



Securities Investors Association (Singapore)

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Issuer: Excelpoint Technology Ltd

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Meeting details:

Date: 3 April 2019

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. The company engages in trading electronics equipment and components; dealing various types of electronic and electrical components and accessories; and providing marketing and technical support services. It also provides wireless audio development solutions, including Bluetooth and consumer wireless audio solutions; wearable devices and accessories solutions; and automotive solutions, including the development of reference car infotainment systems and core boards, which support GPS for navigation, video playback, Bluetooth headset and handfree, Bluetooth music streaming, rearview camera, etc. In addition, the company offers connectivity solutions comprising BLE, Bluetooth, BLE/Bluetooth combo, embedded Wi-Fi, and sub-GHz modules for smart homes; and power distribution and transmission solutions, including electric power quality analyzer systems. It serves original equipment manufacturers, original design manufacturers, and electronics manufacturing service providers in the People's Republic of China, Southeast Asia, India, 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. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Gearing ratio:** The group has a gearing ratio of 62% as at 31 December 2018 (FY2017: 64%). The gearing ratio is defined as net debt over total capital plus net debt. As at the end of the reporting period, the group's net debt stood at US\$128.4 million while equity attributable to equity holders of the company amounted to US\$77.9 million. **Has the board/audit committee set an internal limit on the group's gearing ratio? Given the stage of the market cycle, has the board re-examined the risks to maintain this level of leverage?**
- (ii) **Profitability:** The group has maintained its gross profit margin (approximately 5.3-5.4%) as revenue increased by 9.6% to US\$1.26 billion. However, sales and distribution costs jumped by 18.8% to US\$34.7 million while the increase in general and administrative expenses was better controlled, up 6.6% to US\$18.6 million. As the group has increased its borrowings to support the growth, interest expense shot up by 65% to US\$6.76 million. For the financial year, profit for the year attributable to equity holders of the company increased by 0.1% from \$8.098 million to \$8.103 million despite the revenue growth.

Can the company elaborate further on the significant jump in sales and distribution costs (relative to revenue)? Please provide a breakdown of the US\$18.6 million in sales and distribution costs. How much of that would be one-off charges? Given that interest expense has increased to US\$6.76 million, has the board reviewed if it is prudent to continue funding the group's growth with more borrowings?

2. As noted in the Letter to Shareholders, the group established PlanetSpark Pte. Ltd. which serves as entrepreneurial and investment arm to invest in, support and collaborate with promising early- to mid-stage start-ups in Singapore and Asia that are related to the Internet of Things ("IoT") ecosystem.

The group's core business is in the provision of quality electronic components, engineering design services and supply chain management to original equipment manufacturers, original design manufacturers and electronics manufacturing services.

- (i) **Can the board further articulate the strategy for the investment arm? Is there an investment committee to oversee the new investment arm?**
- (ii) **How much capital has the board earmarked for the investing arm?**
- (iii) **What is the group's experience and track record in deal sourcing and deal structuring for its early stage investments? What guidance has the board given to management to ensure that valuations are prudent and risks are identified and properly managed?**
- (iv) **Would PlanetSpark put the group in direct competition/conflict with its traditional customers?**

(v) Would this “venture investing” alter the risk profile of the group?

3. Other than Ms. Joanne Khoo Su Nee who was appointed to the board as an independent director on 28 September 2016, the company’s other three independent directors, namely Mr. Sunny Wong Fook Choy, Mr. Kwah Thiam Hock and Professor Low Teck Seng have served on the board for more than nine years from the date of their first appointments. Mr Wong, Mr Kwah and Professor Low were first appointed on 13 November 2003, 18 April 2007 and 19 April 2006 respectively. Accordingly, Mr Wong, Mr Kwah and Professor Low have served on the board for approximately 15 years, 12 years and 13 years respectively.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- (i) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed with any future director appointments (especially with its new strategies of IoT, early stage investments and geographical expansion)?**
- (ii) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (iii) Following the appointment of Ms. Khoo, what are the company’s other near term plans to refresh the membership of the board to comply with the new 2018 Code in good time?** Reconstituting the board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 and 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Excelpoint%20Technology%20Ltd&cid=6292,4511,4222>

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