

**RESPONSE TO SGX QUERIES ON THE ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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Hai Leck Holdings Limited (the “**Company**”, and together with its subsidiaries collectively the “**Group**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) regarding the Annual Report for the financial year ended 30 June 2020 announced on 6 October 2020. The Company’s response to the queries of SGX-ST are set out below:

**SGX-ST Queries**

**Question 1**

We refer to page 32 and 33 of the FY2020 Annual Report.

It is stated that:

“The previous CEO, Mr Cheng Yao Tong, the Executive Director, Ms Cheng Li Chen, and the Managing Director of Tele-centre Services Pte Ltd, a subsidiary of the Group, Ms Cheng Wee Ling, are children of Mr Cheng Buck Poh @ Chng Bok Poh.

Save as disclosed, there are no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, CEO or Substantial Shareholder of the Company whose remuneration amounts exceed \$100,000 per annum during FY2020. (“**Immediate family member**” refers to the spouse, child, adopted child, step-child, brother, sister or parent).”

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.2 of the Code where the Company discloses the names and [remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report] (emphasis in “[ ]” added). The disclosure states clearly the employee’s relationship with the relevant director or the CEO or substantial shareholder. There were also no explanations were provided for in your FY2020 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code.

Please clarify.

**The Company’s Response to Question 1**

The Company has disclosed on page 32 that the following Directors and key management personnel of the Group are children of Mr Cheng Buck Poh @ Chng Bok Poh.

1. Mr Cheng Yao Tong, previous CEO
2. Ms Cheng Li Chen, Executive Director
3. Ms Cheng Wee Ling, Managing Director of Tele-centre Services Pte Ltd, a subsidiary of the Group

The Company has disclosed on page 33 that there are no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, CEO or substantial shareholder of the Company whose remuneration amounts exceed \$100,000 per annum during FY2020.

The Company’s response to Query 2 below has explained that the level of disclosure in the FY2020 Annual Report with respect to employees who are substantial shareholders or immediate family member of a substantial shareholder, is consistent with the intent of transparency on its remuneration policies as envisaged in Principle 8.

Listing Rule 710 has been complied with respect to Provision 8.2 of the Code.

## **Question 2**

We refer to page 32 of the FY2020 Annual Report.

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 8.1(a) of the Code with regards to the disclosure of remuneration of each individual director, and there were no explanations were provided for in your FY2020 Annual Report on how the Company has been consistent with the intent of Principle 8 of the Code.

We also note that the Company had not complied with Provision 8.1(b) of the Code with regards to the disclosure of the names, amounts and breakdown of remuneration of the [top five key management personnel (who are not directors or the CEO)] that the Company has disclosed, in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel. (emphasis in “[ ]” added)

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

### **The Company’s Response to Question 2**

The remuneration of the Executive Directors and key management personnel are set out in incremental bands of S\$250,000 in compliance with Provision 8.1(b) with further analysis showing the composition between Salary, Variable Bonus, Directors’ Fees and Benefits. As disclosed on page 32 of the FY2020 Annual Report, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) in FY2020 is approximately \$467,000.

Further, as disclosed on pages 30 and 31 of the FY2020 Annual Report, the Company has laid out the salient factors that form the key pillars in the administration of remuneration practices pertaining to Directors and key management personnel in the Group in compliance with Principle 7. First and foremost is the alignment of interest with that of shareholders. As articulated, the process of remuneration administration is led by the Remuneration Committee (“RC”) which provides critical oversight in assuring alignment of individual, Enterprise and Group’s performance to long-term shareholders’ interest and value creation in a sustainable manner.

This level of disclosure is consistent with the intent of transparency on the Company’s remuneration policies taking into account evolving industry trends and forces, competition for talent recruitment and retention. It is prudent and in the shareholders’ interest to protect this competitive advantage through an appropriate level of transparency in the Company’s compliance regime and compensation practices.

Although the Company has not disclosed exact details of the remuneration of each individual Director, the disclosure on page 32 of the FY2020 Annual Report is consistent with the intent of transparency on the Company’s remuneration policies while taking into consideration the sensitivity nature and long-term performance of the Group, especially in this highly competitive industry of remuneration matters.

As disclosed on page 30 of the FY2020 Annual Report, the RC has reviewed and approved the remuneration packages of the Directors and key management personnel, having due regard to their contributions as well as the financial and commercial needs of the Group and has ensured that the Directors are adequately but not excessively remunerated.

The Board is of the view that Listing Rule 710 has been complied with respect to Provision 8.1 of the Code.

### **Question 3**

We refer to page 60 of the FY2020 Annual Report on the Company's Consolidated Cash Flow Statement, please provide explanation(s) for the material difference in the amount of the following item, as compared to the unaudited financial results announcement of the Company for the financial year ended 30 June 2020:

- a) Net cash flows used in investing activities of approximately \$(3,195,000) as compared to the amount of \$(3,568,000)

### **The Company's Response to Question 3**

The material difference is mainly due to the exclusion of property, plant and equipment expensed off amounting to \$343,000 from the Consolidated Cash Flow Statement.

By Order of the Board

Cheng Buck Poh @ Chng Bok Poh  
Executive Chairman and Chief Executive Officer

30 October 2020