and Kien Huat Realty for unfair privatisation deal

<https://www.theedgemarkets.com/article/empire-resorts-minority-shareholder-sues-genting-malaysia-and-kien-huat-realty-unfair>

Controlling shareholder of Ekuinas' ex-investee sued for oppression

<https://www.theedgemarkets.com/article/controlling-shareholder-ekuinas-exinvestee-sued-oppression>

Whistle-blower protection key to upholding good corporate governance

<https://www.theedgemarkets.com/article/whistleblower-protection-key-upholding-good-corporate-governance>

Felda Investment Corp board agrees RM160m Kuching hotel buy not a good deal

<https://www.theedgemarkets.com/article/isa-samad-trial-ficsb-board-members-agreed-management-not-purchase-mphs>

GLOBAL NEWS AND DEVELOPMENTS

Nestle to Return \$20 Billion to Investors as Sales Increase

<https://www.theedgemarkets.com/article/nestle-return-20-billion-investors-sales-increase>

Hong Kong tycoons are US\$3b richer on Lam's housing policy

<https://www.thestar.com.my/business/business-news/2019/10/17/hong-kong-tycoons-are-us3b-richer-on-lams-housing-policy>

Global shares lose steam on weak U.S. retail sales, Brexit in focus

<https://www.theedgemarkets.com/article/global-shares-lose-steam-weak-us-retail-sales-brexit-focus>

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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 except Industronics Berhad.*
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Feedback

We welcome your feedback on our newsletter and our work. Email us at corporateservices@mswg.org.my with your comments and suggestions.

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