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Issuer: Hai Leck Holdings Limited

Stock code: BLH

Meeting details:

Date: 26 Oct 2023

Time: 10.00 a.m.

Venue: 47 Tuas View Circuit, Singapore 637357

Q1. For the financial year ended 30 June 2023, the group reported revenue of \$68.6 million, with a higher revenue contribution from the project and maintenance services segment, offset by lower revenue from the contact centre services segment. Net profit attributable to equity holders was \$4.3 million (2022: \$9.9 million).

The trend of segmental revenue in the past 5 years is compiled from the company's annual reports and shown below:

4. Revenue

	Group				
	2023	2022	2021	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Disaggregation of revenue:					
Project revenue	6,960	28,011	23,231	24,130	38,369
Maintenance revenue	41,981	19,947	15,858	21,581	37,219
Contact centre services	19,676	34,581	49,417	49,640	7,421
	68,617	82,539	88,506	95,351	83,009

(Compiled from company annual reports)

- (i) **Can management help shareholders better understand the underlying reasons for the significant drop in project-related revenue to \$6.9 million in 2023?** This figure stands in stark contrast to the range of \$23-28 million achieved during the pandemic and the \$38.4 million in 2019. **Is this decline primarily attributable to operational constraints, such as a shortage of manpower, or is it a result of diminished opportunities and/or decreased competitiveness, or possibly due to management prioritising maintenance work?**
- (ii) **What proportion of the group's activities in the maintenance services segment can be categorised as recurring in nature?**
- (iii) **Since 2019, has the group's contact centre secured new contracts or customers unrelated to the pandemic? How does the contact centre acquire new customers? How much of the work carried out by the contact centre is web-based as opposed to call-based?**

In the chairman's statement, the group's sustainability initiatives concentrate on workplace safety, diversity, waste management policies/practices, and economic success. Although these aspects are undeniably critical, particularly workplace safety, it is notable that the board did not address the prevailing global trend of energy transition. Throughout the entire annual report, there is a notable absence of discussions about climate change and its potential ramifications on the group's operations. Even after conducting keyword searches for terms like clean energy, decarbonisation, global warming, greenhouse gases (GHG), renewables, and net-zero emissions, no pertinent information was found.

- (iv) **Has the board conducted an assessment of the long-term sustainability of the oil and gas and petrochemical industries in Singapore, especially in the context of Singapore's strong commitment to transitioning to a low-carbon economy?**
- (v) **Could the board outline the risks facing the group's operations in the medium to long term?**
- (vi) **Also, what is the potential impact of an increased carbon tax on the group?**

Q2. The group has cash and cash equivalents of \$63.6 million as at 30 June 2023 (2022: \$73.6 million). In Note 21, it is shown that cash and bank balances amount to \$18.7 million while the remaining \$44.8 million has been placed in fixed deposits. Interest rates on fixed deposits range from 3.0 % to 4.2% (2022: 0.10% to 1.10%) per annum during the financial year.

Out of total assets of \$133.9 million, cash and cash equivalents accounted for over 47% or \$63.6 million as at 30 June 2023.

- (i) **Could the board, particularly the independent directors, provide more comprehensive insights into the discussions and considerations related to the group's capital structure?**

The company states that the primary objective of the group's capital management is to ensure that the group maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value (Refer to Note 34 on Capital management; page 93).

- (ii) **What specific strategies are being employed to enhance shareholder value? Does the board actively monitor the group's return on equity (ROE), and is it satisfied with the achieved ROE?**
- (iii) **Is there a possibility that the group is over-capitalised, and if so, has the board considered right-sizing its balance sheet and returning excess capital to shareholders?**

Q3. At the annual general meeting scheduled to be held on 26 October 2023, Mr Tan Sim Cheng will retire from the board after serving on the board for more than 15 years.

With Mr Reuben Tan Wei Jer joining the board on 1 July 2023, the board presently comprises seven directors, three of whom are executives and four of whom are non-executive and independent directors. In the corporate governance report, the company states that the current board composition complies with Provisions 2.2 and 2.3 of the Code of Corporate Governance 2018 (CG Code 2018) where the non-executive and independent directors make up a majority of the board.

- (i) **Can the board, especially the nominating committee (NC), help shareholders better understand if there will be any other additions or changes to the board composition given that Mr Tan Sim Cheng is scheduled to retire on 26 October 2023 and that the board may be poised to deviate from Provisions 2.2 and 2.3 of the CG Code 2018?**

In previous years, the company has simply stated that the NC “*will continue to review and monitor the requirement for the majority independent and non-executive directors to be in line with the provisions of the Code*” [emphasis added] when it deviated from Provisions 2.2 and 2.3.

- (ii) **In the event that the board will once again deviate from the Provisions outlined in 2.2 and 2.3 of the CG Code 2018 due to the retirement of Mr. Tan Sim Cheng, could the NC provide more extensive insights into the underlying reasons for this decision? In other words, does the board consider it unnecessary/optional to comply with Provisions 2.2 and 2.3 or are there genuine challenges that render compliance with these provisions difficult?**

Similarly, the company does not comply with Provision 3.1 of the Code as currently the roles and responsibilities of both the chairman and CEO are vested in Mr Cheng Buck Poh @ Chng Bok Poh since the cessation of Mr Cheng Yao Tong as CEO on 30 June 2020, more than 3 years ago.

In **each** of the past three years, the company has stated the following:

In view of succession planning and during the transitional period of exploring and hiring a suitable CEO to take over the position, currently the roles and responsibilities of both the Executive Chairman and CEO are vested in Mr Cheng and therefore does not comply with Provision 3.1 of the Code.

- (iii) **What were the efforts by the NC/board to search for a suitable CEO? Has the NC established the profile and criteria for the new CEO and if so, what are they? Have any potential candidates been identified and interviewed over the past three years?**

- (iv) As the company has referred to the current arrangement as a transitional, has the NC established a timeline to appoint a new CEO (and/or an independent chairman)?

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

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