

Issuer: Ban Leong Technologies Limited

Security: Ban Leong Technologies Limited

Meeting details:

Date: 25 July 2017

Time: 10:00AM

Venue: 150 Ubi Avenue 4, #04-01, Singapore 408825

Company Description

Ban Leong Technologies Limited, together with its subsidiaries, engages in the wholesale and distribution of computer peripherals, accessories, and other multimedia products in Singapore and internationally. The company operates in three segments: Multimedia, Data Storage, and IT Accessories. The Multimedia segment provides audio and visual products, such as speakers, display and LCD monitors, graphic cards, MP3 players, and sound cards. This segment also offers signages, graphic cards, 3D glasses, and earphones. The Data Storage segment provides products that are used in the storage of data, including solid state drives, tape storage products, HDD cases, and Blu-ray and DVD-Roms. The IT Accessories segment offers PC, gaming, mobile, and Apple related accessories, such as mice and keyboards, as well as networking products comprising switches, routers, and wireless cards. This segment also provides smart watches, fitness bands, and iPhone/iPad accessories. The company also distributes corporate gift cards; and markets and distributes computers and hardware. Ban Leong Technologies Limited distributes its products through e-retailers and Ban Leong e- store; resellers, such as retailers and chain stores; and directly to corporate resellers and system integrators. The company was incorporated in 1993 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=B26)

Q1. In the Independent Auditor’s Report (pages 45-47 of the annual report), the allowance for inventory obsolescence was identified by the independent auditors as one of the key audit matters that were of most significance in the audit of the financial statements of the current period.

As of 31 March 2017, total inventories and the allowance for inventory obsolescence amounted to S\$18.7million and S\$0.8million respectively.

The allowance for inventory obsolescence for 2013 to 2017 is shown in the table below.

	Allowance for inventory obsolescence \$	Inventories recognised as an expense in cost of sales \$	Revenue \$
2017*	735,261	125,662,923	140,449,669
2016*	558,792	122,092,192	138,273,887
2015	76,183	118,822,894	136,404,012
2014	137,524	111,264,429	128,273,522
2013	(63,606)	111,274,444	130,807,035

* Figures from 2016 and 2017 are re-presented and do not account for discontinued operations.
(Source: Company annual reports)

- a) **Can the audit committee help shareholders understand why the allowance for inventory obsolescence increased disproportionately in 2016 and 2017 compared to earlier years? Is there a change in management’s assumptions on the net realisable value of its inventories? Has management turned more conservative in providing for inventory obsolescence?**
- b) **How does management mitigate the risks of higher inventory obsolescence due to rapid technological changes and consumption patterns?**

Q2. As disclosed in Note 36 (page 102 - Event occurring after the reporting period), the group had, through its wholly owned subsidiary AV Labs International Pte. Ltd. (“AV Labs”), entered into “a convertible notes agreement with Bluedge International Limited (“Bluedge”) and Mr Guo Tiesheng, a major shareholder of Bluedge, to subscribe convertible notes for an aggregate principal amount of \$2million”.

Based on the company’s announcement dated 29 June 2017, the Major Shareholder also owns 70% of 北京亚特华通科技发展有限公司 (“Bluedge China”), a company which is principally engaged in the retail sale of computer peripherals, electronic accessories and other multimedia products, particularly in airports and railway stations in the People’s Republic of China.

- a) **Can management elaborate further on why it had entered into the convertible notes agreement with Bluedge and Mr Guo Tiesheng?**
- b) **What are the potential for “collaboration and partnership opportunities in China” (page 8)?**
- c) **Can management also provide visibility into the current scale of Bluedge China’s operations?**
- d) **Can the board help shareholders understand how this investment is aligned with the group’s strategic directions?**

Q3. In the Report of Corporate Governance (page 29), it was disclosed that each of the three Independent Directors, namely Mr Loh Yih, Mr Neo Gim Kiong and Mr Tan Eng Bock, have served for more than 9 years. In particular, Mr Loh, Mr Neo and Mr Tan were first appointed to the board in May 2005, July 2004 and May 2005 respectively.

Mr Neo was appointed as an Executive Director in July 2004, re-designated to “Non Executive Director” in July 2009, and re-designated to an “Independent Director” with effect from 15 June 2015.

Notwithstanding that the Board has determined that the three directors concerned “remained independent of character and judgement and there were no relationships or circumstances which were likely to affect, or could appear to affect, the directors’ judgement”, Guideline 2.4 of the Code of Corporate Governance 2012 calls for the board to “also take into account the need for progressive refreshing of the Board”.

- a) **Can the board provide more detail on its plans to ensure the progressive refreshing of the board?**
- b) **Please also disclose the company’s search and nomination process for new independent directors.**