

Issuer: Excelpoint Technology Ltd.

Security: Excelpoint Technology Ltd.

Meeting details:

Date: 5 April 2017

Time: 15:00H

Venue: Grand Mercure Roxy Singapore, 50 East Coast Road, Roxy Square, Meyer & Frankel Room, Level 3, Singapore 428769

Company Description

Excelpoint Technology Ltd, an investment holding company, provides electronic components, engineering design, and supply chain management services to original equipment manufacturers, original design manufacturers, and electronics manufacturing service providers. The company trades in electronics equipment; and sells and distributes electronic components, as well as operates as a dealer of various electronic and electrical components and accessories. It has operations in Hong Kong, the People's Republic of China, Singapore, Australia, New Zealand, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. The company was founded in 1987 and is headquartered in Singapore.

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

Q1. As shown in the Financial highlights (page 6 of the annual report), the total revenue of the group has grown from US\$585 million in 2012 to US\$988 million in 2016. Over the same period, shareholders' equity increased from US\$48.4 million to US\$68.3 million while borrowings increased from US\$45.9 million to US\$123.5 million.

In Note 31 (Capital management – page 95), the group's gearing ratio, as defined by net debt over total capital plus net debt, is at 61% in both 2016 and 2015. The gearing ratio has increased from 27.4% in 2011, to 39.9% in 2012, to 48.3% in 2013 and to 55.1% in 2014.

It would appear that the group's growth has been supported by increasing level of borrowings.

- a) **The group's policy is to maintain a "healthy gearing ratio". Can shareholders understand if the board has set a limit to the amount of leverage the group can use?**
- b) **How much more can the group grow with the current approach of using short term unsecured bills payable and revolving loans?**
- c) **Trade debtors past due for more than 90 days has increased significantly, from US\$1.7 million in 2015 to US\$5.2 million in 2016 (page 82). Notwithstanding the discussion on recoverability of trade receivables as a key audit matter in the Independent Auditor's report, can the company elaborate further on the increase in trade debtors past due for more than 90 days and share its assessment of material overdue individual trade receivables?**

Q2. The company raised S\$7.8 million from the placement of 15 million new ordinary shares at S\$0.525 each in the issued and paid-up share capital of the Company on 5 October 2016 (page 37). As disclosed in the company's announcement dated 2 September 2016, S\$5 million of the proceeds is earmarked for "Strategic Investments and Acquisitions". **Can the company elaborate further on the group's strategic direction? What kind of partnership or acquisition would be the group's priority?**

Q3. As noted in the Report on Corporate Governance, Mr. Sunny Wong Fook Choy (first appointed 13 November 2003), Mr. Kwah Thiam Hock (first appointed 18 April 2007) and Professor Low Teck Seng (first appointed 19 April 2006) have served on the board for more than nine years from the date of their first appointments (page 22). No doubt the independent directors have developed deep insights into the Group's business and operations, **can the board provide more detail on the progressive refreshing of the board?** We note that Ms. Joanne Khoo was appointed to the board with effect from 28 September 2016 and this will allow for a smooth transition. **Also, can shareholders understand the company's search and nomination process for new directors?**