



Excelpoint Technology Ltd

SOARING **AHEAD**

2016

ANNUAL REPORT



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CORPORATE PROFILE

About EXCELPOINT TECHNOLOGY LTD

(Company Registration No. 200103280C)

Excelpoint Technology Ltd (“Excelpoint” or the “Company”), together with its subsidiaries (the “Group”) is a leading regional electronics components distributor providing quality components, engineering design services and supply chain management to original equipment manufacturers (“OEM”), original design manufacturers (“ODM”) and electronics manufacturing services (“EMS”) in the Asia Pacific region. It ranks among the Top 25 Global Franchised Distributors List from EBN in 2016.

Excelpoint works closely with its principals to create innovative solutions to complement its customers’ products. The Group has research and development (“R&D”) centres in both Singapore and China supported by a team of professional engineers aimed at helping customers improve operational efficiency and cost effectiveness.

Established in 1987 and headquartered in Singapore, Excelpoint’s presence spans more than 25 cities across Asia Pacific. Currently, we provide employment to more than 600 people of different nationalities. Our shares are quoted on the Main-Board of the Singapore Exchange (“SGX”).

For more information about Excelpoint, please visit www.excelpoint.com



A LETTER TO SHAREHOLDERS

“Our dedicated team, together with our extensive network and deep customer relationships have contributed to the strong results this year.”



Dear Shareholders,

On behalf of our Board of Directors, I am pleased to announce that our team delivered a 19.3% growth in revenue, which rose from US\$828.3 million in FY2015 to US\$988.2 million at the close of FY2016. Our profit after tax of US\$7.1 million for FY2016 was an increase of 62.0% from US\$4.4 million in the previous year.

Our revenue for the Hong Kong (including China) and Singapore (including ASEAN and India) business units grew by 11.9% and 30.1% respectively.

In view of our results for the year 2016, the Board proposes an ordinary dividend of 2.5 Singapore cents per share, and a special dividend of 1.5 Singapore cents per share, subject to your approval at the forthcoming Annual General Meeting.

THE YEAR IN RETROSPECT

Given the challenging business environment, our teams in both regions have worked hard to overcome headwinds and grow the business.

North Asia

This region remains the largest revenue contributor for Excelpoint, accounting for about US\$551.1 million, which is approximately 55.8% of Excelpoint's aggregated revenue.

Despite the slowdown of the economy and challenges faced in the business operating environment such as the depreciation of the Renminbi (“RMB”), China saw growth in the field of electronics manufacturing, especially with the advent of the Internet of Things (“IoT”), Robotics and more. China's smartphone labels have gained popularity, giving rise to increased domestic demand, and this contributed to our revenue growth in the mobile segment. China's ‘Made in China 2025’ initiative with the goal to upgrade its domestic manufacturing chain also gave rise to the emergence of new opportunities in the industrial and instrumentation space, which is a key segment for us.

We saw more opportunities coming from the smart home sector in China, which led to the increase in adoption of new reference solutions for smart audio and smart lighting developed by our R&D team.

A LETTER TO SHAREHOLDERS

South East Asia and India

This region accounted for about US\$437.2 million at the close of FY2016, which is equivalent to approximately 44.2% of the Excelpoint's aggregated revenue.

Despite the political uncertainties in this region, we continue to see growth led by globalisation and infrastructure developments. Our close working relationship with our partners in these markets have positioned us well to capture opportunities that arise.

We continue to be optimistic about the potential of the market in India. With the government's initiatives such as 'Make in India', it is a rising platform for the growth of technology-related manufacturing companies. The recent direction from the government to provide a cashless economy has shown the importance of integrating hardware and software capabilities, which presents an opportunity for us. With India now placed in high growth trajectory, we foresee growth in the IoT related segments such as smart security, green energy for sustainability, and connectivity.

With the advent of opportunities coming from the emerging markets, we have also expanded our footprints into new territories such as Sri Lanka, Pakistan and Bangladesh.

Our Strategy

As a regional distributor who seeks to add value to our partners, innovation is vital. In 2016, we signed a partnership with Tata Elxis as our software partner, as well as obtained the distributorship of Xilinx in India to enhance our solutions offering. To capture opportunities in the IoT segment, we set-up a dedicated team with the expertise and market knowledge to design solutions that can be applied to a broad range of applications. Ultimately, we strive to create an ecosystem that can take Excelpoint to greater heights and strengthen our position in the market.

As we continue to grow our business organically, the Group is also looking for partnerships that can bring Excelpoint to the next level. We have, on 5 October 2016, completed a share placement raising S\$7.8 million, which will be used mainly for our business expansion plans.

PROSPECTS

The electronics industry will continue to see more opportunities arising, especially with new developments from our suppliers at the recent Consumer Electronics Show in Las Vegas in January 2017. In addition, the increasing attention on IoT and the rise of government initiatives across the markets we operate in present new business opportunities, and we are well-positioned to capture them.

We continue to see more mergers and acquisitions in the semiconductor industry. These consolidations have led to new opportunities such as increasing our product range offering, as well as new business prospects. As the global growth remains uncertain and challenges in the business environment persists, we will remain nimble and focused in order to ensure business sustainability and growth.

IN APPRECIATION

I would like to welcome Mr. Herbert Kwok Fei Lung (as an Executive Director), Mr. Tonny Phuay Yong Choon (as an Executive Director) and Ms. Joanne Khoo Su Nee (as an Independent Director) to the Board of Directors, and extend my appreciation to Mr. David Kok Fat Keung, who has stepped down as an Executive Director to focus on his personal commitments. I would like to thank Mr. Kok for his service to the Board and wish him all the best in all his future endeavours.

I would also like to thank all our Directors for their guidance in navigating the Group throughout the year. It is truly this concerted effort to work together as a team that will overcome challenges and propel Excelpoint to greater heights. Together with the members of the Board, I would like to thank my fellow employees, principals, customers, bankers, business associates and shareholders for your continued trust, support and confidence in Excelpoint.

Yours sincerely,

Albert Phuay Yong Hen
Chairman and Group CEO



OPERATIONS REVIEW

NORTH ASIA

Mobile and Computing Segment

This segment remains the top revenue contributor for the North Asia region. With the increasing popularity of the China smartphone labels in the domestic market, we saw an increase in demand coming from Memory components. We also saw an increase in the demand for the product line Qorvo, a key player in the Radio Frequency market, and it is highly used in majority of the China smartphone labels.

Industrial and Instrumentation Segment

We saw growth in mainly 3 sub-segments – Transmission and Distribution, Chemical Analyser and Environmental Instrumentation and Process Control. In 2016, there was an increase in new customers due to the recognition of our reference designs. Our value-add service allowed for more product mix, generating higher revenue in this segment. We also saw new applications that required our solutions and components in the industrial automation area, mainly in IoT and Robotics. As we see potential in this segment due to the increase in infrastructure and industrial projects, we stay focused at growing this segment.

Consumer Segment

Several new applications such as the True Wireless Stereo Drive by Apple's new airpods and Smart Speakers for Smart Homes usage contributed to the increase in this segment. In addition, our strong expertise in this field has garnered recognition and we see increased demand for our solutions. This segment will continue to grow as we improve on our reference designs to fulfil market needs.

Lighting Segment

We saw growth in this area due to the focus across the region in infrastructure projects. These projects require Smart Lighting for Smart Homes and for energy conservation purposes. With a strong portfolio of product lines in this segment to cater to market needs, we expect the demand to continue in the following year.

SOUTH EAST ASIA AND INDIA

Consumer Segment

This segment is our top revenue contributor in this region contributed by the increased adoption of our solutions. With our strong expertise in the Bluetooth and Bluetooth Low Energy applications, which are used in automation and communication applications, we continuously improve our solutions for our audio customers. Our strong footprints in the region allowed us to retain our top customers in the wireless audio market and grow the demand for our wireless Bluetooth solutions.

Mobile and Computing Segment

The 'Make in India' government initiative has started to gain momentum with some of the local key players getting ready to build their own local PCBA. With our strong engagement with the local players and their ODMs, we have started designing-in to new products to gain market share, especially in the memory components. We believe that the market will continue to see growth as the demand for smart phones is on the rise with competitive 3G and 4G services now being made available by local service providers.



OPERATIONS REVIEW

Industrial and Instrumentation Segment

This segment remained resilient for FY2016 with our strong product portfolio. There are 3 key sub-segments that contributed to the segment growth:-

› Infrastructure

The growth of this segment is due to the rise in government initiatives to improve and enhance the nation's infrastructure. We have also added Xilinx into our product portfolio to enhance our offering for the industrial IoT segment. With the continued directions from the government for this segment, we foresee growth in this segment moving forward, especially with power adapters, embedded wireless-connected end products for infrastructure and automation applications.

› e-Government Projects

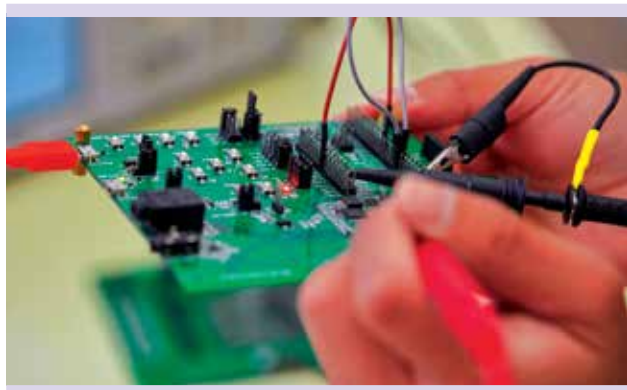
With several government initiatives being announced in 2016, we saw growth in this segment. After the recent initiatives by India's government on Digital India and demonetisation, India is moving towards a cashless economy, giving rise to the digitalising of the banking sector. This led to increase in the demand for our NXP's smart card chips. Also, we saw a rise in our Point-of-Sale terminal demand, mainly in micro-ATMs for the retail sector. With our strong positioning in the India's market and with ongoing collaborations with key customers to provide solutions in this region, we believe we are able to grow this segment.

› Energy Harvesting

This segment saw continued growth as our strengths in Metering, Power and Connectivity remained strong. Our product lines have expanded significantly to meet the rising need for green energy in the emerging markets, and we believe we will see continued growth in this segment. Particularly in India, the government has recently launched a program called Ujwal Bharat with a vision of 24 hours power for all in order to illuminate the life of every Indian by 2022. With these initiatives, we see potential and will remain focused at growing our revenue in this segment.

Lighting Segment

This segment saw growth due to the rise in government's infrastructure projects. With the continued price erosion and existing strong competition in this segment, the Group have taken caution in the selection of product lines to ensure that businesses are profitable. Moving forward, we will focus on niche segments like LED display demand for Railway projects, Lighting control gears and Drivers. We believe that the Lighting segment will continue to see more market demand owing to the increase in government-related projects.

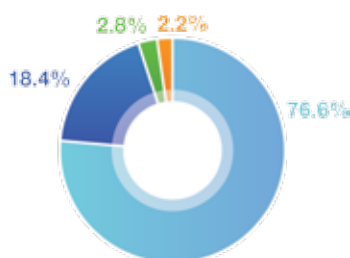


FINANCIAL HIGHLIGHTS

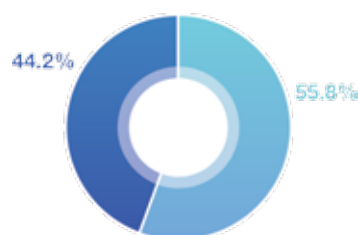
	2016	2015	2014	2013	2012
Result of Operations (US\$'000)					
Total revenue	988,240	828,283	728,968	651,857	584,852
Profit before taxation	8,505	5,499	7,457	7,535	6,098
Profit after taxation attributable to equity holders	7,053	4,355	7,083	6,226	5,046
Earnings per share (cent)	6.65	4.26	6.97*	1.23	1.00
Return on equity (%)	10.33	7.62	12.60	12.01	10.42
Balance Sheets (US\$'000)					
Shareholders' equity	68,258	57,183	56,227	51,860	48,420
Fixed assets	2,577	1,870	2,322	4,409	4,624
Intangibles	519	326	326	326	326
Current assets	303,936	258,761	221,501	183,269	159,903
Current liabilities	240,585	205,560	170,086	137,924	117,837
Net current assets	63,351	53,201	51,415	45,345	42,066
Borrowings	123,501	99,445	80,951	59,326	45,876
Net assets value per share (cent)	57.94	55.83	55.12*	10.22	9.59
Weighted average number of ordinary shares	105,999,041	102,214,069	101,573,225*	505,003,082	504,659,200
Number of ordinary shares	117,810,940	102,423,440	102,004,440*	507,578,200	504,659,200

* On 11 August 2015, the Company completed the consolidation of every five existing issued shares in the capital of the Company into one ordinary share in the capital of the Company. The weighted average number of ordinary shares used for the calculation of earnings per share for the comparatives have been adjusted for the effect of the share consolidation.

Revenue By Geographical Locations



Revenue By Business Segments

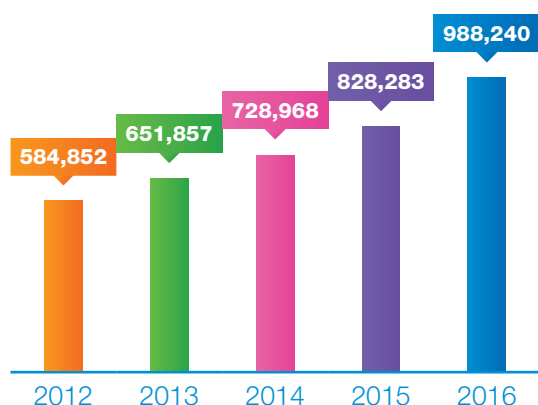


	2016			2016	
	US\$'000	%		US\$'000	%
● Hong Kong/ PRC	757,768	76.6%	● Hong Kong/ PRC	551,086	55.8%
● Southeast Asia	181,549	18.4%	(comprising Hong Kong and the PRC)		
● India	27,284	2.8%	● Southeast Asia	437,154	44.2%
● Others	21,639	2.2%	(comprising Singapore, Malaysia, Thailand, Philippines, Vietnam, India, Indonesia, New Zealand and Australia)		
	988,240	100.0%		988,240	100.0%

FINANCIAL REVIEW

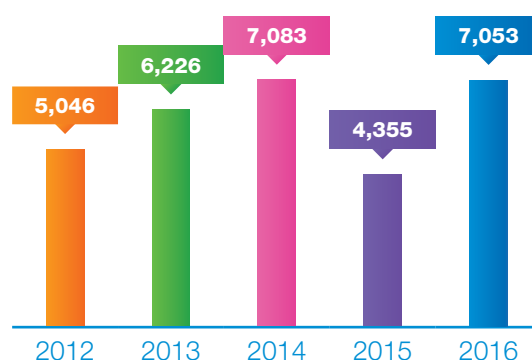
Revenue (US\$'000)

The Group reported a 19.3% growth in total revenue, from US\$828.3 million in FY2015 to US\$988.2 million in FY2016. This is due to the higher revenue contributed by the North Asian, Southeast Asian and Indian markets.



Profit After Taxation (US\$'000)

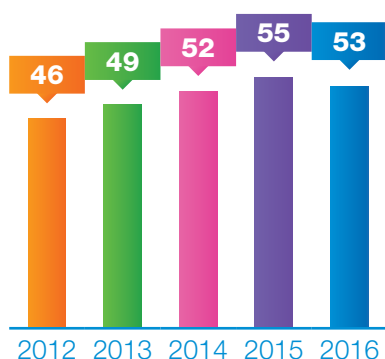
Net profit after tax amounted to US\$7.1 million this year, which was higher than the US\$4.4 million reported in FY2015. This was due to higher sales arising from stronger demand in FY2016.



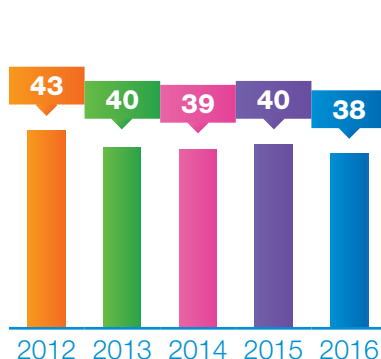
Operational Efficiency

Overall operational efficiency improved in FY2016 due to the Group's on-going efforts in managing its credit and inventory risk. Debtors' turnover decreased from 55 days in FY2015 to 53 days in FY2016. Creditors' turnover decreased from 40 days in FY2015 to 38 days in FY2016 reflecting the Group's sound financial position. Inventory turnover decreased from 48 days to 47 days.

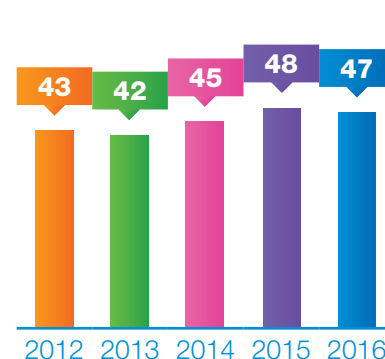
Debtors T/O (DAYS)



Creditors T/O (DAYS)



Inventory T/O (DAYS)



SUSTAINABILITY REPORT



Excelpoint is committed to improving the economic and social well-being of our stakeholders. Being responsible in our operations and delivering sustainable growth has been a fundamental value embedded in our business practices both internally and externally.

We aim to create sustainable value in everything we do and our 4 key sustainability drivers to achieving this are:-

**MANAGING
RISKS IN OUR
BUSINESS**

**STAKEHOLDER
ENGAGEMENT**

**SUPPORTING
OUR
COMMUNITIES**

**ENSURING
RESPONSIBLE
BUSINESS
OPERATIONS**

By effectively reviewing these key sustainability drivers, we make our business more resilient and our team more competent.

A) MANAGING RISKS IN OUR BUSINESS

Excelpoint believes strongly in the importance of identifying, analysing and managing risks in the organisation. With a strong risk management framework in place, it gives the business the ability to focus on its core, and it gives our stakeholders the confidence that the business is sustainable.

› Enterprise Risk Management (“ERM”)

Risk management is a pertinent exercise that Excelpoint engages yearly. The Company has an ERM Framework and a risk management committee in place for the Group. The said Framework is reviewed by the Audit Committee (“AC”) and approved by the Board. The AC and the Board will assess the adequacy and effectiveness of the ERM framework and processes. With the feedback given, the committee, together with the management work on strategies to prioritise and mitigate the risks that are existent.

SUSTAINABILITY REPORT

B) STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a very important element of sustainability governance as it ensures the Group is well positioned to identify, review and prioritise our sustainability efforts. We ensure our sustainability strategies and programs are in line with our shareholders' perspectives and expectations. To achieve this, we promote various dialogues with a wide spectrum of stakeholders.

Excelpoint's Stakeholders



HOW WE ENGAGE

Our Stakeholders	Key Matters	What We Do
Employees	- Remuneration - Welfare - Diversity - Communication	- Performance bonus and sales incentive - Long service awards - Employee share allocation programme (Excelpoint performance share scheme and Excelpoint share option scheme) - Annual performance management (self and employer appraisal) - Performance improvement programme - Training and development opportunities - Recreation club - Ensuring diversity (62% of the workforce are males and 38% of the workforce are females) - Safety and health (Excelpoint has achieved bizSAFE Level 3 certification)
Customers/ Suppliers	- Building Relationships - Value-added Services - Customer Relationship Management	- Timely feedback through quarterly (or more) reviews - Internal management reviews (to ensure we are fulfilling the needs of both our suppliers and customers)

SUSTAINABILITY REPORT

Our Stakeholders	Key Matters	What We Do
Shareholders and Investor Groups	- Communication - Timely Reporting of Announcements - Transparency - Compliance	- Dedicated Investor Relations page on website - Annual General Meetings/ Extraordinary General Meetings - Quarterly updated financial reports and annual reports - Press Releases on business related news - Information on new regulations are communicated to the Board to ensure compliance
Government Bodies	- Communication	- Participation in consultations, surveys, forums and roundtables - Participation in networking sessions held by the government - Attending talks and networking sessions held by government bodies to understand the industry and share our perspectives

C) SUPPORTING OUR COMMUNITIES

Year 2016 was another fruitful year as we were able to grow our contributions in different ways. As we continue to explore new opportunities to give back to the society, we have also focused our efforts on helping children and youths, and building the next generation of leaders.

SINGAPORE

- The Excelpoint Bursary, in collaboration with the Singapore Management University (“SMU”) continues in its third year (a total of S\$52,000 dispersed annually for 5 years for the unprivileged students which started in 2014).
- Sponsorship of S\$10,000 for Halogen Foundation’s Golf Charity Event in November 2016, whereby the proceeds will go to several programs that the foundation is building upon to help the youths in need. Excelpoint has worked closely with Halogen to play a part in the Network For Teaching Entrepreneurship (“NFTE”) Program, which is a core program under Halogen Foundation, to educate underprivileged children, aged between 15-19 years old about leadership and entrepreneurship.
- We have donated S\$5,000 to the annual UOB Heartbeat Run/ Walk, whereby partners are invited to participate in their Annual Charity Run/ Walk to raise funds to help the needy.



SUSTAINABILITY REPORT

CHINA

This year, Excelpoint worked with Sowers Action on their Sending Love program, a continuation of the previous year. We donated approximately S\$6,574 (HKD\$36,000) to distribute 300 jackets to the disadvantaged children in the rural regions of China. This was a meaningful activity as the jackets were able to provide children with warmth and to tide them through the harsh winter.



D) ENSURING RESPONSIBLE BUSINESS OPERATIONS

Excelpoint is committed to our environment, people and our stakeholders. We believe that being responsible in what we do can add value to our business.

› Health and Safety

Excelpoint Systems (Pte) Ltd has attained bizSAFE Level 3 in 2014.

We are committed to continuously improve our health and safety management to eliminate injuries and illnesses at our workplace. We are in compliance with the regulatory requirements of the Workplace Safety Health Act ("WSHA").

› Standards and Compliances

All operations in Excelpoint implement Quality Management Systems ("QMS"), which is third party certified to the International Organisation for Standardisation ("ISO"). Excelpoint has achieved ISO 9001:2015 certification in June 2016 and it addresses all the management processes, key processes and support processes that are relevant in our operations (warehousing, stocking and supply of electronic components).

This standard set the requirements necessary for our employees to ensure our customers' satisfaction through the supply of high quality products and delivering the most professional services.

› Personal Data Protection Act

Excelpoint respects employees', suppliers' and customers' data privacy, and has a stringent process in place to ensure data is accessed only by authorised personnel and for authorised use only. With this policy, we are able to safeguard data and prevent them from being misused.

BOARD OF DIRECTORS



1. Kwah Thiam Hock
2. Albert Phuay Yong Hen
3. Alan Kwan Wai Loen
4. Joanne Khoo Su Nee

5. Sunny Wong Fook Choy
6. Herbert Kwok Fei Lung
7. Tonny Phuay Yong Choon
8. Professor Low Teck Seng

BOARD OF DIRECTORS



ALBERT PHUAY YONG HEN is the founder, Chairman and Group Chief Executive Officer. He was appointed as an Executive Director on 18 May 2001 and was last re-elected on 6 April 2016. He is also a member of the Nominating Committee.

He oversees the general management of our business and is also responsible for our Group's strategic direction, planning and business development.

Prior to forming Excelpoint Systems (Pte) Ltd ("ESPL"), Mr. Phuay held various management positions in several companies from 1977 to 1986.

Mr. Phuay holds a Technical Certificate in Electronics from the Institute of Technical Education in Singapore. He also received a Long Service Award certificate from the Ministry of Community Development and Sports in recognition of his voluntary contributions as a Probation Officer since 1985.

ALAN KWAN WAI LOEN was appointed as an Executive Director on 18 May 2001 and was last re-elected on 8 April 2015. He advises and assists the business units on the strategic alliance within the Group.

Mr. Kwan holds a Diploma in Production Engineering from the Singapore Polytechnic, a Diploma in Marketing Management from the Ngee Ann Polytechnic and a Diploma from the Chartered Institute of Marketing in the United Kingdom.



HERBERT KWOK FEI LUNG was appointed as an Executive Director on 28 September 2016. He manages the businesses and operations in the North Asia region, which includes Hong Kong and the PRC.

Mr. Kwok holds a Higher Diploma in Marine Electronics from the Hong Kong Polytechnic.

TONNY PHUAY YONG CHOON was appointed as an Executive Director on 28 September 2016. He oversees the Group's sales, and the overall businesses and operations in the ASEAN region, including India, Australia and New Zealand.

Mr. Phuay holds a Diploma in Electronics and Communications from the Singapore Polytechnic and a Postgraduate Diploma in Sales and Marketing from the Chartered Institute of Marketing in the United Kingdom.



KWAH THIAM HOCK was appointed as an Independent Director on 18 April 2007 and was re-elected on 6 April 2016. He is the Chairman of the Audit Committee and also a member of the Remuneration Committee and Nominating Committee. He was appointed as Lead Independent Director on 28 February 2014 and a member of the Nominating Committee on 5 March 2015.

Presently, Mr. Kwah also holds Independent Directorships at Wilmar International Limited, Teho International Inc Ltd, and IFS Capital Limited.

Mr. Kwah holds a Bachelor in Accountancy from the National University of Singapore. He is a Fellow CPA of Australian Society of Accountants and also a Fellow Member of both the Institute of Singapore Chartered Accountants and ACCA (UK).

BOARD OF DIRECTORS



SUNNY WONG FOOK CHOY was appointed as an Independent Director on 13 November 2003 and was re-elected on 17 April 2014. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

He is a practising advocate and solicitor of the Supreme Court of Singapore. He started his legal career in 1982. He is currently the Managing Director and shareholder of Wong Tan & Molly Lim LLC and WTML Management Services Pte Ltd.

Mr. Wong is a Director in the following public listed companies in Singapore: China Medical (International) Group Limited, Mencast Holdings Ltd, KTL Global Limited, Civmec Limited and Innotek Limited.

He holds a Bachelor of Laws (Honours) from the National University of Singapore.

PROFESSOR LOW TECK SENG was appointed as an Independent Director on 19 April 2006 and was re-elected on 8 April 2015. He is the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Professor Low is currently the Chief Executive Officer of the National Research Foundation, Singapore, an Independent Director at Singapore Post Limited and ISEC Ltd, and a tenured Professor at both the Nanyang Technological University and the National University of Singapore. He has also been appointed to the Board of Advisors of CORFO, Chile.



He holds a Bachelor of Science (First Class, 1978) and Ph.D (1982) from Southampton University, United Kingdom.



JOANNE KHOO SU NEE was appointed as an Independent Director on 28 September 2016. She is a member of the Audit Committee.

She has more than 20 years of experience in corporate finance and business advisory services and is currently a Director of Bowmen Capital Private Limited, a company that provides business and management consultancy services. From February 2008 to October 2012, she was a Director of corporate finance at Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited). Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers. During that period, she was involved in both the corporate finance and recovery department as well as the audit and business advisory services department.

Presently, Ms. Khoo also holds Independent Directorships at Teho International Inc Ltd and Kitchen Culture Holdings Ltd.

Ms. Khoo graduated with a Bachelor of Business in Accountancy from the Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000.

KEY MANAGEMENT



1. STANLEY CHAN TUNG HONG is the Senior Vice President of Operations of ESPL, and Assistant to CEO. He is responsible for ESPL's overall business activities in the ASEAN region, India and Australia/New Zealand. He is also assisting the CEO in overall business strategies.

Mr. Chan holds a Bachelor Degree in Engineering (Electrical) awarded with Second Class Honours from the Nanyang Technological University, Singapore.

2. GE YI XIN is the Senior Vice President of Field Applications of ESHK. He is the head of Field Applications team in Hong Kong and China region, responsible for providing technical designs assistance, technical support and engineering consultancy services for customers.

Mr. Ge holds a degree in Automatic Manufacturing Systems from the Shanghai University of Technology and a Master of Engineering degree awarded by the same university.

3. ALAN TAN JING TIONG is the Vice President of Sales for the Hong Kong and China region. He is responsible for the overall sales performance and manages the sales teams in the region.

Mr. Tan holds a Diploma in Electrical Engineering from Singapore Polytechnic.

4. WANG QING SHENG is the Director of Research and Development (R&D) for the Group. He oversees the R&D teams in Singapore and China, who are responsible for our reference solutions and application designs.

Mr. Wang holds a Master Degree in IEEE (Institute of Electrical and Electronics Engineers) from Tsinghua University. After graduation, he lectured in Tsinghua University for two years. Since 1991, he has been in the electronics engineering industry working for several high-tech companies to design and develop wireless products and solutions.

5. PHUAY YONG HUA is the Group Senior Vice President of HR & Admin and oversees the human resources and administrative departments of the Group.

Mr. Phuay holds an Electronics Servicing Certificate from the Institute of Technical Education in Singapore.

6. IVAN LEE SEE THIAM is the Group Chief Financial Officer and oversees the overall financial activities of the Group.

Mr. Lee holds a Masters of Commerce (Accounting and Finance) from The University of Sydney, Australia and a Bachelor of Business Administration awarded with Merit from the National University of Singapore.

CORPORATE STRUCTURE



Excelpoint™

Excelpoint Technology Ltd



** This company was struck-off during the year and deregistration is expected to be completed by March 2017.*

REGIONAL PRESENCE



SINGAPORE

Headquarters

AUSTRALIA

Sydney

INDIA

Bangalore
Chennai
Hyderabad
Mumbai
New Delhi
Pune

INDONESIA

Jakarta

MALAYSIA

Kuala Lumpur
Penang

PHILIPPINES

Manila

THAILAND

Bangkok

VIETNAM

Ho Chi Minh City

CHINA

Beijing
Chengdu
Guangzhou
Hong Kong
Nanjing
Qingdao
Shanghai
Shenzhen
Wuhan
Xiamen
Xi'an

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Albert Phuay Yong Hen
(Chairman and Group Chief Executive Officer)
Alan Kwan Wai Loen
Herbert Kwok Fei Lung[#]
Tony Phuay Yong Choon[#]
David Kok Fat Keung^{*}

Non-Executive

Kwah Thiam Hock (Lead Independent)
Sunny Wong Fook Choy (Independent)
Professor Low Teck Seng (Independent)
Joanne Khoo Su Nee (Independent)[#]

AUDIT COMMITTEE

Kwah Thiam Hock (Chairman)
Sunny Wong Fook Choy (Member)
Professor Low Teck Seng (Member)
Joanne Khoo Su Nee (Member)[#]

NOMINATING COMMITTEE

Professor Low Teck Seng (Chairman)
Albert Phuay Yong Hen (Member)
Sunny Wong Fook Choy (Member)
Kwah Thiam Hock (Member)

REMUNERATION COMMITTEE

Sunny Wong Fook Choy (Chairman)
Kwah Thiam Hock (Member)
Professor Low Teck Seng (Member)

COMPANY SECRETARIES

Tan Cher Liang
Wong Yoen Har

REGISTERED OFFICE AND BUSINESS ADDRESS

15 Changi Business Park Central 1
#06-00
Singapore 486057
Tel: 65-6741 8966
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AUDIT PARTNER-IN-CHARGE

Tham Chee Soon
(Since financial year ended 31 December 2014)

[#] Appointed on 28 September 2016

^{*} Resigned on 6 February 2016

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REPORT ON CORPORATE GOVERNANCE

Excelpoint Technology Ltd (the “Company”), together with its subsidiaries (the “Group”) is committed to having and maintaining high standards of corporate governance. The Company believes that good corporate governance inculcates an ethical environment and enhances the interest of all shareholders. Since our incorporation on 18 May 2001 and our subsequent admission to the Official List of The Singapore Exchange Securities Trading Limited (the “SGX-ST”), we have taken steps to comply with most of the guidelines of the revised Code of Corporate Governance 2012 (the “Code”) and are working to adopt the other changes where appropriate.

This Report describes the Company’s corporate governance processes and activities with specific reference made to the principles and guidelines as set out in the Code.

BOARD MATTERS

Principle 1: THE BOARD’S CONDUCT OF AFFAIRS

The principal functions of the Board are:-

- 1.1 Approving the broad policies, strategies and financial objectives of the Company and monitoring the performance of management;
- 1.2 Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- 1.3 Approving the nominations of Directors and appointment of key personnel;
- 1.4 Establishing framework of prudent and effective controls including safeguarding of shareholders’ interests and the Company’s assets;
- 1.5 Setting the Company’s values and standards including ethical standards and also ensuring that obligations to shareholders and other stakeholders are understood and met;
- 1.6 Approving major funding proposals, investment and divestment proposals; and
- 1.7 Assuming responsibility for corporate governance.

The Directors on the Board have the appropriate core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively. Every Director is expected, in the course of carrying out his or her duties and responsibilities, to act in good faith, provide insights and consider at all times the interests of the Company.

The Company has adopted internal guidelines setting forth matters that are reserved and required for Board’s decision and clear directions to management on matters that must be approved by the Board. The Board makes decisions in material transactions such as major funding proposals, acquisitions and divestments, disposal of assets, corporate or financial restructuring, share issuances, dividends, annual budgets and financial plans of the Group, quarterly and annual financial reports, internal controls and risk management strategies and execution and other matters which require Board approval as specified under the Company’s interested person transaction policy.

The Board conducts regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. The Company’s Constitution allow a Board meeting to be conducted by way of telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. The Board has established three Board Committees to assist in the execution of its responsibilities, they are the Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”).

REPORT ON CORPORATE GOVERNANCE

The Board met 4 times in FY2016 to review the Group's business operations and financial performance. The attendance of each Director at meetings of the Board and Board Committees during the financial year ended 31 December 2016 is disclosed as follows:-

Attendance at Board and Board Committee Meetings

Name of Directors	Board		Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Albert Phuay Yong Hen	4	4	–	–	2	2	–	–
Alan Kwan Wai Loen	4	4	–	–	–	–	–	–
David Kok Fat Keung ⁽¹⁾	4	1	–	–	–	–	–	–
Herbert Kwok Fei Lung ⁽²⁾	4	1	–	–	–	–	–	–
Tonny Phuay Yong Choon ⁽²⁾	4	1	–	–	–	–	–	–
Kwah Thiam Hock	4	4	4	4	2	2	2	2
Sunny Wong Fook Choy	4	4	4	4	2	2	2	2
Professor Low Teck Seng	4	4	4	4	2	2	2	2
Joanne Khoo Su Nee ⁽²⁾	4	1	4	1	–	–	–	–

(1) Mr. David Kok has resigned as Director of the Company with effect from 6 February 2016.

(2) Mr. Herbert Kwok, Mr. Tonny Phuay and Ms. Joanne Khoo were appointed as Directors of the Company with effect from 28 September 2016.

The Company is responsible for arranging and funding regular training for the Company's Directors from time to time particularly on changes in the relevant new laws, regulations and changing commercial risks to enable them to make well-informed decisions and to ensure that the Directors are competent in carrying out their expected roles and responsibilities. All the Directors are informed and encouraged to attend seminars, courses and other programmes, particularly on relevant new laws, regulations and changing commercial risks, from time to time, in order to discharge their duties as Directors. During the year, the Board was briefed and/ or updated by the Company Secretary on the changes under the Code and other regulations. The Board has also attended some training and continuing education/ courses on new legislations and/ or regulations during the year.

The Company has conducted briefings and orientation programmes to familiarise the newly appointed Director with the various businesses, operations and processes of the Group. Further, the newly appointed Director had been provided with a formal letter setting out her duties and obligations and appropriate training to ensure that she is fully aware of her responsibilities and obligations of being a Director. The Company has also conducted orientation programme to the newly appointed Director during the year.

Principle 2: BOARD COMPOSITION AND GUIDANCE

The Board currently comprises four Executive Directors and four Independent Directors. The Board has examined its size and is satisfied that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. The Independent Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary.

REPORT ON CORPORATE GOVERNANCE

All appointments and re-elections of Directors are reviewed and recommended by the NC to the Board. The independence of each Independent Director is reviewed by the NC annually in accordance with the guidelines of the Code.

The Board of Directors is as follows:-

Directors

Albert Phuay Yong Hen	(Chairman and Group Chief Executive Officer)
Alan Kwan Wai Loen	(Executive)
David Kok Fat Keung ⁽¹⁾	(Executive)
Herbert Kwok Fei Lung ⁽²⁾	(Executive)
Tonny Phuay Yong Choon ⁽²⁾	(Executive)
Kwah Thiam Hock	(Lead Independent)
Sunny Wong Fook Choy	(Independent)
Professor Low Teck Seng	(Independent)
Joanne Khoo Su Nee ⁽²⁾	(Independent)

(1) Mr. David Kok has resigned as a Director of the Company with effect from 6 February 2016.

(2) Mr. Herbert Kwok, Mr. Tonny Phuay and Ms. Joanne Khoo were appointed as Directors of the Company with effect from 28 September 2016.

The four Independent Directors currently represent 50% of the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC. Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines set out in the Code. All four Independent Directors are independent of the management and 10% shareholders.

Although Mr. Sunny Wong Fook Choy, Mr. Kwah Thiam Hock and Professor Low Teck Seng served on the Board for more than nine years from the date of their first appointments, the NC rigorously reviewed their past contributions to the Group and considered that they are independent in character and judgement and there was no circumstance which would likely affect or appear to affect their judgements. Their lengths of services and in-depth knowledge of the Group's business are viewed by the Board as valuable during Board deliberations.

The opinion was arrived at after careful assessment by the NC and the Board (save for Mr. Sunny Wong Fook Choy, Mr. Kwah Thiam Hock and Professor Low Teck Seng). The rigorous reviews comprised reviews of, but not limited to, the following factors: (a) the lengths of services of Mr. Sunny Wong Fook Choy, Mr. Kwah Thiam Hock and Professor Low Teck Seng have not compromised the objectivities of Independent Directors and their commitments and abilities to discharge their duties as Independent Directors; (b) the abilities of Independent Directors to continue exercising independent judgement in the best interests of the Company, as they do not have any relationship with the Company, its related corporations, substantial shareholders or its officers which could materially impair their exercises of judgements; (c) the abilities of the Independent Directors to express their objectives and independent views during Board and Board Committee meetings; and (d) the Independent Directors, through their years of involvements with the Company, have gained valuable insights and understandings of the Group's business and together with their diverse experiences and expertise, have contributed and will continue to contribute effectively as Independent Directors by providing impartial and autonomous views at all times.

REPORT ON CORPORATE GOVERNANCE

The Board also recognises the contributions of the Independent Directors who over time have developed deep insights into the Group's business and operations, and who are therefore able to provide invaluable contributions to the Board as a whole. As such, the Board would exercise its discretion to extend the term and retain the services of Mr. Sunny Wong Fook Choy, Mr. Kwah Thiam Hock and Professor Low Teck Seng rather than lose the benefit of their contributions.

The Company has a good balance of Directors with a wide range of skills, experience and qualities in the fields of operations, management, financial, legal and accounting. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. Profiles of the Directors are found on pages 12, 13 and 14 of this Annual Report.

To facilitate effective management, the Board has delegated specific responsibilities to three sub-committees, namely:-

- 1) Audit Committee;
- 2) Nominating Committee; and
- 3) Remuneration Committee.

These committees comprise a majority of Independent Directors. The effectiveness of each committee is also constantly monitored by the Board.

Where necessary, the Company encourages and co-ordinates informal meeting sessions for Independent Directors to meet without the presence of the management.

Principle 3: ROLE OF CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER ("CEO")

The Chairman and Group CEO, Mr. Albert Phua Yong Hen, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. He is responsible for the day-to-day running of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and Management. As the Chairman and Group CEO, he also determines the Group's strategies, ensures effective succession planning for all key positions within the Group, lead the Board to ensure its effectiveness on all aspects of its role, ensure adequate time is available for discussion of all agenda items including strategic issues, promote a culture of openness and debate at the Board, ensure that Directors received complete, adequate and timely information, ensure effective communication with shareholders, encourages constructive relations within the Board and between the Board and management and ensures the Group's compliance with the Code. The role of the Chairman is not separate from that of the Group CEO as the Board considers that there is considerable accountability and transparency within the Group.

The Independent Directors currently form half the composition of the Board and exercise objective judgement on corporate matters impartially, thus ensuring a good balance of power and authority. As such, it would not be necessary for the Group to effect a separation of the role of Chairman and Group CEO.

In view that the Chairman and Group CEO is the same person, the Board has appointed Mr. Kwah Thiam Hock as the Lead Independent Director of the Board since 2014. Mr. Kwah works closely with other Independent Directors and when necessary meets with them without the presence of other Directors to discuss matters that were decided at Board meetings and provides feedback to the Chairman after such meetings. Mr. Kwah will continue to avail himself to address shareholders' concerns and act as a counter balance on management issues in the decision making process.

REPORT ON CORPORATE GOVERNANCE

Principle 4: BOARD MEMBERSHIP

Nominating Committee

The NC comprises the following Directors:-

Professor Low Teck Seng	(Chairman)
Albert Phuyay Yong Hen	(Member)
Kwah Thiam Hock	(Member)
Sunny Wong Fook Choy	(Member)

The NC met twice in FY2016. The NC's principal functions are to:-

- 4.1 Identify candidates and review all nominations for the appointment or re-appointment or re-election of members of the Board of Directors and the members of the various Board Committees for the purpose of proposing such nominations to the Board for its approval;
- 4.2 Determine the criteria for identifying candidates and reviewing nominations for the appointments referred to in paragraph 4.1;
- 4.3 Review regularly the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the Directors as a Group;
- 4.4 Decide the manner in which the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
- 4.5 Assess whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- 4.6 Assess the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board;
- 4.7 Make and review plans for succession, in particular for the Chairman of the Board and Group CEO;
- 4.8 Determine on an annual basis the independence of Directors;
- 4.9 Review on a yearly basis the training programmes for the Board; and
- 4.10 Recommend and review training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks.

The NC had held a meeting in February 2017 for the nomination of Directors for the Sixteenth Annual General Meeting ("AGM").

The NC has reviewed the independence of each Director for FY2016 in accordance with the Code's definition of independence and is satisfied that half of the Board comprises Independent Directors. The NC is of the view that Mr. Kwah Thiam Hock, Mr. Sunny Wong Fook Choy, Professor Low Teck Seng and Ms. Joanne Khoo Su Nee are independent.

At present, new Directors are appointed by way of a Board resolution, upon the NC's interview and approval of their appointments. The new Directors must submit themselves for re-election at the next AGM of the Company.

REPORT ON CORPORATE GOVERNANCE

In accordance with Article 104 of the Company's Constitution, all Directors shall retire from office at least once every three years and at each AGM, at least one-third of the Directors for the time being shall retire from office by rotation. In addition, Article 105 provides that retiring Directors shall be eligible to offer themselves for re-elections.

In accordance with Article 108 of the Company's Constitution, the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director and any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such Meeting.

The NC, in considering the re-election of a Director, evaluates such Director's contribution and performance, such as his attendance at meeting of the Board and/ or Board committees, participation, candour and any special contribution.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/ or participating in respect of matters in which he is interested.

The NC is of the opinion that the independence of the Non-Executive Directors is maintained and that each Director has contributed to the effectiveness of the Board as a whole. The Board has accepted the NC's nomination and has recommended the following Directors, who have given their consents for re-elections, to be put forward for re-election at the forthcoming AGM:-

Sunny Wong Fook Choy	(Retiring pursuant to Article 104)
Alan Kwan Wai Loen	(Retiring pursuant to Article 104)
Herbert Kwok Fei Lung	(Retiring pursuant to Article 108)
Tonny Phuay Yong Choon	(Retiring pursuant to Article 108)
Joanne Khoo Su Nee	(Retiring pursuant to Article 108)

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company Board representations and other principal commitments.

Although the Independent Directors and the Chairman and Group CEO hold directorships in other companies which are not in the Group, the NC is of the view that there should be no restriction to the number of Board representations of each Director and the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The NC identifies, evaluates and selects suitable candidates for new directorships. The NC considers factors such as the ability of the prospective candidates to contribute to discussions, the composition of the Board including the mix of expertise, skills and attributes to the existing Directors so as to identify needed and/ or desired competencies to supplement the Board's existing attributes.

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director. The NC has put in place a process for the selection of new Directors and re-election of incumbent Directors to increase transparency of the nominating process in identifying and evaluating nominees. The NC leads the process and makes recommendations to the Board as follows:

- (a) the NC will evaluate the skilled competencies of the candidates in areas such as technical, financial or legal expertise and experience in a similar or related industry, determine the selection criteria in consultation with the Board, and select candidates with the appropriate expertise and experience for the position, taking into account the value of gender diversity on the Board;

REPORT ON CORPORATE GOVERNANCE

- (b) the NC will source for potential candidates if needed. Directors and the Management may also make recommendations;
- (c) the NC meets the shortlisted candidates to assess suitability and ensure that candidates are aware of the expectation and the level of commitment required; and
- (d) the NC then makes recommendations to the Board for approval.

The Company does not have any alternate Director.

The dates of initial appointment and last re-election of each Director, together with their directorships in other listed companies are set out below:-

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Listed Companies	Past Directorships Held over Preceding Three Financial Years
Albert Phuay Yong Hen	Chairman and Group CEO	18 May 2001	6 April 2016	None	None
Alan Kwan Wai Loen	Executive Director	18 May 2001	8 April 2015	None	None
David Kok Fat Keung ⁽¹⁾	Executive Director	5 July 2001	17 April 2014	None	None
Herbert Kwok Fei Lung ⁽²⁾	Executive Director	28 September 2016	N.A.	None	None
Tonny Phuay Yong Choon ⁽²⁾	Executive Director	28 September 2016	N.A.	None	None
Kwah Thiam Hock	Lead Independent Director	18 April 2007	6 April 2016	• Wilmar International Limited • Teho International Inc Ltd • IFS Capital Ltd	None
Sunny Wong Fook Choy	Independent Director	13 November 2003	17 April 2014	• China Medical (International) Group Limited • Mencast Holdings Ltd • KTL Global Limited • Civmec Limited • Innotek Limited	None
Professor Low Teck Seng	Independent Director	19 April 2006	8 April 2015	• Singapore Post Limited • ISEC Healthcare Ltd	None
Joanne Khoo Su Nee ⁽²⁾	Independent Director	28 September 2016	N.A.	• Kitchen Culture Holdings Ltd. • Teho International Inc Ltd	None

(1) Mr. David Kok has resigned as a Director of the Company with effect from 6 February 2016.

(2) Mr. Herbert Kwok, Mr. Tonny Phuay and Ms. Joanne Khoo were appointed as Directors of the Company with effect from 28 September 2016.

REPORT ON CORPORATE GOVERNANCE

Principle 5: BOARD PERFORMANCE

The NC, in considering the re-appointment of any Director, evaluates the performance of the Director. The NC and the Chairman of the Board implemented a self-assessment process that required each Director to assess the performance of the Board as a whole for FY2016. The self-assessment process took into consideration, inter alia, Board structure, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with shareholders.

Although the Board's performance evaluation does not include a benchmark index of its industry peers, the Board assesses its effectiveness holistically through the completion of a questionnaire by each individual Director which includes questions covering the above-mentioned areas of assessment. The NC collates the results of these questionnaires and formally discusses the results collectively with other Board members to address any areas for improvement.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year. It is of the view that the performance of the Board as a whole has been satisfactory.

The NC will evaluate the performance of each Board Committee in FY2017.

In view of the size and composition of the Board, the Board deems it unnecessary for the NC to assess the effectiveness of each Board Committee in FY2016.

The NC is of the view that the primary objective of the assessment exercise is to create a platform for the Board members to exchange feedback on the strengths and shortcomings of the Board with a view to strengthening its effectiveness. The assessment exercise also assists the Directors to focus on their key responsibilities and helps the NC in determining whether to re-nominate Directors who are due for retirement at the next AGM including determining whether Directors with multiple Board representatives are able to and have adequately discharge their duties as Directors of the Company.

Principle 6: ACCESS TO INFORMATION

Prior to each Board meeting, the Board is supplied with relevant information such as quarterly management reports, budgets, quarterly financial statements, material events and transactions complete with background and explanations by the management pertaining to matters to be brought before the Board for decision as well as ongoing reports relating to operational and financial performance of the Group. Such reports keep the Board informed of the Group's performance, financial position and prospects, and consist of the consolidated financial statements, major operational updates, background or updates on matters before the Board for decision or information, minutes of the previous Board meeting, and minutes of meetings of all committees of the Board held since the previous Board meeting.

Detailed board papers are sent out to the Directors at least three working days before the scheduled meetings so that the Directors may better understand the issues beforehand, allowing for more time at such meetings for questions that Directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed.

REPORT ON CORPORATE GOVERNANCE

In addition, the Board has separate and independent access to senior management and the Company Secretaries at all times. The appointment and removal of Company Secretaries are subject to the Board's approval as a whole.

Should Directors, whether individually or as a Group, need independent professional advice, the Company Secretaries will, upon direction by the Board, appoint a professional advisor selected by the Group or individual, and approved by the Chairman to render advice. The cost of such professional advice will be borne by the Company.

At least one of the Company Secretaries attends all Board meetings and Committee meetings and is responsible to assist the Board to ensure that proper procedure and all other rules and regulations applicable to the Company are complied with. The Company Secretaries prepare minutes of meetings of the Board and Board Committees and assist the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Securities and Futures Act and the Listing Manual of the SGX-ST. They also advise the Board on corporate governance matters.

REMUNERATION MATTERS

Principle 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 8: LEVEL AND MIX OF REMUNERATION

Principle 9: DISCLOSURE ON REMUNERATION

Remuneration Committee

The RC comprises the following three Directors, of whom all are Independent Directors:-

Sunny Wong Fook Choy	(Chairman)
Kwah Thiam Hock	(Member)
Professor Low Teck Seng	(Member)

The RC met twice in FY2016. Its principal responsibilities are to:-

- 7.1 Recommend to the Board base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives, including identifying equity-based incentives such as stock options;
- 7.2 Recommend to the Board the structure of the compensation program for Directors and senior management to ensure that the program is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully; and
- 7.3 Review compensation packages of Directors, senior management and employees who are related to the Executive Directors and Controlling Shareholders (including the compensation package of the Chairman and Group CEO) annually and determine appropriate adjustments for approval by the Board.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No RC member is involved in determining his own remuneration.

Independent Directors do not have service agreements with the Company. The Independent Directors receive Directors' fees and shares which are recommended by the Board for approval at the Company's AGM.

REPORT ON CORPORATE GOVERNANCE

The Executive Directors do not receive Directors' fees and are paid based on their Service Agreements with the Company as disclosed in the Company's Prospectus dated 18 December 2003. The Agreements were renewed for a further period of three years from 1 January 2017. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors which are aligned with long term interests of the Group.

Key Management Personnel's remuneration is set in accordance with a remuneration framework comprising salary, variable bonus, shares and benefits-in-kind. In view of the competitive pressures in the labour market on retaining talent, the Company believes that it is not in the best interests of the Company to disclose the names of the top five Key Management Personnel.

The RC can, upon direction by the Board, engage any external professional advice on matters relating to remuneration as and when the need arises.

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. The Company has instead disclosed the breakdown in percentage terms of the individual Executive Director's remuneration within appropriate bands whilst the remuneration of the top five Key Management Personnel (who are not Directors of the Company) are presented only in a baseline remuneration band.

The remuneration in FY2016 of the Directors and Key Management Personnel are set out below:-

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	–	85%	14%	1%	–	100%
S\$500,000 and above	Alan Kwan Wai Loen	–	83%	14%	3%	–	100%
S\$500,000 and above	David Kok Fat Keung ⁽¹⁾	–	86%	14%	–	–	100%
Below S\$250,000	Herbert Kwok Fei Lung ⁽²⁾⁽³⁾	–	91%	6%	3%	–	100%
Below S\$250,000	Tonny Phuai Yong Choon ⁽²⁾⁽³⁾	–	86%	5%	9%	–	100%
Below S\$250,000	Kwah Thiam Hock	92%	–	–	–	8%	100%
Below S\$250,000	Professor Low Teck Seng	92%	–	–	–	8%	100%
Below S\$250,000	Sunny Wong Fook Choy	92%	–	–	–	8%	100%
Below S\$250,000	Joanne Khoo Su Nee ⁽²⁾⁽³⁾	100%	–	–	–	–	100%

(1) Mr. David Kok has resigned as a Director of the Company with effect from 6 February 2016.

(2) Mr. Herbert Kwok, Mr. Tonny Phuai and Ms. Joanne Khoo were appointed as Directors of the Company with effect from 28 September 2016.

(3) Subject for Shareholders' approval at the 2017 AGM.

REPORT ON CORPORATE GOVERNANCE

Remuneration of Top 5 Key Management Personnel (who are not Directors or CEO)

No. of Key Management Personnel	Salary* %	Bonus* %	Allowance & Benefits* %	Share Based* %	Total* %
S\$250,000 to below S\$500,000					
1	91%	6%	3%	–	100%
1	86%	5%	9%	–	100%
1	91%	6%	3%	–	100%
1	93%	3%	4%	–	100%
1	91%	–	9%	–	100%

* Mr. Tonny Phuay and Mr. Herbert Kwok were Key Management Personnel during the period of 1 January 2016 to 27 September 2016, hence their pro-rated salaries within this period.

The annual aggregate amount of the total remuneration paid to top five Key Management Personnel (who are not Directors or Chairman and Group CEO) is approximately S\$1,751,000.

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

There are four (4) employees who are immediate family members of our Directors and whose remuneration exceeds S\$50,000 for FY2016. Of which, Mr. Phuay Yong Hua is part of the top five Key Management Personnel as listed above, and Mr. Tonny Phuay was appointed as an Executive Director on 28 September 2016. By the same token, their remunerations in incremental bands of S\$50,000 will not be disclosed.

Name of Employees	Related To
Below S\$750,000	
Tonny Phuay Yong Choon	Brother to Mr. Albert Phuay Yong Hen (Chairman and Group CEO)
Below S\$500,000	
Phuay Yong Hua	Brother to Mr. Albert Phuay Yong Hen (Chairman and Group CEO)
Chan Yuk Wah Ivy	Spouse of Mr. Herbert Kwok Fei Lung (Executive Director)
Below S\$250,000	
Phuay Li Ying	Daughter of Mr. Albert Phuay Yong Hen (Chairman and Group CEO)

There are no termination, retirement and post-employment benefits granted to Directors, the Chairman and Group CEO or the top five Key Management Personnel in FY2016.

Excelpoint Performance Share Scheme

The Company has adopted the Excelpoint Performance Share Scheme (the “EPSS”) to increase the Company’s flexibility and effectiveness in its continual efforts to reward, retain and motivate employees to achieve superior performance, which was approved by the shareholders at the Extraordinary General Meeting held on 25 June 2008.

REPORT ON CORPORATE GOVERNANCE

The EPSS Committee members consist of Mr. Albert Phuay Yong Hen, Mr. Kwah Thiam Hock, Mr. Sunny Wong Fook Choy and Professor Low Teck Seng.

On 15 February 2016, 60,000 new ordinary shares had been granted and vested to three Independent Directors and thereafter, on 18 November 2016, 327,500 new ordinary shares had been granted and vested to employees pursuant to the EPSS respectively and the relevant SGXNet announcements had been released accordingly.

Since the commencement of the EPSS, no shares have been granted to any controlling shareholders and their associates pursuant to the vesting of the Awards under the EPSS during FY2016. No employee in the Group has received shares which, in aggregate, represent 5% or more of the aggregate of the total number of shares available under the EPSS during FY2016.

Excelpoint Share Option Scheme 2014

The Company has adopted the Excelpoint Share Option Scheme 2014 (the “ESOS”), which is primarily a share incentive scheme, to complement the existing EPSS to provide the Company with greater flexibility in tailoring reward and incentive packages suitable for Participants, which was approved by the shareholders at the Extraordinary General Meeting held on 17 April 2014.

The ESOS Committee members consist of Mr. Albert Phuay Yong Hen, Mr. Kwah Thiam Hock, Mr. Sunny Wong Fook Choy and Professor Low Teck Seng.

Since commencement of the ESOS and during the financial year under review, no options or incentive options have been granted under the ESOS to the Participants in the Group including the Company’s controlling shareholders and its associates, Directors and employees of the parent company and its subsidiaries and Executive Directors and employees of the Company’s associated companies.

Accordingly, no participant has received 5% or more of the total number of options or incentive options available under the ESOS.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group’s compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

ACCOUNTABILITY

Principle 10: ACCOUNTABILITY

The Board seeks to continue providing shareholders with a comprehensive view of the Company’s financial performance, position and prospects on a quarterly basis.

The Management currently provides the Board with appropriately detailed management accounts of the Group’s performance, position and prospects on a quarterly basis.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company’s performance, position and prospects on a quarterly basis. This responsibility extends to report to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNet, press releases and the Company’s website. The Board will review and approve the financial reports before their release. The Board will also review and approve any press releases concerning the Company’s financial results. The Company’s Annual Report is available on request and accessible on the Company’s website.

REPORT ON CORPORATE GOVERNANCE

The Company will continue to update shareholders on the operations and financial position of the Company through quarterly and full year announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

Principle 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Company has an Enterprise Risk Management Framework ("Framework") in place for the Group. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess the adequacy and effectiveness of the risk management framework and processes.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the shareholders and the Group's assets.

The Board recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Company's internal and external auditors conduct annual review of the adequacy and effectiveness of the Company's material internal control systems including financial, operational, compliance and information technology controls and risk assessment and test annually to ensure the adequacy thereof.

As part of the annual statutory audit on financial statements, the external auditors report to the AC and the appropriate level of management any material weaknesses in financial controls over the areas which are significant to the audit. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the Chairman and Group CEO, the Group Chief Financial Officer ("CFO") as well as the internal auditor that the financial records of the Group have been properly maintained and the financial statements for FY2016 give a true and fair view of the Group's operations and finances; and the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

The Board of Directors and the AC have reviewed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational and compliance risks. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Board with the concurrence of the AC are of the opinion that the Group's internal controls, including financial, operational, compliance and information technology and risk management systems, were adequate and effective as at 31 December 2016.

Principle 12: AUDIT COMMITTEE

The AC comprises the following four Directors, all of whom are Independent Directors:-

Kwah Thiam Hock	(Chairman)
Sunny Wong Fook Choy	(Member)
Professor Low Teck Seng	(Member)
Joanne Khoo Su Nee ⁽¹⁾	(Member)

(1) Ms. Joanne Khoo was appointed as Member with effect from 28 September 2016.

All the members of the AC have had many years of experience in senior management positions in different sectors. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge their responsibilities as members of the AC.

REPORT ON CORPORATE GOVERNANCE

The AC meets quarterly to perform the following key functions:-

- 12.1 Recommend to the Board of Directors, the external and internal auditors to be nominated, approve the remuneration of the external auditors, and review the scope and results of the audit;
- 12.2 Review all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of the external auditors;
- 12.3 Review (with the other committees, management, and the external and internal auditors) significant risks or exposures that exist and assess the steps management has taken to minimise such risk to the Company;
- 12.4 Review interested person transaction;
- 12.5 Review with the Group CFO and external auditors at the completion of the annual examination:-
 - The external auditors' audit of the annual financial statements and reports;
 - The adequacy of the Group's system of accounting controls;
 - The level of assistance and co-operation given by management to external auditors;
 - Any significant findings and recommendations of the external auditors and internal auditors and the related management's responses thereto; and
 - Any significant changes required in the external auditors' audit plan, any serious difficulties or disputes with management encountered during the course of the audit and their resolution, and other matters related to the conduct of the audit.
- 12.6 Review legal and regulatory matters that may have a material impact on the financial statements' related exchange compliance policies, programs and reports received from regulators;
- 12.7 Report actions and resolutions of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- 12.8 Review the adequacy and effectiveness of the Company's risk management and internal control systems (including financial, operational, compliance and information technology controls) and to report to the Board annually.

The AC has express power to conduct or authorise investigations into any matters within its terms of reference. Minutes of AC meetings are regularly submitted to the Board for its information and review.

Pursuant to Listing Rule 716, the Board and the AC are satisfied that the appointment of different auditors for its significant subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

In appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Company has complied with Listing Rules 712 and 715.

The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before confirming their re-nomination. The audit service and non-audit service fees paid or payable to the external auditors of the Company for the financial year ended 31 December 2016 amounts to US\$210,000 and US\$17,000 respectively.

REPORT ON CORPORATE GOVERNANCE

The AC also meets with the external auditors, without the presence of management, at least once a year. For FY2016, the AC met once with the external auditors without presence of the management. This meeting enables the external auditors to raise issues encountered in the course of their work directly to the AC.

The AC has full access to and co-operation of the management and external and internal auditors including full discretion to invite any Director or Key Management Personnel to attend the meetings, and has been given reasonable resources to enable it to discharge its functions and duties.

The accounts for the year were audited by Ernst & Young LLP and the AC has recommended to the Board that Ernst & Young LLP be nominated for re-appointment as Auditors at the forthcoming AGM.

The Company has in place a whistle-blowing framework, which provides an avenue for the staff of the Company to raise concerns about improprieties and the independent investigation of such matters by the AC. A whistle-blower email address is created for reporting suspected fraud, corruption, dishonest practices or other similar matters. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

The AC shall commission and review the findings of internal investigations where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/ or financial position. There was no whistle-blowing letter received during the year.

The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have a direct impact on the financial statements before an audit commences. During the financial year ended 31 December 2016, the changes in accounting standards did not have any significant impact on the Company's financial statements.

No former partner or Director of the Company's existing auditing firm or auditing corporation is a member of the AC.

Principle 13: INTERNAL AUDIT

The Company has outsourced the internal audit function to Messrs Baker Tilly Consultancy (Singapore) Pte Ltd. The internal audit function is to review key business processes of the Company and its material subsidiaries with the primary objective of identifying significant control issues that the AC and management should focus their attention on.

The AC is satisfied that the internal audit is staffed by suitably qualified and experienced personnel.

In the discharge of its functions, the internal auditors report directly to the Chairman of the AC on functional matters and to the Group CFO on administrative matters. The AC reviews and approves the internal audit plans annually and ensures that resources are adequate to perform the function effectively.

On an annual basis, the internal auditor will conduct a review of the risks identified by the external risk consultants. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, major control weaknesses on financial reporting, if any, are highlighted by the external auditor in the course of their statutory audit.

The AC meets with the internal auditors, without the presence of management, at least once a year. For FY2016, the AC met once with the internal auditors without the presence of the management.

REPORT ON CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle 14: SHAREHOLDERS RIGHTS

Principle 15: COMMUNICATION WITH SHAREHOLDERS

Principle 16: GREATER SHAREHOLDER PARTICIPATION

The Company does not practise selective disclosure of material information. Material and price-sensitive information is always released on SGXNet after trading hours. Results and annual reports are announced or issued within the mandatory periods and are available on the Company website. When press conferences and briefings will be held on major events and financial results, the management will only meet the press and analysts after the announcement is released on SGXNet.

All shareholders of the Company receive the annual report and Notice of AGM. The Notice is also advertised in a national newspaper. At AGMs, shareholders are given the opportunity to air their views and ask Directors or management questions regarding the Company. Separate resolutions on each distinct issue are proposed at general meetings for approval. The external auditors and legal advisors (if necessary) are present to assist the Directors in addressing any queries by shareholders.

The Constitution allows a member of the Company to appoint one or two proxies to attend and vote in place of the member. A shareholder who is unable to attend the general meetings is entitled to appoint up to two proxies, unless the shareholder is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50). A relevant intermediary is entitled to appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

The Board notes that there should be separate resolutions at general meetings on each substantially separate issue and supports the Code's principle regarding "bundling" of resolutions.

The participation of shareholders is encouraged at the AGM through open question and answer session. The Chairman of the Audit, Remuneration and Nominating Committees are available at the AGM to address any queries or concerns and the external auditors are also available to assist the Directors in addressing any relevant queries from the shareholders.

For greater transparency and fairness in the voting process, voting for all resolutions passed at shareholders' meetings were conducted by poll since 2015 and the voting results of the general meetings, including the total numbers of votes cast for or against each resolution, are released via SGXNet on the same day. However, as the authentication of shareholder identity and other related security and integrity of the information still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The Company will review its Constitution from time to time and make amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing obligations.

The Company does not have any dividend policy. However, depending upon the Group's operating results, financial conditions, other cash requirements including capital expenditure, terms of borrowing arrangements and other factors deemed relevant by the Directors, the Company does consider positively the payment of annual dividend. Any dividend payments are clearly communicated to shareholders via announcements on SGXNet.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management. These are available to shareholders upon their request.

The Company has a dedicated Investor Relations ("IR") team which regularly communicates with shareholders, analysts or investors through e-mail communication and telephone to update them on the latest corporate development and at the same time address their queries.

REPORT ON CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

The Company has adopted an Internal Compliance Code on Securities Transactions (“Internal Compliance Code”) to Directors and key employees (including employees with access to price-sensitive information to the Company’s shares) of the Group setting out the code of conduct on transactions in the Company’s shares by these persons in compliance with the Rule 1207(19) of the Listing Manual of the SGX-ST.

The Group issues quarterly reminders to its Directors, officers and employees on the restrictions in dealings in listed securities of the Group. The Company and its Directors and officers are advised and informed via email that they are not allowed to deal in the Company’s shares during the period commencing two weeks before the announcement of the Company’s financial results for each of the first three quarters of its financial year, or one month before the announcement of the Company’s full year financial results and ending one trading day after the announcement of the relevant results or when they are in possession of any unpublished price-sensitive information of the Group.

In compliance with Rule 1207(19)(b), the Internal Compliance Code forbids its officers from dealing in the Company’s securities on short-term considerations.

In accordance with the guidelines on share purchase under the share buyback mandate, renewed annually at the Company’s AGM, the Company will not undertake any purchase or acquisition of shares pursuant to the proposed share buyback mandate at any time after a price-sensitive development has occurred or has been the subject of a decision until the price-sensitive information has been publicly announced. In particular, in line with the Internal Compliance Code, the Company will not purchase or acquire any shares during the two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the release of the Company’s full year financial statements and ending one trading day after the announcement of the relevant results.

MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that except as disclosed in the “Interested Person Transactions” below, there were no material contracts entered into by the Company or its subsidiaries involving the interest of any Director or Chairman and Group CEO or controlling shareholders for the financial year ended 31 December 2016.

INTERESTED PERSON TRANSACTIONS

The aggregate value of all interested person transactions during the financial year ended 31 December 2016 were as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920)	Description of the transaction entered into with the interested person during the financial year under review	Aggregate value of all interested person transactions conducted during the financial year under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Albert Phuai Yong Hen	US\$109,200	Rental of office premises	N.A.

REPORT ON CORPORATE GOVERNANCE

USE OF PLACEMENT PROCEEDS

The Company refers to the net proceeds of approximately S\$7,825,000 raised 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 (the “Net Proceeds”) (as defined in the Company’s announcement dated 2 September 2016).

As at the date of this Report, there has not been any utilisation of the Net Proceeds and the Net Proceeds are deposited with a bank pending deployment. The Company will make periodic announcements on the utilisation of the Net Proceeds as and when the funds are materially disbursed and whether such use is in accordance with the stated use and in accordance with the percentage allocated.

On Behalf of the Directors,

Albert Phuai Yong Hen
Chairman and Group CEO
Singapore

REPORT OF THE AUDIT COMMITTEE

Financial Matters

For FY2016, the AC held four (4) meetings. During each of these meetings, the AC reviewed the quarterly financial accounts prepared by management, including all supporting schedules such as the Group's Trade Debtors Aging, Group's movement in allowance and write back of doubtful debts, review of customers with significant credit exposure. The AC also reviews the movements in stocks in relation to the stock provisioning policy. Other matters reviewed include: the Group's operating expenses, the top 5 product lines and top 5 customers as well as the availability and utilization of Group's banking lines.

Market Risks

The Group's business is subject to the risks of market price erosion and stock obsolescence mainly due to the volatile nature of the global electronic industry. Hence, it is important for AC to ensure that the Group does not carry excessive stocks and wherever possible stocks are only purchased when there are firmed orders on hand or are adequately backed by stock rotation and price protection arrangements with major suppliers.

Oversight of the external auditor

The AC approved the scope and audit plan presented by the auditor. It also reviewed the results of the audit, including significant findings and recommendations as well as management's responses.

AC held a separate meeting with the auditors without the presence of management during which the AC was briefed on the Audit Quality Indicators achieved by the auditors. AC is satisfied with the auditor's independence and that it has maintained a high standard of audit quality and controlled policies. AC therefore recommends to the Board the re-appointment of the auditor at the coming AGM.

Key Audit Matters

In respect of the Key Audit Matters highlighted by the auditors, AC's comments are as follows:

Significant matters	AC's comments
(1) Revenue Recognition	AC concurred with management's methodology of revenue recognition which occurs only upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods.
(2) Recovery of Trade Receivables	At each AC meeting, the committee reviewed all slow paying debts to ascertain they are indeed collectable. The auditor has highlighted one particular account in China where the goods delivered was accidentally damaged by other suppliers involved in the project. AC is satisfied that there was no dispute on the quality and the customer has assured payments when the damaged parts are replaced. Overall, the AC is satisfied that management does monitor closely the aging of debtors and concurred with the auditor on the write off of doubtful debt.
(3) Provision for slow-moving and obsolete stocks	AC briefed the auditor on the recent changes in provisioning policy so as to minimize the writing off and writing back of slow-moving stocks. AC noted that major suppliers have provided the Group with price protection or stock rotation. Hence, the risks of stock obsolescence are well controlled.

On behalf of the Audit Committee,

Kwah Thiam Hock

Chairman of the Audit Committee
Singapore

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Excelpoint Technology Ltd (the “Company”) and its subsidiaries (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. Opinion of the Directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:-

Albert Phuay Yong Hen	(Chairman and Group Chief Executive Officer)
Alan Kwan Wai Loen	
Herbert Kwok Fei Lung	(Appointed on 28 September 2016)
Tonny Phuay Yong Choon	(Appointed on 28 September 2016)
Kwah Thiam Hock	
Sunny Wong Fook Choy	
Professor Low Teck Seng	
Joanne Khoo Su Nee	(Appointed on 28 September 2016)

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 6 below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:-

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year or the date of appointment	At the end of financial year	At the beginning of financial year or the date of appointment	At the end of financial year
Ordinary shares of the Company				
Albert Phuay Yong Hen	47,901,504	47,915,204	2,598,168	2,598,168
Alan Kwan Wai Loen	6,258,244	6,258,244	–	–
Herbert Kwok Fei Lung	343,600	343,600	201,200	229,300
Tonny Phuay Yong Choon	144,800	144,800	–	–
Kwah Thiam Hock	20,000	40,000	–	–
Sunny Wong Fook Choy	40,000	60,000	–	–
Professor Low Teck Seng	20,000	40,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Albert Phuay Yong Hen is deemed to have interests in shares of the subsidiaries of the Company, all of which are wholly-owned by the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

5. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a Company in which the director has a substantial financial interest.

6. Share plans

Options

At an Extraordinary General Meeting held on 17 April 2014, shareholders approved the Excelpoint Share Option Scheme (the “ESOS”) for the granting of non-transferable options that are settled by physical delivery of the ordinary shares of the Company, to eligible directors and group employees.

The ESOS is administered by Albert Phuay Yong Hen, Sunny Wong Fook Choy, Professor Low Teck Seng and Kwah Thiam Hock.

As at the date of this report and since the commencement of the ESOS until the end of the financial year, no options have been granted under the ESOS.

Eligibility

Subject to the absolute discretion of the Committee, the following persons shall be eligible to participate in the ESOS:

- (a) Confirmed Employees or Associated Company Employees; and
- (b) Non-Executive Directors,

who have attained the age of twenty-one (21) years on or before the date of grant and are not undischarged bankrupts and who have not entered into a composition with his or her creditors.

Persons who are Controlling Shareholders or their Associates are not eligible to participate in the ESOS.

Performance shares

The Company has adopted the Excelpoint Performance Share Scheme (“EPSS” or “Award”), which was approved by the shareholders at the Extraordinary General Meeting held on 25 June 2008.

EPSS is administered by Albert Phuay Yong Hen, Kwah Thiam Hock, Sunny Wong Fook Choy and Professor Low Teck Seng.

Eligibility

The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

- (a) Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the date of grant of the Award; and
- (b) Non-Executive Directors who have attained the age of 21 years on or before the date of grant of the Award.

Controlling Shareholders and their Associates shall be eligible to participate in the Scheme. However, the aggregate number of shares available to Controlling Shareholders and their Associates must not exceed 25% of the shares available under the Scheme. The number of shares available to each Controlling Shareholder or his Associate must also not exceed 10% of the shares available under the Scheme.

DIRECTORS' STATEMENT

6. Share plans (cont'd)

Performance shares (cont'd)

Eligibility (cont'd)

During the financial year, the Company has granted 387,500 shares (2015: 897,400 shares) to its directors and employees.

	(1)	(2)	(3)	(4)=(1)-(3)	(5)
Name of Participant	Number of shares comprised in Awards to be issued during financial year under review (including terms)	Aggregate number of shares comprised in Awards from commencement of Scheme to the end of financial year under review	Number of shares comprised in Awards allotted and/or transferred during the financial year under review	Number of shares comprised in Awards not released during financial year under review	Proportion of shares comprised in Awards vested during financial year under review
Directors of the Company					
Kwah Thiam Hock	20,000 *	40,000	20,000	–	20,000
Professor Low Teck Seng	20,000 *	40,000	20,000	–	20,000
Sunny Wong Fook Choy	20,000 *	40,000	20,000	–	20,000

* The Awards were granted on 15 February 2016 made pursuant to a resolution passed at the Annual General Meeting of the Company held on 8 April 2015 wherein an aggregate number of 60,000 ordinary shares in the capital of the Company would be granted to the Independent Directors of the Company under EPSS as part of their respective remuneration for the financial year from 1 January 2015 to 31 December 2015.

Since the commencement of the EPSS until the end of the financial year:

- No Awards have been granted to the controlling shareholders of the Company and their associate; and
- No participant has received 5% or more of the total awards available under the EPSS.

7. Audit Committee

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:-

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the internal and external auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the Board of Directors;
- Reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

DIRECTORS' STATEMENT

7. Audit Committee (cont'd)

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

8. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Albert Phuai Yong Hen
Director

Alan Kwan Wai Loen
Director

Singapore
28 February 2017

Independent Auditor's Report

To the Members of Excelpoint Technology Ltd
For the financial year ended 31 December 2016

Report on the financial statements

We have audited the financial statements of Excelpoint Technology Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 48 to 99, which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue Recognition

Revenue for the year ended 31 December 2016 amounted to US\$988.2 million. Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer, usually on delivery of goods. The Group uses a variety of shipment terms across its operating markets and this has an impact on the timing of revenue recognition. There is a higher risk that revenue could be recognised in the incorrect period for sales transactions occurring on and around the year end.

Independent Auditor's Report

To the Members of Excelpoint Technology Ltd
For the financial year ended 31 December 2016

Key Audit Matters (cont'd)

Revenue Recognition (cont'd)

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue process and placed specific attention on the timing of the revenue recognition. We performed sales transactions testing based on a representative sampling of the sales orders to ensure that the related revenues and trade receivables are recorded appropriately taking into consideration the terms and conditions of the sale orders, including the shipping terms. We also performed sales cut off procedures by agreeing deliveries occurring around the year end to supporting documentation to establish that sales and corresponding trade receivables are properly recorded in the correct period. We also considered the adequacy of the disclosures in respect of revenues in Note 4.

Recoverability of trade receivables

The gross balance of trade receivables as at 31 December 2016 amounted to US\$154.3 million, against which allowance for doubtful debts amounting to US\$0.1 million was made. The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by local management of the subsidiaries. The Group's management supports subsidiaries in setting credit limits for customers and approves such limits above certain thresholds, where applicable. The assessment of the impairment of trade receivables requires significant management judgment in assessing the trade debtors' ability to pay, which in turn impacts the recoverability of the Group's receivables.

We evaluated the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. Our audit procedures included, amongst others, evaluating management's assessment of the credit review procedures of trade receivables, obtaining trade receivable confirmations, and obtaining evidence of receipts from the trade receivables after the year end. We also evaluated management's assumptions used to determine the trade receivables impairment amount, through detailed analyses of ageing of receivables, assessment of material overdue individual trade receivables and risks specific to the trade debtors. We assessed the adequacy of the Group's disclosures on the trade receivables in Note 14 and the related risks such as credit risk and liquidity risk in Notes 27(a) and 27(b).

Provision for slow-moving and obsolete stocks

The gross balance of stocks as at 31 December 2016 is US\$133.2 million, against which provision for slow-moving and obsolete stocks amounting to US\$1.6 million was made. Stock balances comprise finished products. The determination of provision for slow-moving and obsolete stocks requires management to exercise judgment in identifying slow-moving and obsolete stocks and make estimates of the appropriate level of provision required. This process also involves management to consider the different stock rotation and price protection arrangements with certain suppliers and this makes the process complex. This process is also subject to uncertainty arising from rapid technological changes given the nature of the Group's stocks.

As part of our audit of the carrying value of stock, we evaluated the analyses and assessments made by management with respect to carrying value and slow-moving and obsolete stocks, and the expected demand and market value related to finished products. We tested ageing of stocks and evaluated management's analysis of slow-moving stocks on selected samples. We also inquired of management to obtain an understanding of the terms of the different stock rotation and price protection arrangements that the Group has with its suppliers and corroborated our understanding by performing a review of the significant terms and conditions in supplier contracts. We also assessed the adequacy of the disclosures related to stocks in Note 16.

Independent Auditor's Report

To the Members of Excelpoint Technology Ltd
For the financial year ended 31 December 2016

Other Information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report

To the Members of Excelpoint Technology Ltd
For the financial year ended 31 December 2016

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tham Chee Soon.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
28 February 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

		Group	
	Note	2016 US\$'000	2015 US\$'000
Revenue	4	988,240	828,283
Cost of sales		(933,128)	(780,541)
Gross profit		55,112	47,742
Other income	5	531	653
Sales and distribution costs		(29,832)	(26,739)
General and administrative expenses		(15,664)	(13,268)
Interest expense	6	(2,472)	(1,786)
Other expenses	7	830	(1,103)
Profit before taxation	7	8,505	5,499
Income tax expense	8	(1,452)	(1,144)
Profit for the year and attributable to equity holders of the Company		<u>7,053</u>	<u>4,355</u>
Earnings per share attributable to equity holders of the Company (cents per share)	9	<u>6.65</u>	<u>4.26</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	Group	
		2016 US\$'000	2015 US\$'000
Profit for the year		7,053	4,355
<u>Other comprehensive income:-</u>			
Items that may be reclassified subsequently to profit or loss:-			
Foreign currency translation		(14)	(20)
Reclassification of foreign currency translation reserve to profit or loss upon strike-off of subsidiary		107	–
Net gain/ (loss) on fair value changes of available-for-sale financial assets		1	(414)
Other comprehensive income for the year		<u>94</u>	<u>(434)</u>
Total comprehensive income for the year and attributable to equity holders of the Company		<u>7,147</u>	<u>3,921</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2016

	Note	Group		Company	
		2016	2015	2016	2015
		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Property, plant and equipment	10	2,577	1,870	–	–
Intangible assets	11	519	326	–	–
Investments in subsidiaries	12	–	–	9,878	13,049
Investment securities	13	1,793	1,756	1,793	1,756
Deferred tax assets	22	18	30	–	–
		4,907	3,982	11,671	14,805
Current assets					
Trade debtors	14	154,236	135,238	6	5
Other debtors	15	1,143	891	–	–
Prepayments		353	295	2	2
Stocks	16	131,598	111,613	–	–
Amounts due from subsidiaries	17	–	–	26,551	18,759
Cash and short-term deposits	18	16,606	10,724	2,841	881
		303,936	258,761	29,400	19,647
Current liabilities					
Trade creditors and accruals	19	(100,092)	(93,088)	(882)	(449)
Other creditors	20	(13,771)	(10,235)	(18)	(24)
Interest-bearing loans and borrowings	21	(123,501)	(99,445)	–	–
Amounts due to subsidiaries	17	–	–	–	(78)
Provision for taxation		(3,221)	(2,792)	(16)	(14)
		(240,585)	(205,560)	(916)	(565)
Net current assets		63,351	53,201	28,484	19,082
Net assets		68,258	57,183	40,155	33,887
Equity attributable to equity holders of the Company					
Share capital	23	38,244	32,410	38,244	32,410
Reserves		30,014	24,773	1,911	1,477
		68,258	57,183	40,155	33,887

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Attributable to equity holders of the Company							
	Equity, total	Share capital	Reserves, total	Revenue reserve	Fair value reserve	Statutory reserve	Foreign currency translation reserve	Other capital reserve
	US\$'000	US\$'000	US\$'000	US\$'000	(Note 24(c)) US\$'000	(Note 24(a)) US\$'000	(Note 24(b)) US\$'000	(Note 24(d)) US\$'000
2016								
Opening balance at 1 January 2016	57,183	32,410	24,773	25,454	263	25	(1,196)	227
Profit for the year	7,053	–	7,053	7,053	–	–	–	–
<u>Other comprehensive income</u>								
Items that may be reclassified subsequently to profit or loss:-								
Foreign currency translation	(14)	–	(14)	–	–	–	(14)	–
Reclassification of foreign currency translation reserve to profit or loss upon strike- off of subsidiary	107	–	107	–	–	–	107	–
Net gain on fair value changes of available-for-sale financial assets	1	–	1	–	1	–	–	–
Other comprehensive income for the year	94	–	94	–	1	–	93	–
Total comprehensive income for the year	7,147	–	7,147	7,053	1	–	93	–
<u>Distributions to equity holders</u>								
Issuance of new shares	5,834	5,834	–	–	–	–	–	–
Dividends on ordinary shares (Note 33)	(1,906)	–	(1,906)	(1,906)	–	–	–	–
Total distributions to equity holders	3,928	5,834	(1,906)	(1,906)	–	–	–	–
Closing balance at 31 December 2016	68,258	38,244	30,014	30,601	264	25	(1,103)	227

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Group	Attributable to equity holders of the Company							
	Equity, total	Share capital	Reserves, total	Revenue reserve	Fair value reserve (Note 24(c))	Statutory reserve fund (Note 24(a))	Foreign currency translation reserve (Note 24(b))	Other capital reserve (Note 24(d))
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2015								
Opening balance at 1 January 2015	56,227	32,294	23,933	24,180	677	25	(1,176)	227
Profit for the year	4,355	–	4,355	4,355	–	–	–	–
<u>Other comprehensive income</u>								
Items that may be reclassified subsequently to profit or loss:-								
Foreign currency translation	(20)	–	(20)	–	–	–	(20)	–
Net loss on fair value changes of available-for-sale financial assets	(414)	–	(414)	–	(414)	–	–	–
Other comprehensive income for the year	(434)	–	(434)	–	(414)	–	(20)	–
Total comprehensive income for the year	3,921	–	3,921	4,355	(414)	–	(20)	–
<u>Distributions to equity holders</u>								
Issuance of new shares	116	116	–	–	–	–	–	–
Dividends on ordinary shares (Note 33)	(3,081)	–	(3,081)	(3,081)	–	–	–	–
Total distributions to equity holders	(2,965)	116	(3,081)	(3,081)	–	–	–	–
Closing balance at 31 December 2015	57,183	32,410	24,773	25,454	263	25	(1,196)	227

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

Company	Attributable to equity holders of the Company					
	Equity, total	Share capital (Note 23)	Reserves, total	Revenue Reserve	Fair value reserve fund (Note 24(c))	Other capital reserve (Note 24(d))
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2016						
Opening balance at 1 January 2016	33,887	32,410	1,477	987	263	227
Profit for the year	2,339	–	2,339	2,339	–	–
<u>Other comprehensive income</u>						
Net gain on fair value changes of available-for-sale financial assets	1	–	1	–	1	–
Other comprehensive income for the year	1	–	1	–	1	–
Total comprehensive income for the year	2,340	–	2,340	2,339	1	–
<u>Distributions to equity holders</u>						
Issuance of new shares	5,834	5,834	–	–	–	–
Dividends on ordinary shares (Note 33)	(1,906)	–	(1,906)	(1,906)	–	–
Total distributions to equity holders	3,928	5,834	(1,906)	(1,906)	–	–
Closing balance at 31 December 2016	40,155	38,244	1,911	1,420	264	227
2015						
Opening balance at 1 January 2015	33,855	32,294	1,561	657	677	227
Profit for the year	3,411	–	3,411	3,411	–	–
<u>Other comprehensive income</u>						
Net loss on fair value changes of available-for-sale financial assets	(414)	–	(414)	–	(414)	–
Other comprehensive income for the year	(414)	–	(414)	–	(414)	–
Total comprehensive income for the year	2,997	–	2,997	3,411	(414)	–
<u>Distributions to equity holders</u>						
Issuance of new shares	116	116	–	–	–	–
Dividends on ordinary shares (Note 33)	(3,081)	–	(3,081)	(3,081)	–	–
Total distributions to equity holders	(2,965)	116	(3,081)	(3,081)	–	–
Closing balance at 31 December 2015	33,887	32,410	1,477	987	263	227

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Group	
	2016	2015
	US\$'000	US\$'000
Operating activities		
Profit before taxation	8,505	5,499
Adjustments for:-		
Interest income	(26)	(34)
Interest expense	2,472	1,786
Depreciation of property, plant and equipment	755	812
Dividend income from investment securities	(177)	(191)
Loss on disposal of property, plant and equipment	23	2
Reclassification of foreign currency translation reserve to profit or loss upon strike-off of subsidiary	107	–
Net fair value loss on financial instruments	–	24
Share based payments under EPSS	100	70
Operating cash flows before changes in working capital	11,759	7,968
Changes in working capital:-		
Increase in stocks	(19,985)	(18,555)
Increase in trade debtors, other debtors and prepayments	(19,308)	(19,819)
Increase in trade creditors, accruals and other creditors	10,540	16,208
Cash flows used in operations	(16,994)	(14,198)
Interest received	26	34
Interest paid	(2,472)	(1,786)
Income tax paid	(1,011)	(308)
Net cash flows used in operating activities	(20,451)	(16,258)
Investing activities		
Purchase of property, plant and equipment	(1,601)	(368)
Proceeds on disposals of property, plant and equipment	118	–
Purchase of club memberships	(193)	–
Dividend income from investment securities	140	106
Net cash flows used in investing activities	(1,536)	(262)
Financing activities		
Increase in interest-bearing loans and borrowings	24,056	18,494
Dividend paid on ordinary shares	(1,906)	(3,081)
Proceeds from issuance of ordinary shares	5,734	–
Net cash flows generated from financing activities	27,884	15,413
Net increase/ (decrease) in cash and short-term deposits	5,897	(1,107)
Effects of exchange rate changes on cash and short-term deposits	(15)	(16)
Cash and cash equivalents at 1 January	10,724	11,847
Cash and short-term deposits at 31 December (Note 18)	16,606	10,724

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. Corporate information

Excelpoint Technology Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 15 Changi Business Park Central 1, #06-00, Singapore 486057.

The principal activities of the Company are that of an investment holding company and the provision of support services to its subsidiaries. The principal activities of the subsidiaries include the trading of electronics equipment, sale and distribution of electronic components and dealers of all types of electronic and electrical components and accessories.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollars (“USD” or “US\$”) and all values are rounded to the nearest thousand (US\$’000) except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial period beginning on 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:-

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 102 <i>Classification and Measurement of Share-based Payment Transaction</i>	1 January 2019
FRS 116 <i>Leases</i>	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 is described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of trading of electronics equipment, sale and distribution of electronic components and dealers of all types of electronic and electrical components and accessories. The Group expects the following impact upon adoption of FRS 115:-

Variable consideration

Some contracts with customers provide trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. At this stage, the Group does not expect any significant impact to arise from these changes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 Revenue from Contracts with Customers (cont'd)

Transition

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) **Classification and measurement**

The Group expects to have mixed business model. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

(b) **Impairment**

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Basis of consolidation prior to 1 January 2010

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:-

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010 (cont'd)

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:-

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying values of such investments as at 1 January 2010 have not been restated.

(b) Business combinations

Business combination from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition dates. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combination from 1 January 2010 (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combination prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:-

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The financial statements are presented in United States Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.17. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.6 *Property, plant and equipment (cont'd)*

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:-

Leasehold building	-	40 years (remaining lease of the land)
Furniture and fittings	-	5 years
Office equipment	-	3 - 5 years
Motor vehicles	-	4 - 10 years
Computers	-	3 - 5 years
Renovations	-	the lower of remaining lease period and 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.7 *Intangible assets*

Intangible assets consisting of club memberships are initially recorded at cost. Following initial recognition, club memberships are carried at cost less any accumulated impairment losses. The useful lives of club memberships are assessed to be indefinite as these are lifetime memberships and have no dates of expiry and are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.10 *Financial Instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:-

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.10 *Financial Instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that has been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.10 *Financial Instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:-

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 *Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.11 *Impairment of financial assets (cont'd)*

(a) ***Financial assets carried at amortised cost (cont'd)***

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) ***Available-for-sale financial assets***

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. "Significant" is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

2.12 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits in banks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.13 **Stocks**

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing the stocks to their present location and condition are accounted at purchase costs on a first-in first-out basis for trading stocks.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of stocks to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.14 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 **Financial guarantee**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.16 **Employee benefits**

(a) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and Hong Kong companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore and the Mandatory Provident Fund ("MPF") scheme in Hong Kong, respectively which are defined contribution pension schemes. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.16 *Employee benefits (cont'd)*

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) *Share-based payments*

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

The cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/ or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/ or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.17 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.18 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:-

(a) **Sale of goods**

Revenue from the sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) **Commission income**

Commission income is recognised as and when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.19 Revenue (cont'd)

(c) **Interest income**

Interest income is recognised using the effective interest method.

(d) **Grant income**

Grant income, pertaining to research and development activities, is recognised at their fair value in profit or loss as and when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

(e) **Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

2.20 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:-

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(b) **Deferred tax (cont'd)**

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:-

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.20 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:-

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.21 Segment reporting

For management purposes, the Group is organised into operating segments based on geographical area of the business unit which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.22 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.23 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.24 Contingencies

A contingent liability is:-

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Summary of significant accounting policies (cont'd)

2.24 Contingencies (cont'd)

A contingent liability is (cont'd):-

- (b) a present obligation that arises from past events but is not recognised because:-
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.25 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:-

Income taxes

The Group has exposure to income taxes in a number of jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation and deferred tax assets at the balance sheet date was US\$3,221,000 (2015: US\$2,792,000) and US\$18,000 (2015: US\$30,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and the timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Notes 14, 15, and 18.

(b) Allowance for slow-moving and obsolete stocks

The Group carried out stocks review on a product-by-product basis to determine the allowance for slow-moving stocks and whether stocks are stated at the lower of cost and net realisable value. For the purpose of determining whether stocks are stated at the lower of cost and net realisable value, management's estimates of the net realisable value of the stocks at the end of the reporting period are based primarily on the latest selling prices and the market conditions. The Group's allowances for stocks as at 31 December 2016 are disclosed in Note 16.

3.3 Change in accounting estimate

The Group reassessed the basis of estimating the allowances for slow-moving and obsolete stocks, taking historical experience into consideration, and made a revision to the basis effective 1 January 2016. The change in the basis for making the estimate has the effect of lowering the allowance for slow-moving and obsolete stocks by a net amount of US\$186,000 for the current financial year.

The effect of this change in accounting estimate on future periods has not been disclosed as estimating the effect is impracticable.

4. Revenue

	Group	
	2016	2015
	US\$'000	US\$'000
Sale of goods	988,208	828,229
Commission income	32	54
	<u>988,240</u>	<u>828,283</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

5. Other income

	Group	
	2016	2015
	US\$'000	US\$'000
Other income includes:-		
Interest income on bank deposits	26	34
Grant and subsidy income	204	115
Dividend income from investment securities	177	191
Unclaimed customer deposits	–	264
Gain from the disposal of business activities in the research and development division in 2014	100	–

6. Interest expense

	Group	
	2016	2015
	US\$'000	US\$'000
Interest expense on:-		
Bank loans and borrowings	(2,472)	(1,786)

7. Profit before taxation

The following items have been included in arriving at profit before tax:-

	Group	
	2016	2015
	US\$'000	US\$'000
Net fair value loss on financial instruments	–	(24)
Stocks recognised as an expense in cost of sales (Note 16)	(931,877)	(778,885)
Net stocks written down (Note 16)	(93)	(461)
Loss on disposal of property, plant and equipment	(23)	(2)
Depreciation of property, plant and equipment (Note 10)	(755)	(812)
Net foreign exchange loss	(1,855)	(1,201)
Other expenses:-		
(Impairment) and reversal of impairment of financial assets:-		
- Allowance for doubtful trade debts (Note 14)	(143)	(1,655)
- Allowance for doubtful trade debts written back (Note 14)	973	585

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

7. Profit before taxation (cont'd)

	Group	
	2016	2015
	US\$'000	US\$'000
Employee benefits expenses (including directors):-		
- Salaries and bonuses	(24,759)	(20,835)
- Contributions to CPF and other defined contribution pension schemes	(3,346)	(3,073)
- Other short term benefits	(2,436)	(1,491)
- Share-based payments	(100)	(70)
Audit fees paid to:-		
- Auditors of the Company	(210)	(219)
- Other auditors	(2)	(17)
Non-audit fees paid to:-		
- Auditors of the Company	(17)	(12)
- Other auditors	(1)	(1)

8. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the financial years ended 31 December are:-

	Group	
	2016	2015
	US\$'000	US\$'000
Consolidated income statement		
Current income tax		
- Current year	(1,426)	(1,123)
- Underprovision in respect of previous years	(13)	(2)
Deferred income tax		
- Origination and reversal of temporary differences	(13)	(19)
Income tax expense recognised in profit or loss	(1,452)	(1,144)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Income tax expense (cont'd)

(b) *Relationship between tax expense and accounting profit*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 December is as follows:-

	Group	
	2016	2015
	US\$'000	US\$'000
Profit before taxation	8,505	5,499
Tax expense at statutory tax rate of 17% (2015: 17%)	(1,446)	(935)
Adjustments:-		
Non-deductible expenses	(477)	(416)
Income not subject to taxation	174	35
Tax rebates and tax incentives	182	87
Difference in tax rates of overseas subsidiaries	(3)	10
Underprovision in respect of previous years	(13)	(2)
Losses of foreign subsidiaries not available for set-off against profits of other companies within the Group	(56)	(23)
Utilisation of prior years' tax losses	171	99
Others	16	1
Income tax expense recognised in profit or loss	(1,452)	(1,144)

A subsidiary has been granted a tax incentive under the Singapore Global Trader Programme ("GTP") for a period of 3 years from 1 January 2016 to 31 December 2018. The income relating to the GTP qualifying activities is taxed at 10% while the income relating to the non-GTP activities is taxed at the normal rate of 17%.

9. Earnings per share

Basic earnings per share are calculated by dividing profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The following table reflects the profit and share data used in the computation of basic earnings per share for the years ended 31 December:-

	Group	
	2016	2015
Profit for the year attributable to equity holders of the Company used in the computation of basic earnings per share (US\$'000)	7,053	4,355
Weighted average number of ordinary shares, excluding treasury shares, for basic earnings per share computation ('000)	105,999	102,214

As there were no share options and warrants granted, the basic and diluted earnings per share are the same.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Property, plant and equipment

Group	Furniture and fittings US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Renovations US\$'000	Leasehold building US\$'000	Total US\$'000
Cost:-							
At 1 January 2015	600	2,963	1,892	2,204	1,704	353	9,716
Additions	24	69	20	195	56	4	368
Written off during the year	(8)	(93)	–	(54)	(256)	(2)	(413)
Disposals	(2)	(24)	–	(39)	–	–	(65)
Exchange differences	–	(1)	22	(21)	(4)	–	(4)
At 31 December 2015 and 1 January 2016	614	2,914	1,934	2,285	1,500	355	9,602
Additions	153	105	382	390	571	–	1,601
Written off during the year	–	(1)	–	(42)	–	–	(43)
Disposals	(55)	(170)	(298)	(11)	(64)	–	(598)
Exchange differences	–	(2)	–	2	(5)	–	(5)
At 31 December 2016	712	2,846	2,018	2,624	2,002	355	10,557
Accumulated depreciation:-							
At 1 January 2015	495	2,763	872	1,599	1,348	317	7,394
Depreciation charge for the year	40	103	218	256	175	20	812
Written off during the year	(8)	(93)	–	(54)	(256)	(2)	(413)
Disposals	(2)	(22)	–	(39)	–	–	(63)
Exchange differences	(1)	(1)	6	(1)	(1)	–	2
At 31 December 2015 and 1 January 2016	524	2,750	1,096	1,761	1,266	335	7,732
Depreciation charge for the year	36	83	207	255	161	13	755
Written off during the year	–	(1)	–	(42)	–	–	(43)
Disposals	(54)	(152)	(177)	(10)	(64)	–	(457)
Exchange differences	–	(3)	–	–	(4)	–	(7)
At 31 December 2016	506	2,677	1,126	1,964	1,359	348	7,980
Net carrying amount:-							
At 31 December 2015	90	164	838	524	234	20	1,870
At 31 December 2016	206	169	892	660	643	7	2,577

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Intangible assets

Group	Club memberships US\$'000
Cost:-	
At 1 January 2015, 31 December 2015 and 1 January 2016	347
Additions	193
At 31 December 2016	540
Accumulated impairment:-	
At 1 January 2015, 31 December 2015 and 31 December 2016	(21)
Net carrying amount:-	
At 31 December 2015	326
At 31 December 2016	519

12. Investments in subsidiaries

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted shares, at cost	9,878	13,049

The subsidiaries as at 31 December are:-

Name	Country of incorporation	Principal activities (Place of business)	Unquoted equity shares, at cost		Proportion (%) of ownership interest	
			2016	2015	2016	2015
			US\$'000	US\$'000	%	%
Held by the Company						
Excelpoint Systems (Pte) Ltd ⁽¹⁾	Singapore	Trading of electronic components (Singapore)	3,927	3,927	100	100
Excelpoint Systems (H.K.) Limited ⁽²⁾	Hong Kong	Trading of electronic components (Hong Kong)	5,951	5,951	100	100
Lights Electronics Pte Ltd ⁽⁶⁾	Singapore	Dormant	—	3,171	100	100
PlanetSpark Pte. Ltd. ⁽⁵⁾	Singapore	Dormant	—*	—*	100	100
			9,878	13,049		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Investments in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities (Place of business)	Proportion (%) of ownership interest	
			2016 %	2015 %
Held by Excelpoint Systems (Pte) Ltd				
Excelpoint Systems Sdn. Bhd. ⁽³⁾	Malaysia	Trading of electronic components (Malaysia)	100	100
Excelpoint Systems (India) Private Limited ⁽²⁾	India	Provision of marketing support services and technical support services (India)	100	100
Held by Excelpoint Systems (H.K.) Limited				
Excelpoint International Trading (Shanghai) Co., Ltd. ⁽²⁾	The People's Republic of China	Trading of electronic components (The People's Republic of China)	100	100
Excelpoint International Trading (Shenzhen) Co., Ltd. ⁽⁴⁾	The People's Republic of China	Dormant (The People's Republic of China)	100	100

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firm of EY Global in the respective countries.

(3) Audited by Yong & Leonard Chartered Accountants, Malaysia.

(4) Audited by Shenzhen Yida Certified Public Accountants Co., Ltd, The People's Republic of China.

(5) Not required to be audited by the laws of country of incorporation.

(6) This company was struck-off during the year and deregistration is expected to be completed by March 2017.

* The cost of investment is less than US\$1,000.

13. Investment securities

	Group and Company	
	2016	2015
	US\$'000	US\$'000
Available-for-sale financial assets:-		
- Equity instruments (quoted)	1,793	1,756

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. Trade debtors

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Trade debtors	154,323	136,404	6	5
Less: Allowance for doubtful trade debts	(87)	(1,166)	–	–
	154,236	135,238	6	5

Trade debtors are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade debtors denominated in foreign currencies at 31 December are as follows:-

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Renminbi	17,617	15,973	–	–
Singapore Dollar	780	332	6	5
India Rupee	–	38	–	–
Hong Kong Dollar	15	14	–	–
Euro	86	13	–	–

Trade debtors that are past due but not impaired

The Group has trade debtors amounting to US\$38,696,000 (2015: US\$35,577,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:-

	Group	
	2016	2015
	US\$'000	US\$'000
Trade debtors past due:-		
Less than 30 days	22,026	24,766
31 to 60 days	9,075	5,594
61 to 90 days	2,408	3,478
More than 90 days	5,187	1,739
	38,696	35,577

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. Trade debtors (cont'd)

Trade debtors that are impaired

The Group's trade debtors that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:-

	Group	
	2016	2015
	US\$'000	US\$'000
Trade debtors – nominal amounts	87	1,166
Less: Allowance for impairment	(87)	(1,166)
	<u>–</u>	<u>–</u>
Movement in allowance accounts:-		
At 1 January	(1,166)	(106)
Charge for the financial year	(143)	(1,655)
Allowance written back	973	585
Bad debts written off	248	6
Exchange differences	1	4
At 31 December	<u>(87)</u>	<u>(1,166)</u>

Trade debtors that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. Other debtors

	Group	
	2016	2015
	US\$'000	US\$'000
Deposits	795	808
Staff loans	10	12
Others	338	71
	<u>1,143</u>	<u>891</u>

Staff loans are unsecured, non-interest bearing and have scheduled repayment dates repayable within 1 to 2 years (2015: 1 to 2 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15. Other debtors (cont'd)

Other debtors denominated in foreign currencies at 31 December are as follows:-

	Group	
	2016	2015
	US\$'000	US\$'000
Singapore Dollar	117	140
Hong Kong Dollar	254	240
Renminbi	341	372
Indian Rupee	50	42

16. Stocks

	Group	
	2016	2015
	US\$'000	US\$'000
Balance sheet:-		
Trading stocks at lower of cost and net realisable value	131,598	111,613
Income statement:-		
Stocks recognised as an expense in cost of sales	(931,877)	(778,885)
Stocks written down	(2,793)	(5,021)
Reversal of stocks written down	2,700	4,560

The reversal of stocks written down/ stocks recovered was made when the related stocks were sold above their carrying amounts.

17. Amounts due from/ (to) subsidiaries

	Company	
	2016	2015
	US\$'000	US\$'000
Amounts due from subsidiaries:-		
Loans	26,551	18,759
Amounts due to subsidiaries:-		
Non-trade	—	(78)
	26,551	18,681

Amounts due from subsidiaries are repayable on demand, unsecured and are to be settled in cash. Loans due from subsidiaries bear interest ranging from 1.29% to 2.02% (2015: 1.23% to 1.88%) per annum.

Amounts due to subsidiaries are repayable on demand, unsecured and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18. Cash and short-term deposits

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	15,020	9,261	2,841	881
Short-term deposits	1,586	1,463	–	–
	16,606	10,724	2,841	881

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate for the financial year for the Group was 1.10% (2015: 1.29%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:-

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar	4,117	647	2,549	83
Hong Kong Dollar	403	181	–	–
Renminbi	4,843	2,845	–	–

19. Trade creditors and accruals

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Trade creditors	(93,475)	(89,247)	–	4
Accruals	(6,617)	(3,841)	(882)	(453)
	(100,092)	(93,088)	(882)	(449)

Trade creditors and accruals are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade creditors and accruals denominated in foreign currencies at 31 December are as follows:-

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Euro	(53)	(368)	–	–
Renminbi	(2,943)	(2,621)	–	–
Indian Rupee	(219)	(287)	–	–
Singapore Dollar	(3,077)	(1,545)	(882)	(449)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Other creditors

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits received	(6,599)	(3,917)	–	–
Advances from suppliers	(2,876)	(3,670)	–	–
Sundries	(4,296)	(2,648)	(18)	(24)
	<u>(13,771)</u>	<u>(10,235)</u>	<u>(18)</u>	<u>(24)</u>

Other creditors are non-interest bearing and are normally settled on 30 to 90 days' terms.

Sundries includes provisions for sales rebates, shipping and freight costs and miscellaneous costs.

Other creditors denominated in foreign currencies at 31 December are as follows:-

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore Dollar	(375)	(340)	(14)	(24)
Renminbi	(1,870)	(1,381)	–	–
Hong Kong Dollar	<u>(125)</u>	<u>(113)</u>	<u>–</u>	<u>–</u>

21. Interest-bearing loans and borrowings

	Group	
	2016	2015
	US\$'000	US\$'000
Current:-		
Bills payable, unsecured	(120,501)	(99,445)
Revolving short term loan	<u>(3,000)</u>	<u>–</u>
	<u>(123,501)</u>	<u>(99,445)</u>

Bills payable, unsecured

The Group's bills payables bear interest ranging from 0.90% to 2.25% (2015: 0.90% to 2.00%) above the banks' cost of funds or interbank offer rates per annum.

Revolving short term loan

The Group's revolving short term loan is unsecured and bears interest of 2.30% (2015: Nil) per annum. The loan was repaid in January 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Deferred tax assets

	Group	
	2016	2015
	US\$'000	US\$'000
At 1 January	30	49
Recognised for the financial year (Note 8)	(11)	(16)
Exchange differences (Note 8)	(2)	(3)
At 31 December	18	30
Deferred tax assets recognised are as follows:-		
Differences in depreciation	(81)	(30)
Provision for employee leave entitlement	78	42
Others	21	18
Net deferred tax assets recognised	18	30

Unrecognised tax losses

As at 31 December 2016, the Group has unutilised tax losses amounting to US\$1,756,000 (2015: US\$2,455,000). Deferred tax benefit on unutilised tax losses of US\$299,000 (2015: US\$470,000) has not been recognised due to the unpredictability of future income.

23. Share capital

	Group and Company			
	2016		2015	
	No. of shares	US\$'000	No. of shares	US\$'000
	'000		'000	
Issued and fully paid ordinary shares:-				
At 1 January	102,423	32,410	510,022	32,294
Grant of EPSS share awards	–	–	598	46
Total shares before consolidation	102,423	32,410	510,620	32,340
Shares consolidation	–	–	(408,496)	–
Grant of EPSS share awards	388	100	299	70
Issuance of new shares	15,000	5,734	–	–
At 31 December	117,811	38,244	102,423	32,410

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 11 August 2015, the Company completed the consolidation of every five existing issued shares in the capital of the Company into one ordinary share in the capital of the Company. As a result of the exercise, the total issued share capital of the Company comprises 102,124,040 consolidated shares.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. Share capital (cont'd)

On 5 October 2016, the Company completed the 15,000,000 private share placement of the Company's ordinary share, which were allotted and issued to the Placee at a price of US\$0.385 (S\$0.525) per Subscription Share, net of incremental costs directly attributable to the issuance of ordinary shares.

Grant of Share Awards Pursuant to the Excelpoint Performance Share Scheme ("EPSS")

In May 2015, the Company issued and allotted 598,000 ordinary shares in the share capital of the Company at the Market Price of US\$0.073 (S\$0.100) under the EPSS.

In November 2015, the Company issued and allotted 299,400 ordinary shares in the share capital of the Company at the Market Price of US\$0.236 (S\$0.330) under the EPSS.

In February 2016, the Company issued and allotted 60,000 ordinary shares in the share capital of the Company at the Market Price of US\$0.200 (S\$0.280) under the EPSS.

In November 2016, the Company issued and allotted 327,500 ordinary shares in the share capital of the Company at the Market Price of US\$0.269 (S\$0.375) under the EPSS.

24. Other reserves

(a) **Statutory reserve fund**

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), a subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

(b) **Foreign currency translation reserve**

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) **Fair value reserve**

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(d) **Other capital reserve - Gain or loss on reissuance of treasury shares**

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

25. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:-

	Group	
	2016	2015
	US\$'000	US\$'000
Rental expense paid to a director	109	124

(b) *Compensation of key management personnel*

	Group	
	2016	2015
	US\$'000	US\$'000
Short-term employee benefits	4,330	4,200
Contributions to CPF and other defined contribution pension schemes	93	58
Directors' fee	147	144
Share based payments	25	51
	4,595	4,453
Comprise amounts paid to:-		
Directors of the Company	3,174	2,931
Other key management personnel	1,421	1,522
	4,595	4,453

26. Commitments and contingencies

(a) *Operating lease commitments – as lessee*

The Group leases certain properties under lease arrangements that are non-cancellable. The leases have an average tenure of between two months and three years with renewal options and escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in profit or loss during the financial year ended 31 December 2016 amounted to US\$3,362,000 (2015: US\$3,109,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Commitments and contingencies (cont'd)

(a) **Operating lease commitments – as lessee (cont'd)**

Future minimum rental payable under non-cancellable operating leases as at 31 December are as follows:-

	Group	
	2016	2015
	US\$'000	US\$'000
Not later than one year	3,124	2,432
Later than one year but not later than three years	2,828	1,982
Later than three years	–	6
	<u>5,952</u>	<u>4,420</u>

(b) **Guarantees**

As at 31 December 2016, the Company has provided corporate guarantees to banks and institutions in connection with credit facilities provided to its subsidiaries, of which US\$126,385,000 (2015: US\$105,244,000) of the credit facilities have been utilised as at year end.

27. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other debtors. For other financial assets (including investment securities and cash and short-term deposits), the Group and the Company manage credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtor balances are monitored on an ongoing basis and appropriate measures to mitigate credit risk exposures are undertaken to ensure that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Financial risk management objectives and policies (cont'd)

(a) **Credit risk (cont'd)**

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets and an amount of US\$126,385,000 (2015: US\$105,244,000) relating to the corporate guarantees provided by the Company to various banks on its subsidiaries' bank loans.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:-

	Group			
	2016		2015	
	US\$'000	% of total	US\$'000	% of total
Hong Kong/ The People's Republic of China	117,404	76.1	107,601	79.6
Singapore	11,312	7.3	10,286	7.6
India	6,621	4.3	6,765	5.0
Malaysia	6,880	4.5	4,147	3.1
Thailand	1,890	1.1	817	0.6
Philippines	2,747	1.8	391	0.3
Indonesia	294	0.2	2,220	1.6
Australia	1,284	0.8	564	0.4
United States	1,854	1.2	1,696	1.3
Others	3,950	2.7	751	0.5
	154,236	100.0	135,238	100.0

At the end of the reporting period, approximately 13% (2015: 12%) of the Group's trade receivables were due from 2 major customers located in Singapore and Hong Kong/ The People's Republic of China (2015: Singapore and Hong Kong/ The People's Republic of China).

Financial assets that are neither past due nor impaired

Trade and other debtors that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Investment securities, and cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Financial risk management objectives and policies (cont'd)

(b) **Liquidity risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group monitors its liquidity risk and maintains adequate liquid financial assets and stand-by credit facilities with different banks to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Analysis of financial instruments by the remaining contractual maturities

The maturity profile of the Group's and the Company's financial assets and financial liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations are less than one year.

The maturity profile of the Group's contingent liabilities and commitments are less than one year.

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their interest-bearing loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2015: less than 6 months) from the end of the reporting period.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. Surplus funds are placed with reputable banks.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD interest rates had been 100 (2015: 100) basis points lower/ higher with all other variables held constant, the Group's profit after taxation would have been US\$102,000 (2015: US\$110,000) higher/ lower, arising mainly as a result of lower/ higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) **Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily USD. The foreign currencies in which these transactions are denominated are mainly in Singapore Dollars ("SGD"), Hong Kong Dollars ("HKD"), Renminbi ("RMB"), and Europe currency ("Euro").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Financial risk management objectives and policies (cont'd)

(d) **Foreign currency risk (cont'd)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before taxation to a reasonably possible change in the SGD, HKD, RMB, and Euro exchange rates (against USD), with all other variables held constant:-

	Group	
	2016	2015
	US\$'000	US\$'000
SGD - strengthened 5% (2015: 5%)	78	(38)
SGD - weakened 5% (2015: 5%)	(78)	38
HKD - strengthened 5% (2015: 5%)	22	11
HKD - weakened 5% (2015: 5%)	(22)	(11)
RMB - strengthened 5% (2015: 5%)	899	759
RMB - weakened 5% (2015: 5%)	(899)	(759)
Euro - strengthened 5% (2015: 5%)	4	(17)
Euro - weakened 5% (2015: 5%)	(4)	17

28. Loans and receivables

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Trade debtors (Note 14)	154,236	135,238	6	5
Other debtors (Note 15)	1,143	891	–	–
Amounts due from subsidiaries (Note 17)	–	–	26,551	18,759
Cash and short-term deposits (Note 18)	16,606	10,724	2,841	881
Total loans and receivables	171,985	146,853	29,398	19,645

29. Financial liabilities

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Trade creditors and accruals (Note 19)	(100,092)	(93,088)	(882)	(449)
Other creditors (Note 20)	(7,172)	(6,318)	(18)	(24)
Interest-bearing loans and borrowings (Note 21)	(123,501)	(99,445)	–	–
Amounts due to subsidiaries (Note 17)	–	–	–	(78)
Total financial liabilities carried at amortised cost	(230,765)	(198,851)	(900)	(551)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Fair value of assets and liabilities

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:-

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(a) **Assets and liabilities measured at fair value**

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:-

	Quoted prices in active markets for identical instruments (Level 1)	
	2016	2015
	US\$'000	US\$'000
Financial assets		
<u>Available for sale financial assets</u>		
Quoted instrument securities (Note 13)	1,793	1,756

Determination of fair value

Quoted investment securities (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

(b) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

Cash and short-term deposits, current trade and other debtors, current trade and other creditors and accruals, and current interest-bearing loans and borrowings at floating rates.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. Capital management

Capital includes debt and equity items as discussed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 2015.

As disclosed in Note 24(a), subsidiaries in PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2016 and 2015.

The Group monitors capital using a gearing ratio, which is net debt over total capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. The Group includes within net debt, interest-bearing loans and borrowings, less cash and short-term deposits. Capital includes equity attributable to the equity holders of the Company less statutory reserve fund.

	Group	
	2016	2015
	US\$'000	US\$'000
Interest-bearing loans and borrowings (Note 21)	123,501	99,445
Less: Cash and short-term deposits (Note 18)	(16,606)	(10,724)
Net debt	106,895	88,721
Equity attributable to equity holders of the Company	68,258	57,183
Less: Statutory reserve fund (Note 24(a))	(25)	(25)
Total capital	68,233	57,158
Capital and net debt	175,128	145,879
Gearing ratio	61%	61%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information

For management purposes, the Group is organised into business units based on geographical area, and has three reportable operating segments as follows:-

(i) ***Hong Kong Business Unit***

The Hong Kong Business Unit segment provides design-in and distribution services. This segment covers the business entities located in Hong Kong and The People's Republic of China.

(ii) ***Singapore Business Unit***

The Singapore Business Unit segment provides design-in and distribution services. This segment covers the business entities located in Southeast Asia and India.

(iii) ***Corporate Unit***

The Corporate Unit segment comprises the corporate services, treasury functions, investment securities, and other dormant companies.

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.

Except as indicated above, no operating segments have been aggregated to form the above operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information (cont'd)

The following table presents segment information regarding the Group's geographical segments for the years ended 31 December 2016 and 2015.

	Hong Kong Business Unit		Singapore Business Unit		Corporate Unit		Adjustment and eliminations		Per consolidated financial statements	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Revenue										
External customers	551,086	492,345	437,154	335,938	–	–	–	–	988,240	828,283
Inter-segment	922	1,291	47,886	37,341	–	–	(48,808)	(38,632)	–	–
Total revenue	552,008	493,636	485,040	373,279	–	–	(48,808)	(38,632)	988,240	828,283
Results										
Interest income	21	25	4	8	1	1	–	–	26	34
Loss on disposal of property, plant and equipment	(23)	(2)	–	–	–	–	–	–	(23)	(2)
Depreciation of property, plant and equipment	(390)	(429)	(365)	(383)	–	–	–	–	(755)	(812)
Other non-cash expenses:-										
- Reversal of stocks written down	911	2,281	1,709	2,279	–	–	–	–	2,700	4,560
- Stocks written down	(1,297)	(2,293)	(1,496)	(2,728)	–	–	–	–	(2,793)	(5,021)
- Allowance for doubtful trade debts written back	858	122	115	463	–	–	–	–	973	585
- Allowance for doubtful trade debts	(40)	(1,163)	(103)	(492)	–	–	–	–	(143)	(1,655)
Income tax expenses	(739)	(894)	(695)	(245)	(18)	(5)	–	–	(1,452)	(1,144)
Segment profit before tax	4,036	4,124	4,415	1,146	–	214	(169)	15	8,505	5,499
Assets										
Additions to non-current assets	979	194	815	174	–	–	–	–	1,794	368
Segment assets	187,406	171,577	116,796	88,523	4,641	2,643	–	–	308,843	262,743
Segment liabilities	129,876	114,043	109,792	91,030	917	487	–	–	240,585	205,560

The nature of the adjustments and eliminations to arrive at amounts reported in the consolidated financial statements relates to inter-segment revenues that are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	Revenue		Non-current assets	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong/ The People's Republic of China	757,768	624,660	1,601	1,152
Southeast Asia	181,549	157,447	1,345	984
India	27,284	26,318	150	60
Others	21,639	19,858	–	–
	<u>988,240</u>	<u>828,283</u>	<u>3,096</u>	<u>2,196</u>

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about a major customer

There is no major customer for the years ended 31 December 2016 and 2015, contributing more than 10% of the total Group revenue.

33. Dividends

Group and Company

2016	2015
US\$'000	US\$'000

Declared and paid during the financial year:-

Dividends on ordinary shares:-

- Final exempt (one-tier) dividend for 2015: S\$0.025 (2014: S\$0.005) per share	1,906	1,926
- Final exempt (one-tier) special dividend for 2015: Nil (2014: S\$0.003) per share	–	1,155
	<u>1,906</u>	<u>3,081</u>

Proposed but not recognised as a liability as at 31 December:-

Dividends on ordinary shares subject to shareholders' approval at the AGM:-

- Final exempt (one-tier) dividend for 2016: S\$0.025 (2015: S\$0.025) per share	2,066	1,811
- Final exempt (one-tier) special dividend for 2016: S\$0.015 (2015: Nil) per share	1,239	–
	<u>3,305</u>	<u>1,811</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. Comparatives

“Net stock written down” of US\$461,000 was reclassified from “Other expenses” to “Cost of sales” to conform to current year’s presentation and to better present the nature of the transactions:-

	2015 As currently reported US\$'000	2015 As previously reported US\$'000	Increase/ (decrease) US\$'000
Consolidated income statement			
Cost of sales	780,541	780,080	461
Other expenses	1,103	1,564	(461)

35. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 February 2017.

STATISTICS OF SHAREHOLDINGS

As at 28 February 2017

Number of Issued Shares	:	117,810,940
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share

There are no treasury shares held by the Company.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	6	0.29	271	0.00
100 – 1,000	557	26.69	263,420	0.23
1,001 – 10,000	1,084	51.94	4,771,560	4.05
10,001 – 1,000,000	430	20.60	23,093,933	19.60
1,000,001 and above	10	0.48	89,681,756	76.12
Total	2,087	100.00	117,810,940	100.00

SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Albert Phuay Yong Hen	47,915,204 ⁽¹⁾	40.67	2,598,168 ⁽²⁾	2.21
Alonim Investments Inc	15,000,000	12.73	–	–
Alan Kwan Wai Loen	6,258,244	5.31	–	–

Notes:-

(1) Includes 400,000 shares held by Maybank Kim Eng Securities Pte. Ltd.

(2) Deemed to be interested as follows:-

- (i) 166,000 shares held by AP21 Holdings Pte. Ltd.; and
- (ii) 2,432,168 shares held by his spouse.

STATISTICS OF SHAREHOLDINGS

As at 28 February 2017

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	PHUAY YONG HEN	47,515,204	40.33
2	RAFFLES NOMINEES (PTE) LIMITED	15,237,780	12.93
3	KWAN WAI LOEN	6,258,244	5.31
4	CHNG SENG CHYE @ CHNG HUNG SENG	5,088,620	4.32
5	ANSWER TECHNOLOGY CO LTD	4,800,000	4.07
6	CITIBANK NOMINEES SINGAPORE PTE LTD	3,111,000	2.64
7	OCBC SECURITIES PRIVATE LIMITED	2,542,840	2.16
8	HAN JIAK SIEW	2,432,168	2.06
9	UOB KAY HIAN PRIVATE LIMITED	1,390,800	1.18
10	BRUCE DOUGLAS MOULIN	1,305,100	1.11
11	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	728,600	0.62
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	588,500	0.50
13	KOK FAT KEUNG	515,924	0.44
14	TEO YOU XIAO	506,000	0.43
15	PHILLIP SECURITIES PTE LTD	457,600	0.39
16	DBS NOMINEES (PRIVATE) LIMITED	399,080	0.34
17	LEE JUI-SI	390,000	0.33
18	LIM TECK HENG @ SOH TECK HENG STUART	386,000	0.33
19	CIMB SECURITIES (SINGAPORE) PTE. LTD.	363,660	0.31
20	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	357,000	0.30
	TOTAL	94,374,120	80.10

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided, to the best of the Directors and substantial shareholders of the Company, 38.21% of the Company's shares are held in the hands of the public as at 28 February 2017. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of Excelpoint Technology Ltd. ("the Company") will be held at Grand Mercure Roxy Singapore, 50 East Coast Road, Roxy Square, Meyer & Frankel Room, Level 3, Singapore 428769 on Wednesday, 5 April 2017 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final ordinary tax exempt one-tier dividend of 2.5 Singapore cents per ordinary share for the year ended 31 December 2016 (FY2015: First and final ordinary tax exempt one-tier dividend of 2.5 Singapore cents per ordinary share). **(Resolution 2)**
3. To declare a special tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share for the year ended 31 December 2016 (FY2015: Nil). **(Resolution 3)**
4. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Constitution of the Company:

Sunny Wong Fook Choy **(Resolution 4)**

Alan Kwan Wai Loen **(Resolution 5)**

Mr Sunny Wong Fook Choy will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.
5. To re-elect the following Directors of the Company retiring pursuant to Article 108 of the Constitution of the Company:

Herbert Kwok Fei Lung **(Resolution 6)**

Tonny Phuay Yong Choon **(Resolution 7)**

Joanne Khoo Su Nee **(Resolution 8)**

Ms Joanne Khoo Su Nee will, upon re-election as Director of the Company, remain as a member of the Audit Committee and will be considered independent.
6. To approve the payment of Director's Fee of S\$13,013.70 in cash to an Independent Director for the financial year ended 31 December 2016.

[See Explanatory Note (i)] **(Resolution 9)**
7. To approve the payment of Directors' Fees to the Independent Directors for the financial year from 1 January 2017 to 31 December 2017 comprising:
 - (a) The payment of S\$248,000 in cash (FY2016: Cash payment of S\$198,000); and

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

- (b) The award of an aggregate number of 80,000 ordinary shares in the capital of the Company to the Independent Directors under the Excelpoint Performance Share Scheme as part of their respective remuneration for the financial year from 1 January 2017 to 31 December 2017 as follows (FY2016: Aggregate number of 60,000 ordinary shares in the share capital of the Company pursuant to Excelpoint Performance Share Scheme):

- (i) 20,000 ordinary shares to Kwah Thiam Hock;
- (ii) 20,000 ordinary shares to Sunny Wong Fook Choy;
- (iii) 20,000 ordinary shares to Professor Low Teck Seng; and
- (iv) 20,000 ordinary shares to Joanne Khoo Su Nee.

[See Explanatory Note (ii)]

(Resolution 10)

8. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 11)**
9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

10. Authority to issue shares in the share capital of the Company

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

- (i) Issue shares in capital of the Company (whether by way of rights, bonus or otherwise); and/ or
- (ii) Make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible or exchangeable into shares; and/ or
- (iii) (Notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Ordinary Resolution was in force,

provided that:

- (a) The aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of the Instruments made or granted pursuant to the Ordinary Resolution and including shares which may be issued pursuant to any adjustment effected under any relevant Instruments) shall not exceed fifty per centum (50%) (or such other limit or limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) of the total number of issued shares (excluding treasury shares) in the capital of the Company of which the aggregate number of shares and convertible securities issued other than

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

on a pro-rata basis to existing shareholders shall not exceed twenty per centum (20%) (or such other limit or limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

- (b) For the purpose of determining the aggregate number of shares that may be issued under subparagraph (a) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:
 - (i) New shares arising from the conversion or exercise of convertible securities or employee share options on issue as at the date of the passing of the Ordinary Resolution; and
 - (ii) Any subsequent consolidation or sub-division of shares.
- (c) In exercising the power to make or grant Instruments (including the making of any adjustment under any relevant Instrument), the Company shall comply with the listing rules and regulations of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (d) Unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company following passing of the Ordinary Resolution, or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 12)

11. **Authority to offer and grant options and to allot and issue shares under the Excelpoint Share Option Scheme 2014**

That pursuant to Section 161 of the Singapore Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options in accordance with the provisions of the Excelpoint Share Option Scheme 2014 (the “ESOS”) and (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) to allot and issue from time to time such number of fully-paid shares as may be required to be issued pursuant to the exercise of options under the ESOS provided always that the aggregate number of shares (comprising new shares and/ or treasury shares) to be delivered pursuant to the ESOS, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total issued share capital of the Company (excluding treasury shares) from time to time, and provided also that, subject to such adjustments as may be made to the ESOS as a result of any variation in the capital structure of the Company, and that such authority shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iv)]

(Resolution 13)

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

12. **Authority to offer and grant awards and to allot and issue shares under the Excelpoint Performance Share Scheme**

That pursuant to Section 161 of the Singapore Companies Act, Chapter 50, the Directors of the Company be authorised to offer and grant awards in accordance with the provisions of the prevailing Excelpoint Performance Share Scheme (the “EPSS”) and (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) to allot and issue and/ or deliver such number of fully-paid shares in the form of existing shares held as treasury shares and/ or new shares as may be required to be delivered pursuant to the vesting of the awards under the EPSS, provided always that the aggregate number of shares (comprising new shares and/ or treasury shares) to be delivered pursuant to the EPSS, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares in the capital of the Company (excluding treasury shares) from time to time, and that such authority shall, unless revoked or varied by the Company in a General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 14)**

13. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Singapore Companies Act (Chapter 50) of Singapore, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 2.3.4 of the Appendix to the Notice of the Annual General Meeting to shareholders of the Company (the “Appendix”) in accordance with the Terms of the Share Buyback Mandate set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in General Meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)]

(Resolution 15)

By Order of the Board

Tan Cher Liang
Wong Yoen Har
Company Secretaries
Singapore, 21 March 2017

Explanatory Notes:

- (i) The Director's Fee is the pro-rated fee payable to the additional Independent Director appointed on 28 September 2016.
- (ii) Subject to the approval of Ordinary Resolution 10 in item 7 above, share awards will be granted to the Independent Directors as part of their Directors' Fees which will consist of the grant of fully-paid shares under the Excelpoint Performance Share Scheme with no performance and vesting conditions attached. The Company will announce details of the share awards in accordance with Rule 704(29) of the Listing Manual of the SGX-ST. The relevant Directors and their respective associates will abstain from exercising any voting rights on Ordinary Resolution 10 in item 7 above.

NOTICE OF SIXTEENTH ANNUAL GENERAL MEETING

- (iii) The Ordinary Resolution 12 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or sub-division of shares.

- (iv) The Ordinary Resolution 13 in item 11 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a General Meeting, whichever is the earlier, to offer and grant options and to allot and issue shares pursuant to the ESOS, the details of the ESOS and a summary of the rules of which are set out in the Company's circular to shareholders dated 2 April 2014, provided always that the aggregate number of shares (comprising new shares and/ or treasury shares) to be delivered pursuant to the ESOS, when added to the number of new shares issued and issuable and the number of treasury shares delivered pursuant to all other share schemes of the Company (if any), shall not exceed fifteen per centum (15%) of the total issued share capital of the Company (excluding treasury shares) from time to time.

The number of shares to be issued under the ESOS and EPSS collectively, subject to the existing maximum limit of fifteen per centum (15%) of the total issued share capital of the Company from time to time.

- (v) The Ordinary Resolution 15 proposed in item 13 above, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in Appendix to the Notice of the Annual General Meeting to shareholders. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2016 are set out in greater detail in Paragraph 2 of the Appendix.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").
(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.
3. The Instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 15 Changi Business Park Central 1, #06-00, Singapore 486057 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the Meeting and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EXCELPOINT TECHNOLOGY LTD.

(Company Registration No. 200103280C)

(Incorporated in the Republic of Singapore with limited liability)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We _____

of _____

being a member/members of Excelpoint Technology Ltd. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixteenth Annual General Meeting (the "Meeting") of the Company to be held at Grand Mercure Roxy Singapore, 50 East Coast Road, Roxy Square, Meyer & Frankel Room, Level 3, Singapore 428769 on Wednesday, 5 April 2017 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion, PROVIDED ALWAYS that the Chairman of the Meeting shall in any event abstain from voting on Ordinary Resolution 15. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
Ordinary Business			
1	Directors' Statement and the Audited Financial Statements for the year ended 31 December 2016		
2	Payment of proposed first & final ordinary tax exempt one-tier dividend		
3	Payment of proposed special tax exempt one-tier dividend		
4	Re-election of Sunny Wong Fook Choy as a Director		
5	Re-election of Alan Kwan Wai Loen as a Director		
6	Re-election of Herbert Kwok Fei Lung as a Director		
7	Re-election of Tonny Phuay Yong Choon as a Director		
8	Re-election of Joanne Khoo Su Nee as a Director		
9	Approval of Director's Fee of S\$13,013.70 in cash to an Independent Director for the financial year ended 31 December 2016		
10	Approval of Directors' Fees to the Independent Directors for the financial year from 1 January 2017 to 31 December 2017 comprising payment of S\$248,000 in cash and the award of 80,000 ordinary shares under the Excelpoint Performance Share Scheme		
11	Re-appointment of Messrs Ernst & Young LLP as Auditors		
Special Business			
12	Authority to issue shares in the share capital of the Company		
13	Authority to offer and grant options and to allot and issue shares under the Excelpoint Share Option Scheme 2014		
14	Authority to offer and grant awards and to allot and issue shares under the Excelpoint Performance Share Scheme		
15	Renewal of Share Buyback Mandate		

If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder



Notes:-

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Changi Business Park Central 1, #06-00, Singapore 486057 not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:-

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Sixteenth Annual General Meeting dated 21 March 2017.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



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