



# The Observer

09.08.2019

## ANALYST'S MESSAGE

**GENTING MALAYSIA BERHAD - Another roller coaster ride for the minority shareholders**

### Background

- I. PROPOSED ACQUISITION BY GENM OF SHARES IN EMPIRE RESORTS, INC., FROM KIEN HUAT REALTY III LIMITED ("**KH**")
- II. PROPOSED JOINT VENTURE BETWEEN GENM AND KH TO PRIVATISE EMPIRE RESORTS, INC. ("**EMPIRE**")

The Board announced that Genting Malaysia Berhad ("**GENM**" or "**Company**") had, on 5 August 2019 (United States Pacific Standard Time), entered into a binding term sheet ("**Term Sheet**") with KH for GENM's wholly owned subsidiary, Genting (USA) Limited ("**GenUSA**") to:

- 1.1 acquire 13,200,000 shares of common stock of Empire ("**Common Stock**") held by KH (which currently represents approximately 46% of the Common Stock held by KH and which also represents approximately 35% of the outstanding voting power of Empire on a fully diluted basis after conversion of all preferred stock currently outstanding into common stock ("**Proposed Acquisition**")) at a cash consideration of USD9.74 per share of Common Stock, totaling approximately USD128.6 million (or RM538.8 million). The Proposed Acquisition is subject to amongst others, receipt of regulatory approvals (including approval by the New York State Gaming Commission ("**NYSGC**") and satisfaction of applicable regulatory requirements;
- 1.2 jointly submit a preliminary non-binding proposal to Empire to acquire by merger, the outstanding shares of capital stock held by shareholders of Empire unaffiliated with KH at a cash consideration of USD9.74 per share of Common Stock ("**Proposed Merger**"), subject to the following conditions, among other conditions:

- (a) approval of the Special Committee or another committee of Empire's board composed solely of disinterested members who are also independent of KH and its affiliates, and
  - (b) approval of the holders of a majority of the votes represented by the outstanding shares of Common Stock and Series B Preferred Stock other than such stock owned by KH or its affiliates and executive management; and
- 1.3 concurrently with or immediately following entry into the merger agreement with Empire, form a joint venture between GenUSA and KH on the terms and subject to the conditions set forth in the Term Sheet, into which it is expected that KH and GenUSA will contribute their shares of Common Stock ("**Proposed JV**").

[Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6246537>]

### **MSWG's Comments**

We note that upon completion of the Proposed Acquisition, Proposed Merger and Proposed JV ("**Proposed Transaction**"), GENM will own 49% of Empire via GenUSA. Although GENM announced that the Proposed Transaction is not expected to have any material effect on its earnings for the financial year ending 31 December 2019, nevertheless for effective and better communication with the minority shareholders, key financial information on Empire should have been highlighted in GENM's announcement.

Given that Empire is a loss-making company which recorded a net loss of USD138.7 million for the financial year ended 31 December 2018 (2017: USD46.3 million) and a continued net loss of USD37.6 million for the 1<sup>st</sup> quarter financial period ended 31 March 2019 (Source: [Empire Resort Inc's announcement dated 9 May 2019 on its corporate website](#)). MSWG's main concern on the Proposed Transaction is the potential negative impact on GENM's earnings beyond year 2019.

Notably KH in a letter to the Special Committee of the Board of Directors of Empire stated that:

*"Empire Resorts, Inc. (the "Company" or "Empire") is at a critical juncture. Despite repeated cash infusions from lenders and equity holders, the Company has operated with significant financial losses year after year, has been unable to become financially self-sustaining from revenues from its operations and does not appear to have any reasonable prospect for becoming financially self-sustaining in the future."*

In addition, KH added that:

*"As we no longer believe that the Company can become financially self-sustaining as a standalone public company, at this time, we do not intend to*

*provide further equity or debt financing beyond our obligations under the Commitment Agreement while Empire remains a public company.”*

KH's commitment to provide further equity financing to Empire pursuant to the Commitment Agreement entered by the two parties earlier will expire on 15 April 2020 and KH's final equity investment may occur as early as 15 November 2019.

[\(Source: Empire's filing to US Securities and Exchange Commission dated 25 July 2019\)](#)

The aforesaid letter by KH also paints a negative picture of the financial position of Empire including its inability to become financially self-sustaining from revenues from its operations and does not appear to have any reasonable prospect for becoming financially self-sustaining in the future.

Then how do we reconcile KH's statement with GENM's announcement which among others states that the purchase consideration for the Proposed Acquisition of USD9.74 per share of Common Stock considered amongst others the future earnings potential of as well as the potential synergistic benefits to GENM.

In view of the situation above and particularly when the Proposed Transaction does not require the approval of the minority shareholders, GENM should have at least disclosed the proforma effects of the Proposed Transaction in its announcement although Bursa's Main Market Listing Requirements does not require it to do so. This may have at least shown some efforts being made for greater transparency to its minority shareholders as well as to provide a clearer picture on the impact of the deal upon completion.

According to GENM, one of the rationale for undertaking the Proposed Transaction is to achieve significant upside and value through revenue and cost synergies associated with providing arm's length operating services to Empire which will result in the elimination of duplicative costs at Empire and Resorts World Casino New York City including the elimination of public company costs at Empire, in addition to various other bidirectional synergies across the entire portfolio.

Although we note that GENM may earn fees by providing operational and management services to the Proposed JV which may contribute positively to GENM in the future, nevertheless we are uncertain that such fees is sufficient to net off Empire's losses attributable to GENM's bottom line and there is no clear indication as to when Empire will break even or turn profitable.

Many minority shareholders will surely be concerned with the acquisition and GENM may have to brace itself for the next eventful AGM if the situation were to worsen by such deal.

**By Elaine Choo**

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## MSWG AGM/EGM Weekly

### MSWG AGM/EGM Weekly Watch 29 July to 2 August 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](http://www.mswg.org.my).

<b>Date &amp; Time</b>	<b>Company</b>	<b>Venue</b>
16.08.19 (Fri) 11.00 am	Emico Holdings Bhd (AGM)	EMICO Holdings Bhd at 18 Lebuhraya KG. Jawa Bayan Lepas, Penang

#### **One of the points of interest to be raised:**

<b>Company</b>	<b>Points/Issues to Be Raised</b>
Emico Holdings Bhd (AGM)	<p>The Company states that "the trading of home furnishing and household products under Emico Asia Sdn Bhd has been restructured and absorbed into Emico Penang Sdn Bhd as a division. This is to enable its losses to be offset by the profitability of Consumer Products division. The company staff will also be absorbed into Consumer Products division as well. We hope with the restructuring and concerted steps to reduce the operating costs, the trading division will be able to breakeven for the coming years" (Page 17 of the Annual Report 2019)".</p> <p>a) With the restructuring exercise being implemented, what will be the impact on the Group's performance in the short term?</p> <p>b) Todate, what steps have been taken to reduce the operating costs and what are the further steps to be taken in FY2020?</p>

## MSWG'S WATCHLIST

### DE-LISTING OF CHINA STATIONERY LIMITED

Bursa Malaysia Securities Berhad (Bursa Securities) has decided to de-list China Stationery Limited (CSL or the Company) pursuant to paragraphs 9.28(6) and 16.11(1)(b) of the Bursa Securities Main Market Listing Requirements (Main LR) as CSL has failed to announce/issue the Company's quarterly reports for financial period ended 30 September 2017 until 30 September 2018 and annual report that included the annual audited financial statements together with the auditors' and directors' reports for the 18-months financial year ended 30 June 2018, exceeding 6 months from the stipulated timeframe under paragraphs 9.22(1) and 9.23(1) of the Main LR and until to-date.

In the circumstances, the securities of CSL will be removed from the Official List of Bursa Securities on **16 August 2019** unless the Company submits an appeal to Bursa Securities within 5 market days from today i.e. by **13 August 2019** (Appeal Timeframe).

In the event the Company submits an appeal to Bursa Securities within the Appeal Timeframe, the removal of the securities of the Company from the Official List of Bursa Securities on 16 August 2019 shall be deferred pending the decision on the Company's appeal.

#### Effect of De-listing from the Official List of Bursa Securities

With respect to the securities of the Company which are currently deposited with Bursa Malaysia Depository Sdn Bhd ("Bursa Depository"), the securities may remain deposited with Bursa Depository notwithstanding the de-listing of the securities from the Official List of Bursa Securities. It is not mandatory for the securities of a company which has been de-listed to be withdrawn from Bursa Depository.

Alternatively, shareholders of the Company who intend to hold their securities in the form of physical certificates, can withdraw these securities from their Central Depository System (CDS) accounts maintained with Bursa Depository at any time after the securities of the Company have been de-listed from the Official List of Bursa Securities. This can be effected by the shareholders submitting an application form for withdrawal in accordance with the procedures prescribed by Bursa Depository. These shareholders can contact any Participating Organisation of Bursa Securities and/or Bursa Securities' General Line at 03-2034 7000 for further information on the withdrawal procedures.

Upon the de-listing of the Company, the Company will continue to exist but as an unlisted entity. The Company is still able to continue its operations and business and/or proceed with its corporate restructuring and its shareholders can still be rewarded by the Company's performance. However, the

shareholders will be holding shares which are no longer quoted and traded on Bursa Securities.

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6244749>

### **DE-LISTING OF XINGQUAN INTERNATIONAL SPORTS HOLDINGS LIMITED**

Bursa Malaysia Securities Berhad (Bursa Securities) has decided to de-list Xingquan International Sports Holdings Limited (XINQUAN or the Company) pursuant to paragraphs 9.28(6) and 16.11(1)(b) of the Bursa Securities Main Market Listing Requirements (Main LR) as XINQUAN has failed to announce/issue the Company's quarterly reports for financial period ended 31 March 2017 until 30 September 2018 and annual report that included the annual audited financial statements together with the auditors' and directors' reports for the financial year ended 30 June 2017, exceeding 6 months from the stipulated timeframe under paragraphs 9.22(1) and 9.23(1) of the Main LR and until to-date.

In the circumstances, the securities of XINQUAN will be removed from the Official List of Bursa Securities on **16 August 2019** unless the Company submits an appeal to Bursa Securities within 5 market days from today i.e. by **13 August 2019** (Appeal Timeframe).

In the event the Company submits an appeal to Bursa Securities within the Appeal Timeframe, the removal of the securities of the Company from the Official List of Bursa Securities on 16 August 2019 shall be deferred pending the decision on the Company's appeal.

Source: <http://www.bursamalaysia.com/market/listed-companies/company-announcements/6244745>

### **TAKE-OVERS & MERGERS (PARAGRAPH/RULE 9.19 (47A))**

#### **TASEK CORPORATION BERHAD**

Reference is made to the announcement dated 19 July 2019 in relation to the Offer.

The Board of Directors wishes to announce that the Company has today received notification from the Joint Offerors informing the Holders of Tasek that the offer price has been revised from RM5.50 to RM5.80 per Offer Ordinary Share and RM5.50 to RM5.80 per Offer Preference Share ("Revised Offer") and accordingly, the Revised Offer shall remain open for acceptances until 5.00 pm (Malaysian time) on Monday, 19 August 2019, which is the final Closing Date. The terms of the Revised Offer are final and there will not be any further revision to such terms.

The Notice of the Revised Offer will be despatched to the Holders of Tasek accordingly.

Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6244161>

## **BERJAYA LAND BERHAD**

**PUBLIC SHAREHOLDING SPREAD REQUIREMENT PURSUANT TO PARAGRAPH 8.02 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

Further to the announcement of Berjaya Land Berhad ("BLand") dated 2 August 2019, the Board of Directors of BLand wishes to announce that BLand will seek the approval of Bursa Malaysia Securities Berhad for an extension of time to comply with the approved minimum public shareholding spread requirement.

Source:<http://www.bursamalaysia.com/market/listed-companies/company-announcements/6245125>

## **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. HB GLOBAL LIMITED
11. KINSTEEL BHD
12. KUANTAN FLOUR MILLS BERHAD
13. LONDON BISCUITS BERHAD
14. MAA GROUP BERHAD
15. MALAYSIA PACIFIC CORPORATION BERHAD
16. MAXWELL INTERNATIONAL HOLDINGS BERHAD
17. MULTI SPORTS HOLDINGS LTD
18. PERISAI PETROLEUM TEKNOLOGI BERHAD
19. SEACERA GROUP BERHAD
20. SUMATEC RESOURCES BERHAD
21. TH HEAVY ENGINEERING BERHAD
22. UTUSAN MELAYU (MALAYSIA) 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/>

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## REGULATORY NEWS

### SC TO IMPLEMENT ANTI-CORRUPTION ACTION PLAN

The Securities Commission Malaysia (SC) will be implementing an action plan with the main objectives of supporting the National Anti-Corruption Plan (2019-2023) (NACP) and with the view to improve Malaysia's ranking in the biennial Corporate Governance Watch survey by the Asian Corporate Governance Association.

The SC presented its action plan to the Cabinet Special Committee on Anti-Corruption (JKKMAR) chaired by the Prime Minister Tun Dr Mahathir Mohamad on 18 July 2019, with recommendations to strengthen the standards of corporate governance to prevent corruption, misconduct and fraud.

JKKMAR approved the SC's recommendations to require listed companies to put in place anti-corruption measures, and for the SC to develop a framework to promote the effective discharge of directors' responsibilities. JKKMAR also agreed that several other measures proposed by the SC are to be discussed further with the Debt Management Office.

In view of the coming into force of the corporate liability provision in the Malaysian Anti-Corruption Commission Act 2009 in June 2020, the SC urges listed companies to prepare themselves and take the necessary measures to establish an effective anti-corruption framework in line with the Guidelines on Adequate Procedures.

Based on the SC's review as at 31 May 2019, only 59% of listed companies have an anti-corruption policy, and majority of these policies contain gaps when compared to the Guidelines on Adequate Procedures.

**SOURCE:** <https://www.sc.com.my/resources/media-releases-and-announcements/sc-to-implement-anti-corruption-action-plan>

## LOCAL NEWS AND DEVELOPMENTS

### KLCI breaks below 1,600, markets routed as trade war rages

<https://www.thestar.com.my/business/business-news/2019/08/06/khci-breaks-below-1600-markets-routed-as-trade-war-rages#z2kW3c89V3ffrQ8.99>

### Residential overhang growth slows in Q1



<https://www.thestar.com.my/business/business-news/2019/08/07/residential-overhang-growth-slows-in-q1>

**Chinese companies relocating operations to Malaysia amid trade war**

<https://www.thestar.com.my/business/business-news/2019/08/05/chinese-companies-relocating-operations-to-malaysia-amid-trade-war#BeDyiiKlpmGmSK7z.99>

**Palm hits two-month high on stronger related oils, weaker ringgit**

<https://www.thestar.com.my/business/business-news/2019/08/06/palm-hits-two-month-high-on-stronger-related-oils-weak-ringgit#sJOFpTce7Pm6QiRQ.99>

**Ringgit extends slide against US\$ as trade war worries grow**

<https://www.thestar.com.my/business/business-news/2019/08/05/ringgit-extends-slide-against-us-as-trade-war-worries-grow#3pkZb6dLPr3251xH.99>

**East Coast Rail Link civil works tenders to be called in Q4**

<https://www.thestar.com.my/business/business-news/2019/08/02/east-coast-rail-link-civil-works-tenders-to-be-called-in-q4#8gwK7Apvpi3ROLly.99>

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**GLOBAL NEWS AND DEVELOPMENT**

**Yuan Weakens After Central Bank Sets Fixing Closer to 7 a Dollar**

<https://www.bloomberg.com/news/articles/2019-08-07/yuan-weakens-after-central-bank-sets-fixing-closer-to-7-a-dollar?srd=premium-asia>

**Investors Bet Bank of England Will Cut Rates Below Zero by Early 2021**

<https://www.bloomberg.com/news/articles/2019-08-06/investors-bet-on-boe-cutting-rates-below-zero-by-early-2021?srd=premium-asia>

**Tsunami of Risk Aversion' Ripples Through Asian Stock Markets**

<https://www.bloomberg.com/news/articles/2019-08-06/-tsunami-of-risk-aversion-ripples-through-asian-stock-markets?srd=premium-asia>

**China's Xi Has Few Good Options to End the Chaos in Hong Kong**

<https://www.bloomberg.com/news/articles/2019-08-05/china-s-xi-has-few-good-options-to-end-the-chaos-in-hong-kong?srd=premium-asia>

**RBA Keeps Rate-Cut on Cards to Shield Aussie From Global Easing**

<https://www.bloomberg.com/news/articles/2019-08-04/rba-keeps-rate-cut-on-cards-to-shield-aussie-from-global-easing?srd=premium-asia>

### **HSBC first-half profit rises 16%, announces US\$1bil buyback**

<https://www.thestar.com.my/business/business-news/2019/08/05/hsbc-first-half-profit-rises-16-announces-us1bil-buyback#dMwdfsHVZuZCoUcO.99>

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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.*

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### **Feedback**

We welcome your feedback on our newsletter and our work. Email us at [corporateservices@mswg.org.my](mailto:corporateservices@mswg.org.my) with your comments and suggestions.

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