

Issuer: British and Malayan Holdings Limited

Security: British and Malayan Holdings Limited

Meeting details:

Date: 23 October 2017

Time: 2:30 p.m.

Venue: 1 Coleman Street, #08-01 The Adelphi, Singapore 179803

Q1. In the Chairman’s Statement (page 12 of the annual report), it was suggested that the company has to diversify away from the challenging trust business.

“The trust business in Singapore is challenging, one that continues to see weak pricing and strong competitive pressures, while constantly evolving regulatory demands has resulted in higher costs. Though much effort has gone into containing our costs in a responsible manner, the solution going forward has to stem from developing or acquiring new profitable business opportunities”.

- a) **Following the change in shareholding structure and the recent corporate restructuring by way of a scheme of arrangement, shareholders would like to understand from the management and from the board, in greater details, the new strategic direction of the company.**

BMH:

As mentioned in prior announcements as a result of a strategic review undertaken by the Group in order to address declining profitability the Group has implemented its strategic plan as follows: The Group has realized returns from its investments, enhanced efficiencies through IT systems implementations and cost containment, rationalising and improving the profitability of existing accounts and focusing marketing efforts on appropriate new accounts. A major part of the strategic plan was the corporate restructuring by way of a scheme of arrangement of British and Malayan Trustees Limited which was completed in July 2017.

The Group sees potential benefits both for shareholders and its clients of being able to offer a more holistic and diversified range of services while at the same time maintaining its fiduciary and client centric focus. This approach will have the benefit of diversifying the group’s revenue and income stream from the current trust business which is facing weak pricing and strong competitive pressures.

These potential new businesses (as outlined in the answer to Question 1(b) below) also should allow synergies and increased revenue opportunities to be identified between group entities.

- b) **Could the company elaborate further on the potential new business opportunities that could help the company in diversifying its revenue and income streams? What are the types of business opportunities that could be considered?**

BMH:

BMH is studying and weighting options and alternatives as to the new businesses that British and Malayan Holdings Limited may conduct in the future.

However the Group sees merit in being able to offer a suite of diversified financial services to its clients, including but not limited to businesses such as:

- Financial planning and advisory
- Property management or investment
- Asset management
- Company secretarial and accounting services
- Fund administration and related services

That may be considered in the future.

These businesses may take the form of acquisitions, joint ventures, partnerships, white labelling or the like.

The Group considers these types of business will fit in and consolidate nicely with the existing Trust Company business and help provide the group with the diversification of both revenue and income while providing our clients with a wider product offering.

- c) **Can the company give examples of some of the possible “accretive relationships and alliances with like-minded but complimentary specialists (page 12)”?**

BMH:

Please refer to the answer to Question 1(b) above.

Q2. As shown in Note 10 (page 67 – AFS Financial Assets), the group has available for sale financial assets (quoted equity instruments) of \$2,566,632 as at 30 June 2017.

- a) **As the quoted equity instruments account for 20% of the group’s total assets, shareholders would like to ask management for better visibility into the breakdown of the quoted equity instruments.**

BMH:

The quoted equity investments are all Singapore listed REIT’s.

The market value breakdown of the AFS assets as at 30 June 2017 is:

Security	Market Value (S\$)
Ascendas REIT	644,670
First REIT	576,904
Mapletree Logistics Trust	617,601
Fortune REIT	727,457
TOTAL	2,566,632

- b) **Has the company reviewed the long term performance of the AFS financial assets portfolio?**

BMH:

The Board of the Company at its quarterly board meetings reviews the performance of the AFS portfolio in terms of both absolute return and against the appropriate benchmark. The Company’s CFO monitors the portfolio constantly and makes recommendations to the Board as and when required.

The capital return on the sale of this portfolio was 38.5%.

In Note 24 (page 79 – Events occurring after the reporting period), it was disclosed that “post balance sheet date, the company disposed all of its holdings in AFS assets for a net proceeds of S\$2,527,460”.

- c) **What are management's plans for the net proceeds from the sale of the AFS assets given that the company has cash and cash equivalents at end of year of \$6,704,914?**

BMH:

The sales proceeds have initially been placed on fixed deposit and will be used as and when the BMH Group sees potential new business opportunities to diversify its revenue and income stream.

Q3. Based on the disclosure in Note 23 (page 78 – Segment information), the performance of the Trustee activities segment is as follows:

	Trustee activities	
	2017	2016
	S\$	S\$
Revenue		
External customers	2,269,656	2,509,800
Results		
Interest income	-	-
Dividends income	-	-
Other income	51,636	95,437
Loss on sale of property, plant and equipment	-	-
Employee benefits expense	(2,161,822)	(2,832,135)
Depreciation expense	(193,263)	(195,461)
Other expenses	(1,656,614)	(1,458,073)
Plant and equipment written off	-	-
Net foreign exchange gain/(loss)	1,855	(1,712)
Income tax credit/ (expense)	6,405	(3,020)
Segment (loss)/profit	(1,682,147)	(1,885,164)
Segment assets and total assets	4,949,185	4,774,342
Segment liabilities and total liabilities	1,223,943	1,258,928
Supplementary non-cash transactions:		
Scrip dividend received	-	-

(Source: Company annual report)

a) **Can management elaborate further on their plans to increase the revenue for the Trustee activities segment?**

BMH:

The plans to increase revenue for the Trustee activities are twofold:

1. Actively marketing for appropriate new accounts and pricing them appropriately for the services provided
2. Increasing revenue from existing accounts such as re-pricing where possible/appropriate and charging for ad-hoc services provided

b) **Following the modernisation of the operational systems in the company, how much more cost savings can the group achieve?**

BMH:

Continuing to improve efficiency via technology and improved processes and procedures is a continuing effort. The major upgrades are approximately half finished.

- c) **Has the board and the management evaluated the competitiveness of the group and examined how the Trustee activities operations can be right-sized to adapt to the current market conditions?**

BMH:

As mentioned in previous answers the strategic review and restructuring were undertaken to address the competitive pressures and the declining profitability faced by the Group.

In summary the Group sees the trust business focused on providing trust services to high net worth clients, family offices and institutions as one part of a holistic diversified financial services offering to its clients.

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=34

The company's response could be found here: -----