

Issuer: Excelpoint Technology Ltd

Security: Excelpoint Technology Ltd

Meeting details:

Date: 11 April 2018

Time: 3.00 p.m.

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; sells and distributes electronic components; and provides marketing and technical support services, 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, Malaysia, Thailand, the Philippines, Vietnam, India, Indonesia, New Zealand, Australia, and internationally. The company was founded in 1987 and is headquartered in Singapore.

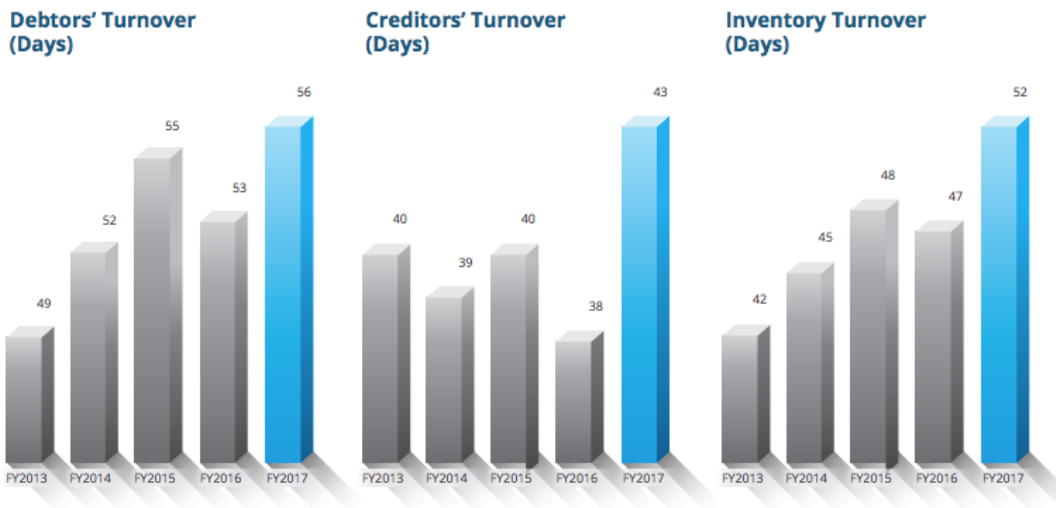
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BDF)

1. In the Letter to Shareholders, the Chairman and Group CEO highlighted the group's achievement of crossing the US\$1 billion mark as the group celebrated its 30th anniversary. Overall, the mood is very positive as the group continues to focus on its position in the value chain to act as the bridge between suppliers and customers.

The group's operational efficiency is shown in the Financial Review (page 9) and reproduced below:

Operational Efficiency

Debtors' turnover increased from 53 days in FY2016 to 56 days in FY2017. Creditors' turnover increased from 38 days in FY2016 to 43 days in FY2017. Inventory turnover increased from 47 days to 52 days.



(Source: Company annual report)

- (i) While the operational efficiency has slipped slightly, the turnover days can all still be considered healthy. **Would the company also consider calculating and disclosing the group's cash conversion cycle?**

Despite the profits of US\$8.1 million and US\$7.1 million in the last two financial years, the net cash flows used in operating activities were US\$(21.8) million in FY2017 and US\$(20.5) million in FY2016 as the group channeled profits and capital to further fund its growth. Total capital amounted to US\$73.8 million while net debt stood at US\$132.7 million. Total assets increased by 26% to US\$389.8 million from US\$308.8 million a year ago.

- (ii) **As the group employs more leverage and capital to scale up the business, how does the audit committee (AC) measure and determine the level of risk that the group takes on?**
- (iii) **How does the AC ensure that the group does not take on excessive market and credit risks?**
- (iv) **As the group scales up to capture opportunities in today's market, can the board and management identify and elaborate on the major threats and risks that can seriously impact the group financially and operationally?**

2. The group is organised into business units based on geographical area (i.e. Hong Kong Business Unit and the Singapore Business Unit), together with a third non-operational Corporate Unit (page 85 – Segment information).

Each business unit provides design-in and distribution services (page 85) as described below:

- **Design-in services** relate to product sales that include field application services and design and development services which require a higher level of technical expertise and involve research and development
 - **Distribution services** include value-added distribution and supply chain management which primarily involve the provision of electronic components and related logistics to customers
- (i) **Can management provide shareholders with better clarity of the revenue and profit split between Design-in services and Distribution services?**
- (ii) **Please also disclose the growth trends in recent years to show how each service segment is growing.**

3. In the company’s report on Corporate Governance, the disclosure of the remuneration of the directors and Group CEO is as follows:

Directors’ and Group CEO’s Remuneration

Remuneration Bands	Name of Director	Directors’ Fees %	Salary %	Bonus %	Allowance & Benefits %	Share-based %	Total %
S\$500,000 and above	Albert Phuai Yong Hen	-	70%	28%	2%	-	100%
S\$500,000 and above	Alan Kwan Wai Loen	-	68%	29%	3%	-	100%
S\$500,000 and above	Herbert Kwok Fei Lung	-	74%	17%	-	9%	100%
S\$500,000 and above	Tonny Phuai Yong Choon	-	72%	25%	3%	-	100%
Below S\$250,000	Kwah Thiam Hock	85%	-	-	-	15%	100%
Below S\$250,000	Professor Low Teck Seng	85%	-	-	-	15%	100%
Below S\$250,000	Sunny Wong Fook Choy	85%	-	-	-	15%	100%
Below S\$250,000	Joanne Khoo Su Nee	100%	-	-	-	-	100%

(Source: Company annual report)

The company has stated the following:

“For competitive reasons, the Company will not fully disclose details of Directors’ remuneration within bands of S\$250,000. The Company believes that the full disclosure of remuneration including the upper limit for the highest remuneration band of its Executive Directors and top five Key Management Personnel as recommended by the Code would be prejudicial to the Company’s interests and hamper its ability to retain and nurture the Group’s talent pool. (page 25)”

- (i) **Would the remuneration committee share the deliberation it had for not including the upper limit for the highest remuneration band of its executive directors?**
- (ii) **Please elaborate further on how it would be prejudicial to the company’s interests and hamper its ability to retain and nurture the group’s talent pool?**

In Note 23 (page 78 – Related party transactions), the company has disclosed that compensation paid to directors of the companies was US\$3.652 million in FY2017 and US\$3.174 million in FY2016. Excluding the S\$248,000 paid to the non-executive directors, the estimated balance of US\$3.5 million would have been paid to the 4 executive directors.

- (iii) **Would the RC and the board reconsider the current disclosure practice with a view of increasing the level of transparency on remuneration matters?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=112

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