Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Hai Leck Holdings Limited

Stock code: BLH

Meeting details:
Date: 29 October 2020
Time: 10.00 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.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q1. As noted in the chairman's statement, the group achieved an increase in revenue to $95.4 million with a net profit amounting to $4.1 million for FY2020. The bright spot for the group has been the contact centre services segment which saw its revenue jump from $7.4 million in FY2019 to $49.6 million in FY2020.

On the other hand, project and maintenance revenue continued its decline due to the challenges in the oil & gas and petrochemical industries. The breakdown of revenue is shown on page 82 (reproduced below).

4. Revenue

(a) Disaggregation of revenue

	Group	
	2020	**2019**
	$'000	**$'000**
Major service lines:		
Project revenue	**24,130**	38,369
Maintenance revenue	**21,581**	37,219
Contact centre services	**49,640**	7,421
	95,351	83,009

(Source: company annual report)

It was further disclosed that the group has a major customer in the contact centre services segment that accounted for $33.97 million in revenue (page 113).

(i) **Can management help shareholders understand the scope of the services provided by its contact centre segment in FY2020?**

(ii) **How did the group manage to scale up its operations in such a short time?** When the company reported its 9-month results, the group achieved $57.6 million in revenue (which was a 14.6% decrease compared to 9M19) although it has stated that the revenue from contact centre services has increased. It also means that the group achieved approximately $38 million or 40% of the total revenue in Q4.

(iii) **How sustainable is the increase in revenue from the contact centre services segment?**

In the update on the impact due to the circuit breaker measures dated 30 April 2020, the company announced that the circuit breaker measures "*have resulted in scaling down of the group's operations, notably in respect of non-essential maintenance*" and that the adoption of safe distancing measures have also "*reduced the group's productivity*". The company provided no further update when it announced the 3Q results on 12 May 2020.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

(iv) **Would the board be reviewing how it could better meet its continuous disclosure obligations by announcing material information in a timely manner?**

(v) **Is it possible that the company's update on the impact of circuit breaker measures on 30 April could have been misinterpreted by the market given that the 4th quarter turned out to be exceptionally strong?**

(vi) **Did the group win a major contract?**

(vii) **Even if there were no new major contracts, should management have updated the market when it was certain about the significant increase in revenue and in profit in the last quarter of the year**? By not making a timely disclosure, it might have resulted in the market trading on an uninformed basis. As stated in the Practice Note 7.1 Continuing Disclosure, a false market may exist if information is not made available that would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities.

Q2. The group is in a strong financial position with cash and cash equivalents amounting to $71.4 million as at 30 June 2020. In the financial and operations review, it was stated that the group intends to "*continue pursuing business opportunities prudently and strategically*" (page 7 of the annual report).

(i) **Would the board elaborate further on the group's strategic growth plans, especially in the oil & gas and the petrochemical industries? Are there any bright spots during this challenging period?**

(ii) **Is the board reviewing opportunities to make strategic acquisitions to consolidate its position in the project and maintenance services segment? Or would the group be diversifying into new/related industries?**

(iii) **Also, would the group remain focused on the Singapore market and not make any major investments overseas?**

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Q3. On 3 April 2020, the company announced the cessation of Mr Cheng Yao Tong as chief executive officer and executive director with effect from 30 June 2020. Mr Cheng Yao Tong resigned for "personal reasons" and to "pursue other personal interest".

Approximately two weeks later, on 16 April 2020, the company announced the redesignations of Mr Cheng Buck Poh and Ms Cheng Li Chen as CEO and executive director respectively. Mr Cheng Buck Poh is well qualified to lead the group as he is concurrently the executive chairman and founder of the company. Similarly, Ms Cheng was previously the CEO from 2007 to 2012 and has been a non-executive director on the board.

(i) **Would the board, especially the nominating committee, help shareholders understand the group's succession plans?**

(ii) **What is the depth of its management bench strength in the different business units?** On page 11, the company only listed two senior managers, namely Miss Cheng Wee Ling (managing director of Tele-centre Services Pte Ltd) and Ms Sin Wan Lin (chief financial officer).

(iii) **With the impending retirement of Mr Chee Teck Kwong Patrick at the conclusion of the AGM on 29 October 2020, what are the board's other plans to refresh the board?**

In the corporate governance report, the nominating committee (NC) has disclosed that candidates for the board may be suggested by directors or management or sourced from external sources.

(iv) **How does the current practice support greater diversity on the board?**

(v) **Would the NC consider making use of a professional search firm the default approach so as to enable the board to cast its net wider and further improve the diversity of the candidate pool?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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

^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US