



BAN LEONG TECHNOLOGIES LIMITED

(Company Registration No. 199303898C)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE EXCHANGE ON THE ANNOUNCEMENT REGARDING THE PROPOSED DISPOSAL OF AUDION INNOVISION PTY. LTD.

Capitalised terms which are not defined in this announcement have the same meaning as ascribed to them in the Company's announcement dated 14 November 2016 ("Announcement").

The Board of Directors (the "**Board**") of Ban Leong Technologies Limited (the "**Company**") and together with its subsidiary, the "**Group**") refers to the Announcement. The Company has received the following queries from the Exchange regarding the Announcement ("**SGX Queries**") and sets out its responses as follows:

SGX Query 1

We interpret from paragraph 3.1 and paragraph 6.1 of the Announcement that the Purchaser will be acquiring from BLA the Sale Shares. However, only the following assets of Audion will be taken over by the Purchaser and the Inventory Purchaser:

- a. Fixed assets;
- b. Accounts receivables; and
- c. Inventories

Please provide the net asset value ("**NAV**") of Audion based on its financial statements (without any adjustments) as at 31 March 2016 and 30 September 2016.

The Company's response to SGX Query 1

The NAV of Audion based on its financial statements (without any adjustments) as at 31 March 2016 and 30 September 2016 are as follows:

| | YTDMar2016 | YTDSep2016 |
|---------------------|------------------|------------------|
| | S\$ | S\$ |
| Fixed assets | 24,231 | 15,661 |
| Current assets | 3,744,936 | 3,993,772 |
| Current liabilities | (543,094) | (1,168,422) |
| | <u>3,226,073</u> | <u>2,841,011</u> |

However, the outstanding amounts owed by Audion to the Group, which is eliminated at the Group level after consolidation, is approximately S\$11.3 million as at 31 March 2016 and S\$11.0 million as at 30 September 2016. Assuming that the aforesaid loan amount is included in the calculation of Audion's NAV, Audion's net asset value is S\$(8.1million) as at 31 March 2016 and S\$(8.2million) as at 30 September 2016.

SGX Query 2

In paragraph 3.3 of the Announcement, the Company has referred to the historical financial position and performance as well as the historical track record and future prospects of BLA and Audion amongst the factors taken into in arriving at the Purchase Price. As the Proposed

Disposal relates to the sale of Audion by BLA, a wholly-owned subsidiary of the Company, please clarify why the financial performance and prospects of BLA matters.

The Company's response to SGX Query 2

Although BLA is a separate legal entity from Audion, the Group views BLA and Audion as one unit in respect of its Australian operations as BLA is an investment holding company which sole business activity is to hold the shares of Audion. After Completion, BLA will likely be a dormant company. As such, the Group took BLA's historical track record and future prospects in arriving at the Purchase Price.

SGX Query 3

In paragraph 10 of the Announcement, it is stated that the net proceeds of \$3,500,000 will be used to settle all debts owed by Audion to the Company. Please clarify why the debts owed by Audion to the Company needs to be settled using the net proceeds, since the net proceeds will be received only upon Completion, and the debts will be transferred to the Purchaser at Completion. Please also state how the Company will use the balance of the net proceeds (if any).

The Company's response to SGX Query 2

After extensive commercial negotiations between the Company and the Purchaser, the Purchaser is only willing to take over the fixed assets and accounts receivable of Audion, with the Inventory Purchaser to take over the inventory of Audion, which is reflected in the SPA. As such, the parties' intention is that the debts owed by Audion to the Group (being intra-Group balances), as well as the accounts payable of Audion, will be fully waived and/or settled as at Completion.

As disclosed in the Company's response to SGX Query 1, the total amount owed by Audion to the Group is approximately S\$11.0 million as at 30 September 2016. The Company has provided for approximately S\$7.7 million as bad debts as at 30 September 2016, leaving a balance of approximately S\$3.3 million as at 30 September 2016 which is owed by Audion to the Company. Hence, the Company intends to use the net proceeds of approximately S\$3.5 million to offset the balance amount owed upon Completion, leaving a balance of approximately S\$0.2 million to pay for expenses incurred in relation to the Proposed Disposal.

SGX Query 4

With reference to paragraph 12 of Announcement in respect of the computation of the relative percentage under Rule 1006(a) of the Listing Manual, please clarify how Audion's NAV of S\$2,841,011 as at 30 September 2016 was arrived at. Similarly, in paragraph 9 of the Announcement, please clarify how the audited NAV attributable to the Sale Shares of S\$3,226,073 as at 31 March 2016 was arrived at.

The Company's response to SGX Query 4

The computation of the NAV of Audion as at 31 March 2016 and as at 30 September 2016 is set out in the Company's response to SGX Query 1.

SGX Query 5

With reference to note (2) paragraph 12 of the Announcement, we note that the ratio for Rule 1006(b) is calculated based on the profit after tax of Audion and the Group. Based on Rule 1002(3)(b) of the Listing Manual, net profits means profit before income tax, minority interests and extraordinary items. Please provide the ratio for Rule 1006(b) based on the definition stated in Rule 1002(3)(b).

The Company's response to SGX Query 5

The relevant ratio for Rule 1006(b), calculated based on the definition of "net profits" as defined in the Listing Manual, is as follows:

| | | |
|---------------|--|-----|
| Rule 1006 (b) | The net profit attributable to the assets acquired or disposed of, compared with the Group's net profits for HY2016 ⁽¹⁾ | -5% |
|---------------|--|-----|

(1) Based on the unaudited net loss of Audion of S\$55,797 as at 30 September 2016 and the unaudited net profits of the Group of S\$1,209,451 for the period ended 30 September 2016.

In addition, the Company notes that the relative figure calculated on the basis of Rule 1006(b) in the Company's response to SGX Query 5 is a negative figure. Pursuant to Rule 1007(1) of the Listing Manual, the Company is required to consult the Exchange on the Proposed Disposal to ascertain whether the Company is required to seek shareholders' approval for the Proposed Disposal. The Company has submitted its application to the Exchange on 18 November 2016 and will keep shareholders informed of further updates.

By Order of the Board

Ronald Teng Woo Boon
Managing Director
22 November 2016