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Issuer: Ban Leong Technologies Limited

Security: Ban Leong Technologies Limited

Meeting details:

Date: 25 July 2018

Time: 10.00 a.m.

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. It operates through three segments: Multimedia, Data storage, and IT accessories. The Multimedia segment offers audio and visual products, such as speakers, LCD monitors, graphic cards, MP3 players, and sound cards. The Data Storage segment provides storage of data, such as tape storage, HDD cases, Blu-ray and DVD-Roms. The IT accessories segment offers PC-related accessories, including mice, keyboards, and networking products, such as switches, routers, and wireless cards. The company distributes its products through e-commerce; resellers; and directly to corporate resellers and system integrators. Ban Leong Technologies Limited was incorporated in 1993 and is based in Singapore.

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

1. As noted in the Chairman’s Message, revenue for the financial year ended 31 March 2018 increased by 13% to hit \$158.6 million and the group achieved a record profit of \$6.4 million. The group also had to adjust to changing product mix and brought in consumer household products with smart features.

In Note 34 (page 108 – Segment information), it is shown that the increase in revenue from Singapore was the most substantial at 19%, to \$119.6 million from \$100.7 million.

(i) Can management help shareholders understand the specific reasons for the significant increase in revenue from Singapore? Is this growth sustainable?

In addition, the group enjoyed a better gross profit margin of 10.3% in FY2018, up from a gross profit margin of 9.2%, as gross profit increased to \$16.3 million as seen from the Consolidated Statement of Comprehensive Income.

	Notes	Group 2018 \$	Group 2017 \$
Continuing operations			
Revenue	4	158,608,989	140,449,669
Cost of sales		(142,266,916)	(127,543,740)
Gross profit		16,342,073	12,905,929

(Source: Company annual report)

(ii) How much of the improvement in gross profit was due to economies of scale and how much was due to higher margins? As the product mix changes to include more smart consumer household products, will the gross profit margin be maintained or further improved?

(iii) Even though the group recognises the potential of online sales, it was disclosed that such sales still only form a “small percentage of our overall turnover”. How does the group balance its role of an IT distributor and being an online direct-to-consumer e-retailer?

2. Guideline 9.4 of the 2012 Code of Corporate Governance states the following:

For transparency, the annual remuneration report should disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000. The company need only show the applicable bands.

The company has identified Ms Jenny Teo Su Ching as the spouse of the Managing Director, Mr Ronald Teng Woo Boon (page 37).

- (i) Can the board confirm that the remuneration of Ms Jenny Teo Su Ching exceeds \$50,000 for the year?**
- (ii) If so, would the board agree that, under Guideline 9.4, the remuneration of Ms Jenny Teo Su Ching as an immediate family member of Mr Ronald Teng Woo Boon should be disclosed in incremental bands of \$50,000?**

3. At the company's annual general meeting scheduled to be held on 25 July 2018, Mr. Tan Eng Bock and Mr. Loh Yih, who retired by rotation in accordance with Articles 107 and 108 of the constitution of the company and who being eligible, offer themselves for re-election.

Mr. Loh Yih and Mr. Tan Eng Bock have each been a member of the board since 12 May 2005. As such, each of the above-mentioned long tenured independent directors has served on the board for more than 13 years and 2 months.

The company's other independent director, Mr. Neo Gim Kiong was appointed as an Executive Director in July 2004, re-designated as a "Non Executive Director" in July 2009, and redesignated as an "Independent Director" with effect from 15 June 2015.

The nominating committee (NC) comprises Mr Tan Eng Bock, (as chairman), Mr Loh Yih and Mr Neo Gim Kiong. The independence of all the members of the NC is subject to particularly rigorous review.

- (i) Can the NC elaborate on the effectiveness of the NC in the review of the independence of the directors?**

The NC has also stated that it "seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact".

- (ii) What are the board's near-term plans to refresh the board membership in an orderly and progressive manner?**
- (iii) What is the search and nominating process for new directors, especially independent directors?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=214

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