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

The Observer

02.04.2021

The Minority Shareholders Watch Group is now on Twitter. The presence at Twitter is the first step for us to create strong social media presence and engage with our stakeholders more effectively. Do follow MSWG's Twitter account at @MSWGMalaysia and share your thought on our tweets from time to time.

Improved virtual AGM conduct

When the COVID-19 pandemic hit Malaysian shores in early 2020 with the ensuing Movement Control Orders, many PLCs had no choice but to conduct their annual general meeting virtually for the first time.

As that was the very first time for most of the PLCs, MSWG observed several areas for improvement in their conduct of meeting. One of the greatest concerns was that the questions raised by shareholders at the meeting were not being addressed by the Board, sometimes citing "time constraint".

With the AGM peak season approaching (for PLCs with financial year ended 31 December 2020), and the ongoing movement control measures, we foresee most of the PLCs will continue to conduct their general meetings virtually.

This year, we hope to see improvements in the conduct of the virtual meeting, especially on how the questions from shareholders are being addressed.

On this note, we would like to commend Bursa Malaysia Bhd for its improvements in conducting its AGM on 31 March 2021. These improvements are: -

1. All questions from shareholders, both received before and during the AGM, were displayed on screen in numerical order

2. All questions raised by shareholders were answered during the meeting. In total, there were over 160 questions which were answered during the two-hour plus meeting.

3. The internal auditor of the company was assigned to check the questions raised and ensure that all of them were answered.

Moving forward, MSWG hopes to see improved virtual AGMs conducted by our PLCs.

❖ Salary down but bonus spirals

TWO recent intertwined events at Genting Singapore Limited (GENS) – one which may be music to the ears while the other with an aura of unpleasantness – has raised eyebrows among investors of the casino operator.

As lockdowns and travel restriction have severely impacted its business both within the confines of the Lion City and back home, it might be "music to the ears" for the investing fraternity to see that the Genting Group's head Tan Sri Lim Kok Thay has joined them "to bite the bullet".

According to GENS, Kok Thay took home less than S$5 million (S$1 = RM3.08) – excluding accruals – as his remuneration for the financial year ended 31 December 2020. This amount was more than a 50% reduction as compared to FY2019. In addition, the executive chairman of GENS continues to take up to 30% pay cut which commenced in March 2020.

"This reduction in remuneration was a result of the group's business being badly affected by COVID-19 which resulted in the cancellation of performance shares granted in 2020 and no performance bonus being paid in respect of FY2020," GENS clarified in a response to queries raised by the Singapore Exchange Regulation (SGX RegCo) with relation to the company's FY2020 annual report.

In a related development, GENS further divulged that the 750,000 performance shares granted to Kok Thay in FY2020 have lapsed in 2021 due to the poor business performance in FY2020.

Bountiful bonus

Now, let us address the juicier part which we described earlier as having an aura of unpleasantness.

In its FY2020 Annual Report, GENS further disclosed that Kok Thay's total remuneration was in the range of S$21.25 million to S$21.5 million compared with his total remuneration in the range of S$9.5 million to S$9.75 million disclosed in FY2019.

This obviously sparked a furore of the highest degree given GENS' net profit nosedived to S$69.2 million in FY2020 or nearly 90% lower from S$688.6 million in FY2019.

In a similar filing to SGX, GENS justified that a "significant proportion" of Kok Thay's remuneration is attributable to a contingent bonus of S$35 million, which is conditional upon GENS being successful in its bid for a Japan integrated resort (IR).

GENS explained 50% of the contingent bonus is due upon the company being selected by the local government as an IR operator for the city, while the balance 50% is due upon certification of the IR area by the Japanese Government. No payment of this incentive award will be made if GENS was not successful in the bid for the Japan IR.

The Company also clarified that none of the S$35 million bonus has been paid out to its executive chairman as the "conditions have not been met", thus it said the accrued relevant portion of this Japan Project Incentive Award "should be viewed separately" from the amount of remuneration received by the chairman for FY2020.

MSWG's take

First and foremost, we do not wish to be condescending by expressing our view on this matter especially when GENS operates outside the Malaysian jurisdiction, both by virtue of international boundaries and stock exchange.

Nevertheless, it is worth noting that Genting Berhad, a Bursa Malaysia-listed entity is the major shareholder of GENS. The financial performance of GENS will inevitably impact the bottom line of its parent company and thus, many Malaysian minority shareholders.

In all fairness, nobody is denying Kok Thay – by virtue of him being GENS' executive chairman – to reap some form of reward for brokering the Japan IR deal.

However, even as he possesses the right to be rewarded, the quantum of bonus attached to sealing the deal can be deemed 'unreasonable" in that it gives the impression that the company owner is putting his pocket ahead of the overall profitability of the company and in so doing, undermining the greater interest of its loyal investors.

The question in minority shareholders' minds is 'should not Kok Thay voluntarily forgo his reward in its entirety – or just accept a modest sum as token'? In other words, should not he demonstrate his commitment to enhancing long-term shareholder value by relinquishing his bonus to further enhance the group's profitability as he can, after all, still reap his rewards as a shareholder if the project is successful.

After all, it is his job to seal the Japan IR deal and to take every measure within his executive capacity to help GENS prosper.

And should GENS prosper, Genting Berhad will be biggest winner at the end of the day by virtue of its 52.66% stake in GENS.

Some food for thought

MSWG would also like to raise some points to ponder:

1. Conflict of interest - The Board of Directors are entrusted to review and screen the executive decisions including approval of new projects.

   Given this role, there may be concerns whether the Board can be objective in the evaluation and selection of project, especially if their remuneration depends on the project that they successfully secure.

   Generally, someone (either board or any other person) who has the power to approve should not benefit from the approval of the project.

   In this case, the shareholders of GENS had on 4 February 2020 approved the proposed grant of special incentive awards to Non-Executive Directors in relation to the proposed bid for the integrated resort project in Japan. It appears that the NEDs too have an interest in approving the project.

2. Short-termism – Short-termism refers to excessive focus on short-term results at the expense of long-term interests.

   Some projects approved may not generate profits in the short term and as they may have a long gestation period. The Board or senior executives, who serve a fixed tenure or contract, may be tempted to take a short-term view in approving projects, more so if their remuneration is based on the approval of the said projects.

3. NED's remuneration - The remuneration of NEDs should not be based on the profit and performance of the company. The award of shares to non-executive directors should not be encouraged to ensure their independence and objectivity in performing their check and balance role.

   In exercising their rights in approving directors' remuneration, shareholders should be vigilant of the nature and structure of the remuneration which may cause potential conflict of interest or where the objectivity or independence of the Board could be impaired.

Devanesan Evanson
Chief Executive Officer

MSWG AGM/EGM Weekly Watch 5 – 9 April 2021

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	Quick-take
08.04.21 (Wed) 10.00 am	Cypark Resources Bhd (AGM)	The news of Cypark was not shortlisted for the LSS4 project is seen as a negative surprise. Having said that, the company is hopeful to clinch some EPCC jobs from successful bidders of LSS4. Awaiting further discussion on the company's future prospect during this upcoming AGM.

One of the points of interest to be raised:	
Company	**Points/Issues to Be Raised**
Cypark Resources Bhd (AGM)	Based on the announcement made by the Energy Commission on 12 March 2021, Cypark was not shortlisted as a bidder for the Large Solar Scale Photovoltaic 4 (LSS4) project. a) As stated in Annual Report 2020 (AR2020), Cypark was hopeful to be shortlisted as one of the winning bidders for LSS4, in view of its track record in previous LSS bids. Given that Cypark was not successful in its bid, what are the Group's future plans? How does this non-selection as a bidder affect Cypark's earnings projection and business targets (e.g., ownership of RE capacity, RE capacity under management) moving forward? b) Cypark was also hopeful of securing some engineering, procurement, construction and commissioning (EPCC) projects from LSS4 bidders. What is the estimated capacity and projects value for the EPCC works that Cypark will undertake for the successful bidders of LSS4?

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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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