

**BAN LEONG TECHNOLOGIES LIMITED**

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

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**RESPONSES TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021**

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The Board of Directors (the "Board") of Ban Leong Technologies Limited (the "Company" and together with its subsidiaries, the "Group") set out its responses to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 22 July 2021 in relation to the Company's Annual Report for the financial year ended 31 March 2021, as follows:-

**SGX's Query 1:**

a) With reference to the audited statement of cash flows on page 80 of the Company's 2021 Annual Report, please provide an explanation for the material difference in the amounts of the following items, as compared to the unaudited financial results announcement of the Company for the year ended 31 March 2021:-

i. The net cash flows generated from operating activities of \$8,524,669 as compared to the net cash flows generated from operating activities of \$8,371,501 and

ii. The net cash flows generated from investing activities of \$1,902,389 as compared to the net cash used in investing activities of \$(97,611); and

iii. The net cash flows used in financing activities of \$(4,566,035) as compared to the net cash used in financing activities of \$(2,412,867).

**Company's Response 1:**

The differences between the unaudited financial results announcement and the annual report 2021 were mainly due to reclassifications of items from operating activities to investing and financing activities.

The comparison is extracted below for reference.

	Per Announcement	Per Annual Report	
	01.04.2020 to 31.03.2021	01.04.2019 to 31.03.2020	Difference
	S\$	S\$	S\$
<b>Operating activities</b>			
Profit before taxation	8,733,482	8,733,482	-

Adjustments for:

Depreciation of property, plant and equipment and right of use assets

Gain on disposal of property, plant and equipment

Allowance for expected credit losses

Allowance for inventory to net realisable value

Finance costs

Interest income

Currency alignment

		-
1,378,127	1,378,127	-
(221)	(221)	-
110,901	110,901	-
255,148	255,148	-
93,334	93,334	-
(12,090)	(12,090)	-
(256,671)	(256,671)	-

**Operating profit before working capital changes**

10,302,010 10,302,010 -

(Increase)/decrease in

Inventories

Trade receivables

Other receivables and deposits

Prepayments

(3,873,731)	(3,873,731)	-
(1,265,554)	(1,265,554)	-
3,544,608	1,544,608	2,000,000
49,076	49,076	-
	-	-
	-	-
2,165,861	2,165,861	-
596,832	-	596,832
(2,750,000)	-	(2,750,000)
720,339	720,339	-

Increase/(decrease) in :

Trade payables

Bills payable to banks (unsecured)

Short term loan, net

Other payables and accruals

**Cash generated from operations**

9,489,441 9,642,609 (153,168)

Interest paid

Interest received

Income tax paid

(93,334)	(93,334)	-
12,090	12,090	-
(1,036,696)	(1,036,696)	-

**Net cash generated from operating activities**

8,371,501 8,524,669 (153,168)

**Investing activities**

Proceeds from disposal of property, plant and equipment

Cash received from redemption of convertible note

Purchase of property, plant and equipment

26,778	26,778	-
	2,000,000	(2,000,000)
(124,389)	(124,389)	-

**Net cash used in investing activities**

(97,611) 1,902,389 (2,000,000)

**Financing activities**

Repayment of lease liabilities

Bills payable to banks (unsecured), net

(Repayment of)/proceeds from short-term loans, net

Purchase of treasury shares

Dividends paid to shareholders

	-	-
(973,682)	(973,682)	-
	596,832	(596,832)
	(2,750,000)	2,750,000
(15,929)	(15,929)	-
(1,423,256)	(1,423,256)	-

**Net cash used in financing activities**

(2,412,867) (4,566,035) 2,153,168

**Net increase in cash and cash equivalents**

5,861,023 5,861,023 -

**Effect of exchange rate changes on cash and cash equivalents**

(28,246) (28,246) -

Cash and cash equivalents at the beginning of the year	14,842,141	14,842,141	-
Cash and cash equivalents at the end of the year	20,674,918	20,674,918	-

**SGX's Query 2:**

**b) Provision 9.2 of the Code of Corporate Governance 2018 (the "Code") states that "The Board requires and discloses in the company's annual report that it has received assurance from:**

**(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and**

**(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems."**

**Listing Rule 710 states that "An issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code. An issuer must comply with the principles of the Code. Where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, 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 has disclosed on page 45 of its 2021 Annual Report:- ".....the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing the financial, operational, compliance and information technology risks, put in place during the financial year were adequate and effective. This is in turn supported by the assurance from the MD and the Financial Controller (including back-to-back assurance from other key management personnel who are responsible) that (a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances are in accordance with the relevant accounting standards; and (b) an effective risk management and internal control systems have been put in place."**

**Please make disclosure as required under Listing Rule 710, in particular, whether the Board has received assurance from the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.**

**Company's Response 2:**

As disclosed on page 45 of the Company's Annual Report, in respect of FY2021, the Board has received from the MD and the Financial Controller, a letter of assurance confirming that (a) the Group's financial records have been properly maintained and the Group's consolidated financial statements for FY2021 give a true and fair view of the Group's operations and finances in accordance with the relevant accounting standards; and (b) the Group's risk management and internal control systems were adequate and effective.

### **SGX's Query 3:**

c) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on 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 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your 2021 Annual Report on how it is consistent with the intent of Principle 2 of the Code.**

**Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.**

### **Company's Response 3:**

As to the compliance of Guideline 2.4 of the Code, the current Board of the Company has endorsed the principle that its Board should have appropriate balance and diversity of skills, knowledge, experience, competencies and diversity of perspectives appropriate to its business to enable them to contribute effectively and to mitigate against groupthink and to ensure that the Group has the opportunity to benefit from all available talents. The profiles of the Directors are set out on pages 10 to 11 of this Annual Report.

In addition, the change of Board composition and its committees, including resignation of the Independent Non-Executive Director of the Company, Mr Tan Eng Bock on 15 July 2020. This is part of the move to refreshing the board composition and embrace recommended best practices.

As disclosed on page 33 of the Company's annual report, the following are relevant steps have been taken by the Board to embrace recommended best practices of Provision 2.4 of the Code:-

The Board's size and composition are reviewed annually by the NC to ensure that the Board and its Board Committees have the appropriate mix of skills, expertise, experience and knowledge of the Group as well as appropriate balance of independent directors. The NC is of the view that the current Board comprises persons whose diverse skills, expertise, experience, knowledge of the Group and attributes provide for an effective Board. The Board members also collectively possess the necessary core competencies for the effective functioning of the Board and an informed decision making process.

To assist the NC in its annual review of the Directors' mix of skills, and experiences that the Board requires to function competently and efficiently, the Directors have completed their assessment forms and provide additional information (if any) in their respective areas of specialisation and expertise.

The NC, having conducted its reviews, was satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, business and management experience, and strategic planning. In particular, the Executive Director, also the Managing Director of the Company, possess good industry knowledge while the Independent Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations. Details of the Directors' qualifications, background and working experience, principal commitments and shareholdings in related corporations are set out on pages 10, 11, 38.

As the Group's activities continue to grow, the NC will continuously review the composition of the Board so that it will have the necessary competencies to be effective. The NC will further consider other aspects

of diversity such as gender and age, and assist the Board to put in place a board diversity policy and progress for implementation of such policy, so as to avoid groupthink and foster constructive debate.

**SGX's Query 4:**

**d) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on 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 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your 2021 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, 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.**

**Company's Response 4:**

The Company adopts an overall remuneration policy for employees, comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Group, the individual, the employment conditions within the industry and in comparable companies.

The RC reviews the framework for remunerations of the Directors and the key management personnel and recommends to the Board for adoption. The RC also determines specific remuneration packages and terms of employment for the Managing Director and key management staff.

The RC's recommendations in respect of the Directors' remunerations are submitted for endorsement by the entire Board. Each member of the RC will abstain from voting on any resolutions in respect of his remuneration package. If necessary, the RC will seek expert advice inside and/or outside the Company on remuneration matters. The RC did not engage any remuneration consultant in respect of remuneration matters for FY2021.

In determining the remuneration of the Executive Director and the key management personnel, the RC reviewed their respective KPIs achievements and assessed their performance for the financial year under review.

Details on the remuneration of Directors and key management personnel for the year under review are disclosed on page 42 of the Company's annual report.

Taking into consideration the highly competitive business environment and nature of the industry and in order to maintain confidentiality on the remuneration policies of the Company and sensitivity reasons, the Board is of the view that it is in the best interests of the Company to keep the disclosure of remuneration of the Directors and key management personnel in salary bands instead of providing full disclosure which may adversely affect talent attraction and retention.

In respect of FY2021, the amount of directors' fees of S\$119,000 proposed to be payable to the Independent Non-Executive Directors, subject to approval of shareholders at the forthcoming annual general meeting.

By Order of the Board

Ronald Teng Woo Boon  
Managing Director  
26 July 2021