

## **NEWS RELEASE**

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### **EXCELPOINT'S NET PROFIT ROSE 13.9% IN FY2004**

*The key contributor is the growth of the GSM handsets and design-in solutions in China*

**SINGAPORE, 3 February 2005** – Mainboard listed design and development solutions provider, Excelpoint Technology Ltd (“Excelpoint” or “the Group”) today announced a 13.9% and 49.9% rise in the Group’s full year net profit after tax and revenues respectively. Net profit after tax for the financial year ended 31 December 2004 amounted to \$12.2 million on the back of \$976.5 million in sales revenue.

FY2004 saw a strong year of growth for Excelpoint as it makes further inroad into the market in the People’s Republic of China (“China”). The performance of the Group is attributable to the high demand for its design-in business as well as the growth of its market share in China. On the other hand, intensified market competition during the year left its impact on the Group’s profit margin accounting for the dip in the Group’s net profit margin from 1.6% in FY2003 to 1.2% in FY2004.

Geographically, the North Asian market comprising China and Hong Kong were the main contributors to the Group’s business accounting for 67.7% of the Group’s total revenues. The balance of 32.3% comprise revenue contributions from other countries including Singapore, India, Malaysia, Thailand, the Philippines and other markets in the Asia Pacific region.

By business activities, design-in activities registered the strongest revenue growth. Relative to the previous financial year, revenue contributions from the Group’s design-in business saw an increase of 57.1%. Distribution, which remained an essential and strategic component of the Group’s business activities, accounted for 37.0% of the Group’s total revenues in FY2004. In absolute dollar terms, all business sectors performed well during the year.

Operationally, the strong business growth in FY2004 also brought about a higher working capital requirements. Mitigating the situation were the \$35.9 million proceeds

from its initial public offering in the beginning of the year. This left a positive impact on the Group, reducing its borrowing needs from \$71.5 million to \$46.6 million. This shift in funding mix benefited Excelpoint and subsequently reduced its net debt to equity ratio from 1.7 times to 0.4 times as at 31 December 2004.

Nevertheless, despite the shift in funding mix, the pressure on the Group's cashflow needs was not reduced due to the need to capitalize on the strong business environment in the Chinese market. Like all rapidly growing organizations, it was necessary for Excelpoint to prioritize and capitalize on the opportunities at its doorstep. It is therefore not unexpected that the Group's net cashflow used in operating activities as at the end of the FY2004 was \$14.0 million.

For a better perspective on the Group's cashflow position, it is also important to note the operational and financial competencies underlying Excelpoint's business management. This prudence is clearly evidenced by its ability to maintain its debtor's and stock turnovers at 46 days and 35 days respectively. Return on equity for the year stood at 17.5% demonstrating the Group's strong business fundamentals.

Foreign exchange volatility – another area of concerns among businesses during the second half of FY2004 left a relatively lesser impact on Excel point's performance. The volatility of the US Dollar versus the Singapore Dollar in FY2004 resulted in an exchange gain of S\$0.6 million. During the second half of the year, emphasis was focused on monitoring the US Dollar versus the Singapore Dollar foreign exchange movements. Cognizant of the fact that the Group's sales are primarily denominated in US Dollars, it rapidly took steps to hedge its Singapore Dollar expenses needs by entering into forward US – Singapore Dollar hedges with tenors ranging from one to three months. Physical currency deliveries were taken upon the maturity of each respective foreign exchange contracts, a move aimed at avoiding speculative transactions.

Commenting on the performance of Excelpoint, Mr. Albert Phuay – Chairman and Group CEO said: "FY2004 saw a year of expansion for the Group. Together, the commitment and hard work of our teams across the region and the support of our customers have created the success that we are seeing today."

#### **Q4 FY 2004 VERSUS Q4 FY 2003**

Reflecting the Chinese government's aim to avoid overheating its domestic economy, the second half of FY2004 saw the implementation of strict monetary and economic policies. Reacting to the imposition of stringent credit controls, many customers in China took immediate steps to reduce their inventory stockpiles and increased their reliance on suppliers' credit. These trends left their impact on many businesses and similarly, the Group saw a 12.8% drop in its sales which declined from \$211.9 million to \$184.9 million.

Operating amid the challenging market conditions in the final quarter of the year, the Group incurred a net loss of \$1.7 million compared to the net profit of \$4.9 million in the

4<sup>th</sup> quarter of the previous financial year. In addition to the reduced sales in the 4<sup>th</sup> quarter of the year under review, the Group's performance in the final quarter of the year was also affected by the accruals for salaries and employee benefits and the additional administrative expenses that were paid annually at the end of each financial year. Relative to the 4<sup>th</sup> Quarter of FY2003, salaries and employees' benefits rose from \$4.4 million to \$5.9 million and other operating expenses rose from \$3.9 million to \$5.3 million respectively in the final quarter of FY2004.

The Group's net cashflow from operating activities for Q4 FY2004 amounted to \$5.2 million compared to \$8.8 million in the previous financial year. The positive cash flow is attributable to the lower business activities during the quarter that in turn lessened the pressure on the Group's working capital requirements.

As a result of the challenging operating climate in China during the 4<sup>th</sup> quarter, debtors' turnover days rose by 15 days to 65 days. Stock turnover rose from 32 days in Q4 FY2003 to 51 days in Q4 FY2004.

Bank borrowings in Q4 FY2004 were reduced from \$71.5 million to \$46.6 million due to shift in funding mix with IPO proceeds replacing bank borrowings to meet the Group's working capital needs. Reflecting the lower borrowings, the Group's net debt to equity ratio declined from 1.7 times to 0.4 times.

Going forward into the 2005 financial year, the Group expects that the business environment in China will remain challenging as the government measures implemented in FY2004 takes effect.

“After the rapid speed of growth over the last couple of years, the current consolidation in the Chinese economy is healthy. This situation also creates opportunities for businesses that have the resources to continue and grow its market share as smaller players exit, paving way for the business shift to companies that have solid business strategies and firm foundations. At Excelpoint we will use this opportunity to expand our market share in China and at the same time secure and strengthen our position with our existing customers. Regionally, we will be looking to expand our presence in other Asian markets to achieve a balance in our geographic business contributions and also tap into new opportunities that are prevalent in other regional markets.” Mr. Albert Phuyay commented on the Group's strategy into the new financial year.

The general operating environment in China remains challenging. Nevertheless, the Group will continue with its efforts to remain competitive by stepping up its sales, marketing and R&D activities and invest in the appropriate personnel where necessary.

The Group expects that it will remain profitable in FY2005.

For the financial year ended 31 December 2004, the Board recommends a first and final dividend of 0.25 cents per share, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## **ABOUT EXCELPOINT TECHNOLOGY LTD**

Excelpoint Technology Limited (“Excelpoint”) is one of the region's leading integrated engineering solutions providers. Its geographic reach spans the Asia Pacific region through a network of more than 30 subsidiaries. Excelpoint specializes in providing a broad spectrum of services that range from the supply of electronic components and chipsets to design and development services and the manufacture of memory modules and communication products. The Group caters to the needs of the telecommunications, networking, consumer electronics, industrial and instrumentation electronics, automotive, computers and computer peripherals industries.

Excelpoint Technology Limited is a public listed company on the Singapore Exchange (SGX: Excelpoint).

*For more information please visit our website: [www.excelpoint.com.sg](http://www.excelpoint.com.sg)*

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