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Issuer: Lasseters International Holdings Limited

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Meeting details:

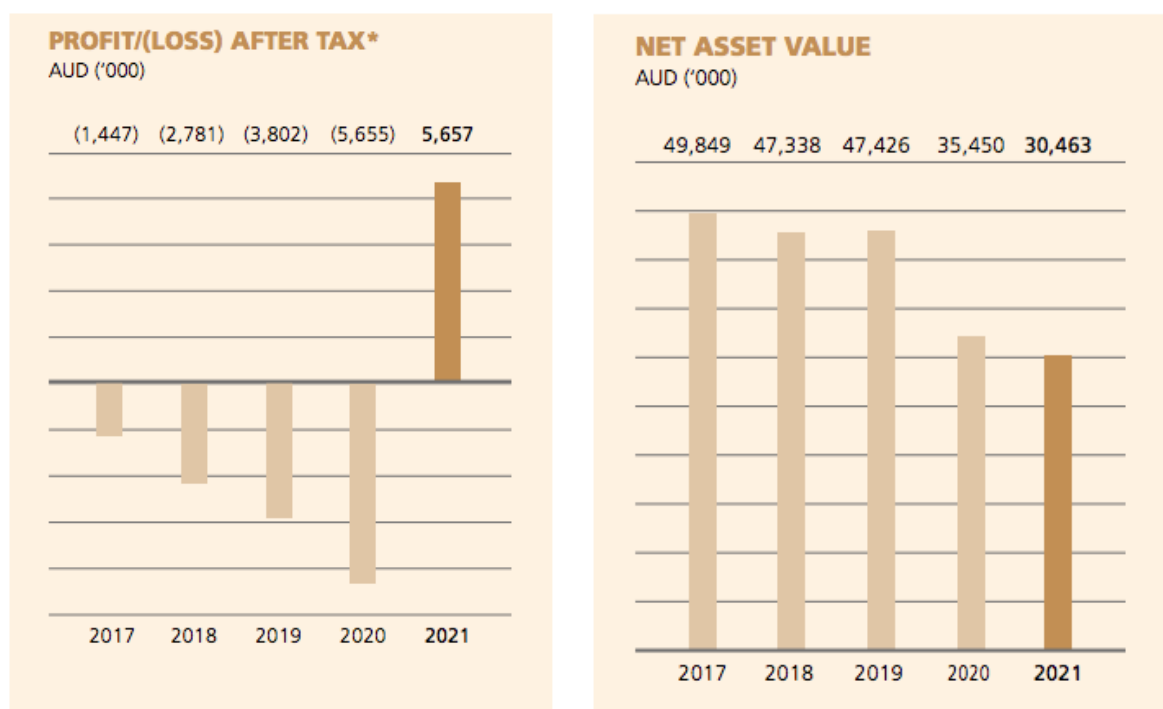
Date: 18 October 2021

Time: 11.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. In April 2021, the company announced that it had entered into three agreements to sell Lasseters Hotel Casino (“LHC”) including the freehold land and property, improvements of LHC, the food & beverages and health club businesses and non-real property business assets of LHC for A\$105 million.

The book value of the Disposal Assets (which includes a revaluation surplus of A\$75.3 million) was A\$121.0 million and the deficit of the consideration over the book value of the Disposal Assets is approximately A\$(16.0) million. On a proforma basis, the company disclosed that, as at 30 June 2020, the NTA per share of the group would decrease from A\$0.0734 cents to A\$0.0476.



(Source: company annual report)

- (i) The 5-year performance of the group is shown in the Financial highlights (page 14; reproduced above). **Given that there was a turnaround in the operations in FY2021, what deliberations did the board have regarding the timing of the sale of LHC?**
- (ii) **Why did the board approve the proposed disposal at a consideration below its book value?**
- (iii) **How did management identify and approach potential buyers for LHC? Please elaborate further on the sale process that the board/management carried out. Were other potential buyers, other than Alice Springs Casino Property and Alice Springs Casino Operations, identified and approached?**

- (iv) **What were the roles played by the independent directors in the proposed disposal?**

Q2. In the company's announcement dated 19 April 2021, the company disclosed that "... the group has decided on a longer term direction and strategy to focus its investment in Malaysia".

- (i) **Prior to the announcement of the proposed disposal on 19 April 2021, did the company/board announce that it was carrying out a strategic review of its business model? If not, why not?**
- (ii) **What was the process the board went through to "*decide on a longer term direction and strategy to focus its investments in Malaysia*"? How robust were the deliberations and decision making by the board and what were the alternatives considered by the board?**
- (iii) **What is the competitive advantage of the group in property and hospitality development in Malaysia? How does the group differentiate itself from other developers/investors?**

The group completed the construction of the 229-key 4-star Mercure hotel in April 2021 and expects to soft-open the hotel in the fourth quarter of 2021.

- (iv) **What is the impact on the prospects of the hotel due to the pandemic, especially the closure of national borders and the movement control orders in Malaysia?**

Further in Note 15 (page 91 – Investment in joint venture), it was disclosed that the group's stake in Super Ace Resources Sdn. Bhd. ("SARSB") was reduced from 44.2% to 29%.

- (v) **Can the board help shareholders understand the reasons for the dilution in the interest in the joint venture? Was the group unwilling or unable to inject fresh cash and/or to subscribe for the redeemable non-convertible non-cumulative preference shares ("RNCNCPs") to maintain its interest?**
- (vi) **Given that the group has accumulated losses of A\$(58.5) million, will the board be reviewing the ability and track record of management and assess if the group has the necessary human resources to allow it to create sustainable returns for all shareholders, especially minority shareholders?**

Q3. At the annual general meeting scheduled to be held on 18 October 2021, the company is seeking shareholders' approval on the payment of S\$186,667 in directors' fees for the financial year ended 30 June 2021.

The directors' fees in the past 5 years are as follows:

FY2017: S\$120,000

FY2018: S\$120,000

FY2019: S\$147,312

FY2020: S\$160,000

FY2021: S\$186,667

As shown in Q1 above, the company has reported cumulative losses of A\$(13.7) million from FY2017 to FY2020 before a A\$5.7 million profit in FY2021 (which was boosted by government subsidies and initiatives). The company has not paid any dividends since March 2009.

- (i) **Can the board help shareholders understand the reasons for the increase in the directors' fees since FY2018?**
- (ii) **Please provide a breakdown of the directors' fees and disclose the fees for the individual directors, as required by Provision 8.1 of the Code of Corporate Governance 2018.**

In addition, the CEO and the (re-designated) non-independent director, Dato' Jaya J B Tan, received bonuses of 22.3% and 27.7% in their remuneration package for FY2021.

Remuneration Report

The breakdown of the level and mix of remuneration of each Director and the CEO for FY2021 are set out below:-

	Salary ⁽¹⁾ %	Directors' Fees ⁽²⁾ %	Bonus %	Total Remuneration %
Directors				
<i>SGD250,000 to below SGD500,000</i>				
Dato' Jaya J B Tan ⁽³⁾	45.9	26.4	27.7	100.0
<i>Below SGD250,000</i>				
Dato' Kamal Y P Tan	-	100.0	-	100.0
Tan San Chuan	-	100.0	-	100.0
Tan Sri Kuan Peng Ching @ Kuan Peng Soon	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0
CEO				
<i>SGD500,000 to below SGD750,000</i>				
Datuk Paul Wong Baan Chun, J.P.	77.7	-	22.3	100.0

Notes:

(1) Inclusive of benefits in kind, allowances and provident funds/superannuation paid by the Company and/or its subsidiaries, where applicable.

(2) Includes directors' fees received from a subsidiary, where applicable.

(3) Dato' Jaya J B Tan was re-designated from Executive Chairman to Non-Executive Chairman on 31 October 2020.

(Source: company annual report)

- (iii) **Can the remuneration committee (RC) provide shareholders with greater clarity the basis of the bonuses given to the two directors? How was the performance assessed?**
- (iv) **Did the RC evaluate if the executive directors (in their roles prior to any re-designation) had created long-term value for shareholders?** From FY2010-FY2016, the company's losses were A\$(3.8) million, A\$(4.0) million, A\$(6.8) million, A\$(7.2) million, A\$(2.9) million, A\$(4.0) million and A\$(1.0) million respectively. As shown on page 14 (Financial highlights), the company reported cumulative losses of A\$(8.0) million in the past 5 years (FY2017-FY2021). Since FY2010, the accumulated losses were A\$(37.7) million.

Further, on page 29 of the annual report, the RC has stated that it took into account the risk policies of the group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks in structuring the compensation framework.

- (v) **Can the RC explain how the company's remuneration practices are appropriate and proportionate to the sustained performance and value creation of the company (Principle 7 of the CG Code 2018)?**

In addition, both long tenured non-executive independent directors, Tan Sri Kuan Peng Ching @ Kuan Peng Soon and Teo Chee Seng were first appointed in February 2004 and will be seeking shareholders' approval for their continued appointment as independent directors at the AGM.

- (vi) **Can the directors help shareholders understand their contributions in the past 17 years that led to value creation for all shareholders, especially minority shareholders? How effective have the directors been in providing entrepreneurial leadership that enhanced the long-term value and returns for minority shareholders?**
- (vii) **Have the long tenured non-executive independent directors held management accountable for performance (page 19 - Provision 1.2: Directors' duties and responsibilities)?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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