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

The Observer

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❖ Another RPT by Genting Malaysia

Talking about Empire Resorts Inc, shareholders of Genting Malaysia Berhad (GENM) may vividly recall how a related party transaction (RPT) entered by the Company three years ago to acquire stakes in a loss-making casino operator resulted in billion ringgits being wiped out from its market capitalization.

Recall that in August 2019, GENM proceeded with an RPT to acquire a 35% stake in the loss-making Empire Resorts from Kien Huat Realty III Limited (KHR) for US$128.6 million cash.

KHR is a family vehicle of Genting Group's head Tan Sri Lim Kok Thay. When news of the RPT was announced publicly, it was met with heavy criticism from the investing fraternity.

Recently, GENM said it is investing another US$100 million (RM438.5 million) to acquire convertible preferred stock (Series F) in Empire Resorts from KHR, raising its investment in the New York-based gaming company to US$624.4 million.

This raised GENM's investment in the New York-based gaming company to US$624.4 million. With the latest investment, GENM's stake in Empire will increase to 76.3% assuming the full conversion of all preferred stock.

Apart from the abovementioned, GENM had completed a few rounds of investments in Empire Resorts in the past via:

- On 19 March 2020, GENM announced the subscription of up to US$40 million of Series G Preferred Stock of Empire Resorts

- On 11 September 2020, GENM announced the subscription of up to US$150 million of Series L Preferred Stock of Empire Resorts

- On 19 March 2021, GENM announced the subscription of up to US$20 million of Series L Preferred Stock of Empire Resorts

- On 12 October 2021, GENM announced the subscription of up to US$150 million of Series L Preferred Stock of Empire Resorts

In summary, GENM's investment in Empire Resorts includes indirect ownership of 49% common stock, 100% of Series G and Series L preferred stocks.

Assuming full conversion of Series F, G and L preferred stock in 2030, GENM's effective shareholding in Empire Resorts will increase to 76.3%, from 49% currently.

GENM said the acquisition of preference shares would enable them to "further capitalise on the growth prospects of Empire and reinforce its position in the New York State gaming market".

MSWG's take

MSWG had commented on the RPTs entered by GENM in the past. In our view, GENM should explain how it sees the investment as being in the best interest of the Company, although the investment is not subject to shareholders' approval.

The audit committee should ensure that the RPTs carried out are not detrimental to the interest of the Company and its minority shareholders.

We are unsure as to the type of discussions that must have taken place before the Board approved the RPT. It must have been a unanimous or majority decision to undertake the RPT.

Perhaps, the Board may want to explain further its investment in Empire Resorts since GENM would eventually hold a 66.6% stake in Empire Resorts (assuming full conversion of Series G and L preference stock into common stock after 31 December 2030), which would already enable it to consolidate the earnings of the US casino operator into its book.

These explanations are crucial to address shareholders' concerns especially given the pessimistic outlook forecasted by analysts.

Some analysts see the further capital injection into Empire Resorts as a downside risk to GENM due to the lacklustre earnings outlook of Empire Resorts. The gaming operator is expected to be loss-making over the next five years, notwithstanding its improving financial performance.

Besides, they are concerned that the issuance of up to three New York downstate full casino licences in 2023 might lead to the potential cannibalisation of Resorts World Catskills and Resorts World Hudson Valley (which are operated by Empire Resorts).

As of 30 September 2022, Empire Resorts registered earnings before interest, taxes, depreciation, and amortization (EBITDA) of US$31.8 million.

For the financial year ended 31 December 2021, GENM recorded a lower share of losses in an associate amounting to RM183.8 million compared to RM285.1 million in FY2020.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 19 – 23 December 2022

For this week, the following are the AGMs/EGMs of companies 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	Quick-take
20.12.22 (Tue) 10.00 am	Digistar Corporation Berhad (EGM)	The EGM is to seek shareholders' approval for a proposed private placement of up 30% of the total number of issued Digistar Shares, whereby up to approximately 10% is to be subscribed by a major shareholder while the remaining portion of up to approximately 20% shall be placed out to third-party investor(s) to be identified later. Digistar is also seeking approval of the shareholders for the proposed amendments to the Constitution of the Company which shall mean that shareholders will be waiving their statutory pre-emptive right under the Companies Act 2016 for all future new share issuance by the Company. Passing the resolution in respect of the proposed amendments will exclude the said statutory pre-emptive for any future issuance of new Shares by Digistar. Any pre-emptive rights of the shareholders will thereafter strictly be as contained in the Constitution, and the provisions of Section 85 of the Act shall not apply.
20.12.22 (Tue) 10.30 am	Green Ocean Corporation Berhad (AGM)	Green Ocean's revenue dipped by 79.0% to RM7.6 million in FY2022 compared to FY2021 of RM36.3 million, mainly due to the absence of trading of palm oil products.

		It registered a pre-tax loss of RM20.8 million in FY2022 (FY2021: RM12.5 million), mainly attributed to the loss from disposal of quoted investment amounted to RM7.36 million and mark-to-market loss on investment in quoted investments of RM10.58 million. The Group expects the glove business to remain challenging in the near term, it will continue to emphasize on cost rationalisation and operational efficiency to sustain performance.
20.12.22 (Tue) 02.00 pm	Opcom Holdings Berhad (EGM)	The purpose of the EGM is to seek shareholders' approval for the proposed acquisition of 100% equity interest in T&J Engineering Sdn Bhd for a total purchase consideration of up to RM90.0 million and the proposed diversification of the business activities of Opcom Holdings Berhad and its subsidiaries to include telecommunication network infrastructure solutions business.
22.12.22 (Thur) 09.30 am	MCE Holdings Berhad (AGM)	The Group's revenue y-o-y increased 24.75% to RM105.82 million (FY2021: RM84.82 million), the higher revenue was mainly due to the Government's decision of not to extend sales tax exemption incentive for passenger vehicles after 30 June 2022, which led to a significant increase in demand for Proton and Perodua. As such, the Group recorded a 10 times jump in net profit to RM8.04 million for FY2022 as compared to a net loss of RM0.83 million in FY2021.
22.12.22 (Thur) 10.30 am	Seal Incorporated Berhad (AGM)	For FY2022, SEAL Group recorded a revenue of RM9.5 million, a decrease of RM9.3 million compared to RM18.8 million recorded in the preceding FY2021. The lower revenue was due to the lower sales of completed properties and lower contribution from timber division.
23.12.22 (Fri) 09.00 am	Sarawak Cable Berhad (AGM)	SCABLE recorded a pre-tax loss of RM103.5 million and a revenue of RM819.9 million in FY2022. The loss was mainly due to an impairment loss

		of RM54.5 million on the disposal of PT Inpola Mitra Elektrindo. Meanwhile, the Cable and Wire segment registered a revenue of RM728.2 million and a pre-tax loss of RM37.0 million. The loss was due to supply chain disruption and frequent shutting down of manufacturing operations, a surge in freight and transportation costs, and increase in raw material prices.
23.12.22 (Fri) 10.00 am	Xidelang Holdings Ltd (AGM)	XiDeLang's FY2022 revenue increased by 17% to RMB443.9 million from RMB380.1 million a year ago due to improved sales from its ODM segment. However, its net loss widened to RMB141.0 million from RMB35.2 million a year ago mainly due to the write off of bad debts that amounted to RMB60.5 million, penalties on late payments of land use rights and property taxes amounting to RMB16.3 million, as well as higher production and logistics costs.

One of the points of interest to be raised:

Company	**Points/Issues to Be Raised**
Digistar Corporation Berhad (EGM)	Pursuant to Section 85 of the Act, Digistar shareholders have a statutory pre-emptive right to be offered any new Shares to be issued by Digistar which rank equally to the existing Shares. The said statutory pre-emptive right is however subject to the Constitution of the Company. The approval of the shareholders for the Proposed Amendments at the forthcoming EGM shall mean that shareholders will be waiving their statutory pre-emptive right under the Act for all future issuance of new Shares by Digistar, and accordingly, passing the resolution in respect of the Proposed Amendments will exclude the said statutory pre-emptive for any future issuance of new Shares by Digistar. Any pre-emptive rights of the shareholders will thereafter strictly be as contained in the Constitution, and the provisions of Section 85 of the Act shall not apply. a) What is the reason for seeking a blanket approval from shareholders to waive their statutory pre-emptive right under the Act for all future issuance of new Shares by Digistar via amending the Constitution of the Company? b) Should not shareholders be given the right to decide whether to waive their statutory pre-emptive right under the Act, for each future issuance of new Shares by Digistar?

Green Ocean Corporation Berhad (AGM)	In FY2022, glove business contributed 85.6% of the Group's total revenue. The Group recorded a gross loss margin of 3.29% compared to a gross profit margin of 0.57% in FY2021. This was mainly due to the downward trend in the selling prices of gloves (page 4 & 6 of Annual Report (AR) 2022). a) How does the Group intend to manage the gross profit level which was mainly impacted by the abovementioned factor? b) Given the oversupply and falling average selling prices (ASP) of gloves, in what ways can the Group improve its gross profit margin? Has the Board evaluated the sustainability of the Group's manufacturing and trading of glove business? c) The Company completed various fundraising exercises - rights issue with warrants on 4 January 2021 and private placement on 27 August 2021, the amount of proceeds raised that were earmarked for capital expenditure for the glove business still has an unutilised balance of RM26.1 million and RM7.99 million respectively as of 30 August 2022 (page 41 of AR 2022). Given the current glove sector landscape, which is experiencing intense market competition, oversupply situation and decline in ASP of gloves, has the Board deliberated on the feasibility of constructing a new glove manufacturing facility? What is the progress of the Group's investment in the glove manufacturing business? d) Moving forward, what are the Group's strategies to deliver more sustainable growth in terms of financial performance and consequently deliver better shareholders value?
Opcom Holdings Berhad (EGM)	As the circular is dated 5 December 2022, please explain why dated annual expected market return, annual risk-free rate and equity risk premium as extracted from Bloomberg on 22 August 2022 (page 90 of the circular) were used in the valuation, instead of using the data on latest practicable date ("LPD") of 15 November 2022 or a date closer to the LPD? Please provide the latest annual expected market return, annual risk-free rate and equity risk premium.
MCE Holdings Berhad (AGM)	The automotive industry is anticipated to remain challenging due to the supply chain disruptions related to the chip shortage, resumption of the sales and service tax after June 2022 and increase of minimum wages from RM1,200 to RM1,500. (page 43 of AR2022). Besides the increase of minimum wages from RM1,200 to RM1,500, the implementation of the new amendments to the Employment Act 1955 by the Government, which include the reduction of weekly working hours, raising the salary threshold for entitlement to overtime pay and increased maternity leave and paternity leave is expected to take place from 1 January 2023.

	To what extent will the increase of minimum wages and the relevant new amendments to the Employment Act 1955 impact the Group for financial year ending 2023?
Seal Incorporated Berhad (AGM)	The Group has a significant concentration of credit risk in the form of outstanding balance due from 1 customer (2021: 1 customer) representing 93% (2021: 92%) of the total trade receivables. (Page 115 of AR) a) How does the Group plan to manage the high concentration of credit risk from a single customer? b) Please provide the name of the single customer. c) Which business segment does the single customer come from? d) What are the challenges faced by the Group in collecting the amount due from the single customer? e) What are the measures taken by the Group to ensure that the debt due from the single customer will not rise substantially in the future? f) How much of the trade receivables due from the single customer has been collected since the last FY 2022? g) Is there any possibility of impairments in the amount due from this single customer in FY2022? If yes, what is the expected amount?
Sarawak Cable Berhad (AGM)	The construction segment has seen steady recovery over the past year. The Group's effort to move into maintenance and services had brought positive outcomes where Trenergy Infratructure Sdn Bhd (TRENERGY) secured a few transmission line maintenance jobs while standing in a good position to secure a few more power grid maintenance tenders. (page 5 of AR 2022) a) What is the outstanding orderbook for the construction segment as at 30 June 2022? b) What is the current tender-book and target orderbook replenishment for FY2023? c) How much was the contribution from the maintenance segment in FY2022 vs FY2021?
Xidelang Holdings Ltd (AGM)	1. There was a substantial RMB60.5 million in bad debts written off in FY2022 (FY2021: nil) which the Group attributed to balances owing from authorised distributors faced with financial distress caused by the Covid-19 pandemic. What measures were taken to recover the bad debts prior to the write offs? Will there be similar write offs in FY2023? 2. Please explain the reasons for the penalties on late payments of land use rights and property taxes amounting

	to RMB16.3 million (page 82 of AR 2022). What actions have been taken to ensure similar occurrences are avoided?

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DISCLOSURE OF INTERESTS

•*With regard to the companies mentioned, MSWG holds a minimum number of shares in all* the companies covered in this newsletter.