Excelpoint®

GEARING FOR GROWTH

EXCELPOINT TECHNOLOGY LTD.

ANNUAL REPORT 2018

CONTENTS

CORPORATE PROFILE

ABOUT EXCELPOINT TECHNOLOGY LTD.

(Company Registration No. 200103280C)

Excelpoint Technology Ltd. (the "Company") and its subsidiaries ("Excelpoint" or the "Group") are one of the leading regional business-to-business ("B2B") platforms providing quality electronic components, engineering design services and supply chain management to original equipment manufacturers ("OEMs"), original design manufacturers ("ODMs") and electronics manufacturing services ("EMS") in the Asia Pacific region. Excelpoint Technology Ltd. has been recognised in the Top 25 Global Electronics Distributors and Top Global Distributors lists by EBN (a premier online community for global supply chain professionals) and EPSNews (a US premier news, information and data portal and resource centre for electronics and supply chain industries) respectively.

Excelpoint works closely with its principals to create innovative solutions to complement its customers' products and solutions. Aimed at improving its customers' operational efficiency and cost competitiveness, the Group has set up research and development ("R&D") centres in Singapore, China and Vietnam that are helmed by its dedicated team of professional engineers.

Established in 1987 and headquartered in Singapore, Excelpoint's business presence spans over 40 cities in more than 10 countries with a workforce of more than 750 people from different nationalities and cultural backgrounds.

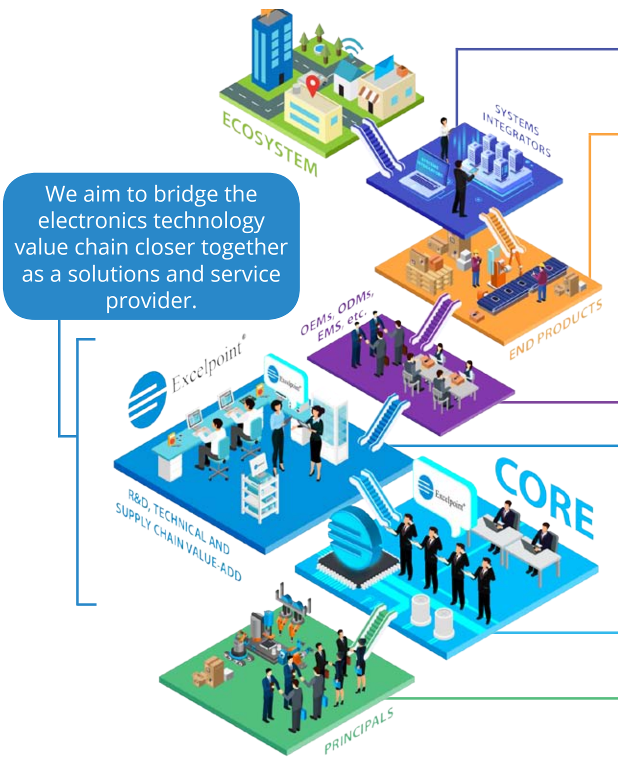
OUR POSITIONING

As a value-added partner of choice to our principals and customers, we aim to bridge the electronics technology value chain closer together as a solutions and service provider.

Apart from playing the hardware role in the value chain, we also create new value propositions for our principals and customers through our R&D capabilities, helping them to reduce time-to-market.

We strongly believe in maintaining a beneficial and sustainable multilateral working relationship with all our stakeholders, and attain sustainable growth together.

Our Role in the Electronics Technology Value Chain



- Systems integrators can then incorporate the finished products together to create an ecosystem of seamless connectivity.

- The end products can also be passed to systems integrators for integration and deployment.

- With our reference designs and module solutions, our customers can create finished products more efficiently and market them quickly.

- We create new value propositions through our innovative technical capabilities (R&D and field applications engineering teams) that combine our principals' technologies into advanced and useful solutions (e.g. reference designs and modules) for our customers (OEMs and ODMs).
- *This increases operational efficiency and cost competitiveness for our customers, and reduces time-to-market for our principals.*
- We provide professional supply chain management to our stakeholders (EMS).

- We provide our stakeholders with hardware expertise and quality electronic components from our strong and diversified portfolio of product lines.

- We work closely with our principals to market their cutting-edge technologies, and add value to their innovations.

LETTER TO SHAREHOLDERS

REVENUE UP BY 9.6% TO US$1.26 B

PROFIT AFTER TAX OF US$8.1 M

PROPOSAL OF AN ORDINARY DIVIDEND OF 3.0 SINGAPORE CENTS PER SHARE AND A SPECIAL DIVIDEND OF 1.0 SINGAPORE CENT PER SHARE

Dear Shareholders,

On behalf of our Board of Directors, I am pleased to inform you that our team delivered a good set of results in FY2018. We achieved revenue of US$1,256.0 million, an increase of 9.6% from US$1,146.4 million in FY2017, and a profit after tax of US$8.1 million.

In view of our 2018 results, the Board proposes an ordinary dividend of 3.0 Singapore cents per share and a special dividend of 1.0 Singapore cent per share, subject to your approval at the forthcoming Annual General Meeting.

THE YEAR IN RETROSPECT

2018 started with many exciting business opportunities and new projects stemming from innovative developments in technology. Despite a challenging business environment with ongoing trade tensions, rising interest rates and foreign exchange fluctuations, our team worked hard to grow the business – our Hong Kong and Singapore business units grew by 0.5% and 20.4% respectively.

LETTER TO SHAREHOLDERS

The growth in the Internet of Things ("IoT") space continues to contribute to our steady growth, driving consumer demands for rapidly evolving trends in new innovations. These factors led to a proliferating demand for our reference designs and solutions, modules and applications, which help form the foundation to power advanced technologies. We continue to see viable business and collaboration opportunities in the regions where we operate, especially in India and Vietnam.

Adding value to our stakeholders continues to be our focus, and in 2018, we had in place strategies to strengthen our positioning:

1. **Continued nurturing of our technical know-hows through the setting up of an IoT demonstration facility and the expansion of our R&D teams**

   We set up an IoT demonstration facility at our Singapore headquarters to feature our technical capabilities alongside our principals' cutting-edge technologies, showcasing our ability to develop advanced and applicable solutions for our partners. We plan to upgrade the facility to introduce more innovations in the future ahead. In addition, we established a new R&D centre in Vietnam in October 2018, focusing on developing modules and solutions to capture new opportunities in the market.

2. **Invested in new innovations**

   In July 2018, we established a strategic investment arm housed under PlanetSpark Pte. Ltd., a subsidiary of Excelpoint. Our investment arm focuses on investing in new hardware innovations and high potential start-ups that have commercially viable technologies and products relating to IoT. With our expertise, market knowledge and strong business presence, we can plug the hardware gap to be the strategic arm to these start-ups, adding value and driving synergies to help them commercialise and grow.

   We have since made our first investment in a Singapore-based chip design firm, CLOP Technologies Pte. Ltd. This spin-off company from A*STAR has a lot of deep tech know-hows in semiconductor chip designs, which are applicable to our segments such as communications and IoT.

   In collaboration with our partners, we have also set up a far-field audio tuning laboratory within our Singapore headquarters to focus on far-field voice technology ("FFVT"). This is the first such lab in Singapore that will serve as a standards-based facility for local and global companies to enable their products with FFVT interfaces, and for FFVT product development and collaboration purposes.

Our IoT demonstration facility in Singapore.

LETTER TO SHAREHOLDERS

3. **Expanded our business presence beyond Asia Pacific**

   We set up a technical support office in San Diego, California, United States of America ("USA") in September 2018 to help our principlas reach out to second-tier and third-tier customers, by providing technical and marketing solutions to them and paving the way for them in Asia Pacific with our expertise in the region.

   Acting as the bridge between our principals and customers, they can work with our ODM partners in Asia Pacific, and market their products there. This will benefit our manufacturing partners in the region as well.

4. **Grew our footprints in emerging markets, such as India and Vietnam**

   We see potential growth in these emerging markets, especially since manufacturing activities are shifting. In addition, infrastructure developments are progressing rapidly in these countries, resulting in demand for technology solutions. With our strong footprints in these countries, we continue to expand and capture the market opportunities.

We will continue to position ourselves to be the partner of choice to our principals and customers by creating value with our products and services. This will put us ahead of competition, strengthen our positioning in the market, and allow us to adapt to market changes quickly, thereby driving sustainable growth in our business.

North Asia

At the end of FY2018, revenue contribution from our Hong Kong business unit accounted for US$628.3 million, which was 50.0% of Excelpoint's aggregated revenue.

Despite existing uncertainties and challenges in the business environment in China, we delivered stable growth in 2018. Our key segments such as mobile and computing, industrial and instrumentation, and consumer, remained stable with manufacturing initiatives like *Belt and Road Initiative* and *Made in China 2025* in progress, 5G network deployments and the rise of consumer electronics such as smart speakers and wireless headsets.

This reinforces our long-term confidence in the Chinese market as a key driver of our business growth in Asia, and we will continue to focus our R&D capabilities and resources on our key segments in this region in the new financial year.

Southeast Asia and India

The spotlight is on Southeast Asia in recent years, with emerging markets delving into infrastructure growth and many businesses looking to expand their presence and gain a foothold in the region.

At the end of FY2018, revenue contribution from our Singapore business unit accounted for US$627.7 million, which is 50.0% of Excelpoint's aggregated revenue.

As these regions accelerate ahead with their digital transformation visions, we continue to develop our R&D expertise and product offerings to support them.

LETTER TO SHAREHOLDERS

We see promising opportunities in emerging markets, especially in India and Vietnam. There is increasing momentum in our key segments, such as mobile and computing, industrial and instrumentation, and consumer in India, due to infrastructure initiatives such as *Make in India*, *Digital India*, *Smart Cities*, and *Startup India* driving demand for solutions including connectivity and power. Vietnam is also a potential growth driver in our key segments, with its progressive focus on infrastructural and digital changes.

We remain committed to allocating our resources and capabilities to deep-dive into these markets, and harness new opportunities that arise.

THE FUTURE AHEAD

The uncertainties in the geopolitical climate will continue to exist, but we have strategies in place to mitigate them and maintain our positioning to capture new opportunities arising from the changing business environment and emerging markets. We will continue to invest in new technologies and innovations, especially in the IoT and far-field voice technology arenas. Through the continuous expansion of our R&D competencies and product portfolio, we aim to provide more value-added services and technical support to our stakeholders and to be a market leader in driving synergies in the electronics and technology ecosystems. By doing so, we believe we can grow the business sustainably for the years to come.

IN APPRECIATION

I would like to thank our Directors for their continued dedication and guidance to the Group, helping Excelpoint to reach new frontiers in the industry.

On behalf of our Board, I would like to take this opportunity to thank all our stakeholders – employees, principals, customers, bankers, business associates, and shareholders – for your continued trust and confidence in Excelpoint over the past 31 years. As we gear towards our next milestones, I look forward to your unwavering support. We will continue to work hard to deliver sustainable growth and performance to all of you.

Yours sincerely,

ALBERT PHUAY YONG HEN
Chairman and Group Chief Executive Officer

OPERATIONS REVIEW

Mobile and Computing

This segment remains a key focus, and we continue to see demand. There is continued progression towards the full deployment of 5G networks in China, with the masses embracing high-speed connectivity through the use of smartphones and other innovative devices. We continue to tap these opportunities with our designs and solutions.

In India, we see a strong demand for solutions in areas like smartphones, data centres and cloud computing, due to initiatives such as *Make in India*, *Digital India*, *Smart Cities*, and *Startup India*. We also see growth opportunities in this segment in emerging markets in Southeast Asia, such as Vietnam where more and more global brands are looking to set up manufacturing plants.

Industrial and Instrumentation ("I&I")

The I&I segment has been contributing to our business growth, and is another key focus for us. The numerous infrastructure developments and initiatives in the markets where we operate have contributed to the increasing demand for solutions in terms of power and battery applications, e-meters and inverter applications.

With China's push for initiatives such as *Belt and Road Initiative* and *Made in China 2025* being brought forward, we believe that its domestic supply chain will continue to grow. We also see an increasing uptake of technology in emerging markets in Southeast Asia, such as India and Vietnam who are starting to focus on infrastructure developments such as telecommunications, power and wireless networks.

Consumer

With consumers' high acceptance level towards new technologies such as voice assistance and integrated active noise cancellation ("ANC") in their everyday lives, we have identified two key products that are potential game-changers in the consumer technology arena – smart speakers with voice-enabled functions and wearables such as wireless headphones/earbuds with integrated ANC and voice user interface capabilities. We have been working to provide solutions and applications in these areas to meet consumer demands for connectivity, quality, automation, convenience and voice accuracy, such as our investment into far-field voice technology.

OPERATIONS REVIEW

RISING SEGMENTS

We are continuing to place emphasis on the IoT segment where there are many opportunities, and have since identified three promising IoT areas – smart buildings, smart agriculture and smart infrastructure. Smart agriculture is one of the high-potential segments in China, Southeast Asia and India, with strong focus on food sustainability.

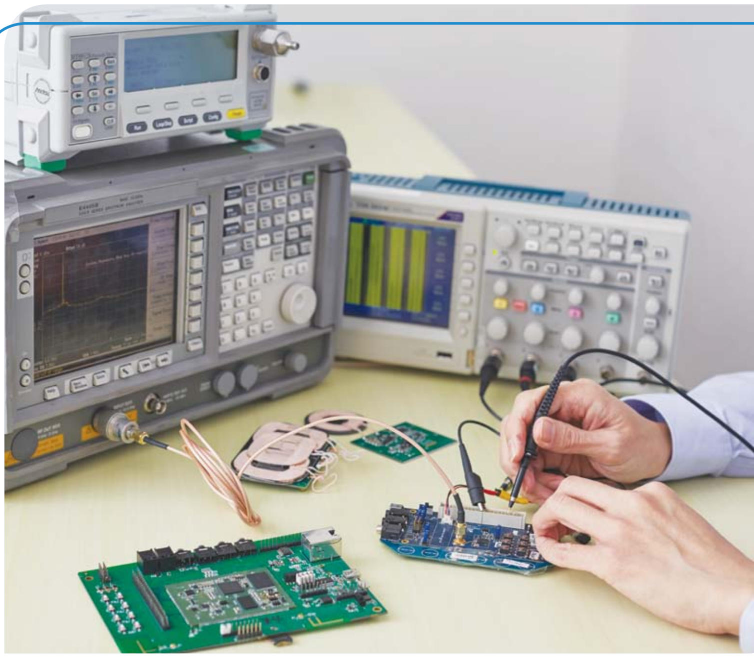
We are also seeing the need to grow our capabilities in areas, such as artificial intelligence ("AI"), automation, and e-vehicles. We see a strong automotive market in both China and India moving forward. There is an urgent need to introduce e-vehicles in China, as they have been strongly encouraged by the World Health Organization to reduce their greenhouse gas emissions. In India, they are pushing towards developing their own e-vehicles.

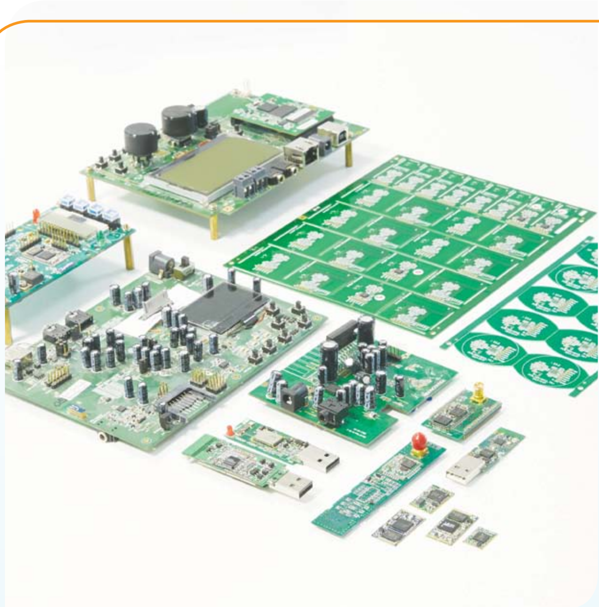
Communications continues to be a growth driver. There are also numerous infrastructure development initiatives in China and India, which require huge consumption of electronic components and modules as electronics plays a crucial role in advanced technologies right from the start, especially in building a country's infrastructure and communications.

NEW PRODUCT LINES

In 2018, we expanded our product range and strengthened our business presence in Asia Pacific by signing partnerships with the following principals:

- **Ambiq Micro** - for its energy-efficient Subthreshold Power Optimized Technology ("SPOT™") platform, timing products, and microcontroller units ("MCUs")
- **Fingerprint Cards AB ("FPC")** - for its FPC sensors, development tools, software, and algorithms
- **Xilinx** - for its field programmable gate array ("FPGA") technology, and programmable FPGAs, system-on-chips ("SoCs"), multi-processor system-on-chips ("MPSoCs") and 3D integrated circuits ("ICs")
- **Thundercomm** - for its IoT products and technologies
- **Osram** - for its illumination, visualisation and sensor technology





These new product lines will help us to develop integrated and innovative solutions to better suit our customers' needs in Asia Pacific, expand further into emerging markets and our key segments such as mobile and computing, I&I, consumer, IoT, and automotive, and stay ahead of the innovation curve in the global electronics and technology ecosystems.

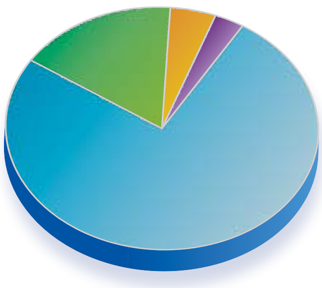
FINANCIAL HIGHLIGHTS

Results of Operations (US$'000)	FY2018	FY2017	FY2016	FY2015	FY2014
Revenue	**1,255,975**	1,146,394	988,240	828,283	728,968
Profit before tax	**8,396**	10,223	8,505	5,499	7,457
Profit for the year attributable to equity holders of the Company ("Profit after tax")	**8,103**	8,098	7,053	4,355	7,083
Earnings per share (US cent)	**6.83**	6.87	6.65	4.26	6.97*
Return on equity (%)	**10.41**	10.97	10.33	7.62	12.60
Balance Sheets (US$'000) As at 31 December	**2018**	**2017**	**2016**	**2015**	**2014**
Shareholders' equity	**77,870**	73,835	68,258	57,183	56,227
Property, plant and equipment	**3,411**	2,621	2,577	1,870	2,322
Intangible assets	**752**	472	519	326	326
Current assets	**377,355**	384,389	303,936	258,761	221,501
Current liabilities	**306,208**	316,001	240,585	205,560	170,086
Net current assets	**71,147**	68,388	63,351	53,201	51,415
Borrowings	**148,947**	142,720	123,501	99,445	80,951
Net assets value per share (US cent)	**65.33**	62.31	57.94	55.83	55.12*
Weighted average number of ordinary shares	**118,626,736**	117,927,904	105,999,041	102,214,069	101,573,225*
Number of ordinary shares	**119,192,840#**	118,502,940#	117,810,940#	102,423,440#	102,004,440*

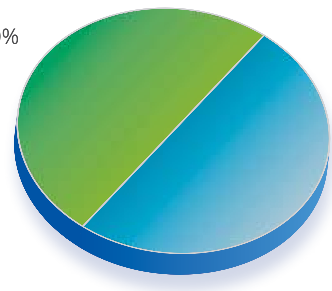
*On 11 August 2015, the Company completed the consolidation of every five existing issued shares in the capital of the Company into one ordinary share in the capital of the Company. The weighted average number of ordinary shares used for the calculation of earnings per share for the comparatives have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

#Issuance of new shares.

Revenue By Geographical Locations



Revenue By Business Units



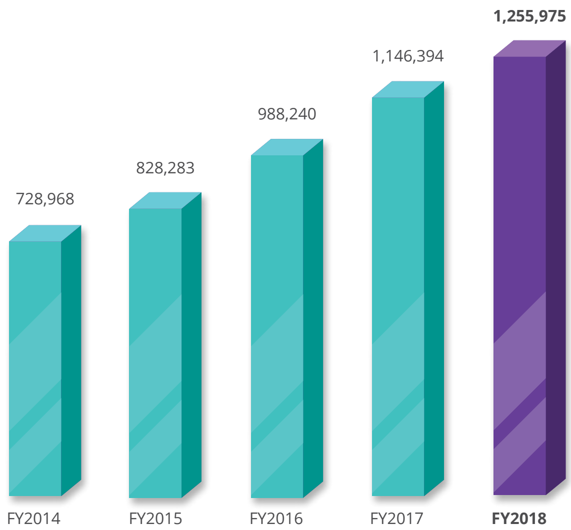
	FY2018	
	US$'000	%
Hong Kong and China	952,095	75.8%
Southeast Asia	207,350	16.5%
India	59,469	4.7%
Others	37,061	3.0%
	1,255,975	100.0%

	FY2018	
	US$'000	%
Hong Kong Business Unit	628,307	50.0%
Singapore Business Unit	627,668	50.0%
	1,255,975	100.0%

FINANCIAL REVIEW

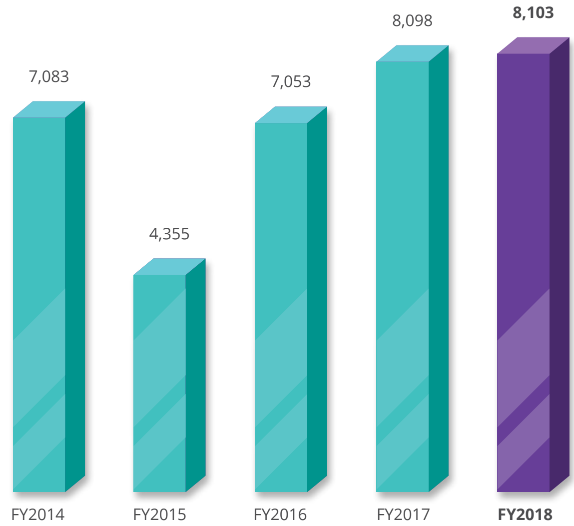
Revenue (US$'000)

The Group reported a 9.6% growth in total revenue, from US$1,146.4 million in FY2017 to US$1,256.0 million in FY2018. This is due to the higher revenues contributed by both business units.



Profit After Tax (US$'000)

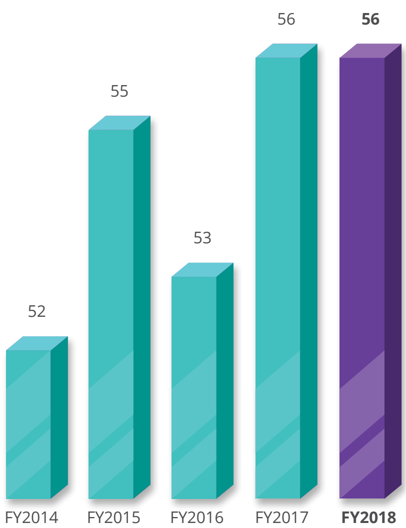
Profit after tax amounted to US$8.1 million this year.



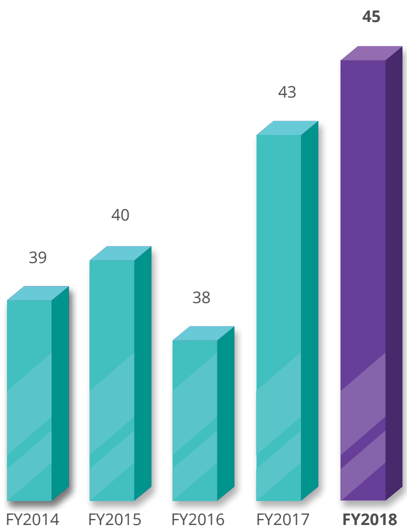
Operational Efficiency

Debtors' turnover remained at 56 days in FY2018. Creditors' turnover increased from 43 days in FY2017 to 45 days in FY2018. Inventory turnover increased from 52 days in FY2017 to 53 days in FY2018.

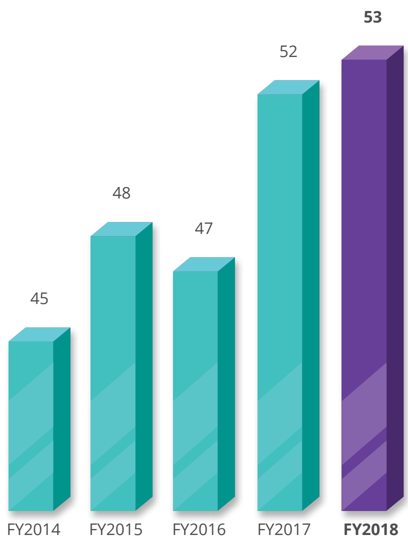
Debtors' Turnover (Days)



Creditors' Turnover (Days)



Inventory Turnover (Days)



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, and appointed Chairman and Group Chief Executive Officer ("CEO") at Excelpoint Technology Ltd. He was appointed Executive Director on 18 May 2001, and was re-elected on 11 April 2018. He is also a member of the Nominating Committee.

Mr. Phuay oversees the general management of the business, and is also responsible for the Group's strategic direction, planning and business development. Prior to forming Excelpoint Systems (Pte) Ltd, he 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, Singapore. With his years of dedication and experience in the electronics industry, he was named Entrepreneur of the Year in the Electrical and Electronics Industry category at the Asia Pacific Entrepreneurship Awards 2017.

ALAN KWAN WAI LOEN was appointed Executive Director at Excelpoint Technology Ltd. on 18 May 2001, and was re-elected on 5 April 2017. He advises and assists the business units on the Group's strategic alliances.

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

HERBERT KWOK FEI LUNG joined Excelpoint Technology Ltd. on 9 March 1992, and was appointed Executive Director on 28 September 2016 and was re-elected on 5 April 2017. He manages the businesses and operations in the North Asia region, which includes Hong Kong and China.

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

TONNY PHUAY YONG CHOON joined Excelpoint Technology Ltd. on 15 May 1996, and was appointed Executive Director on 28 September 2016 and was re-elected on 5 April 2017. He oversees the Group's sales, and the overall businesses and operations in Southeast Asia, India, Australia and New Zealand.

Throughout his time at Excelpoint, Mr. Phuay has headed and grown the sales teams in China. With his strong expertise in the field, he is currently assisting to grow the business in Southeast Asia.

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

KWAH THIAM HOCK was appointed Independent Director at Excelpoint Technology Ltd. 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 and Nominating Committees. He was appointed 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. He is the co-owner and Director at Pivot Medical Pte. Ltd.

Mr. Kwah holds a Bachelor of Accountancy degree from the National University of Singapore. He is a fellow certified public accountant of the Australian Society of Accountants, and also a fellow member of the Institute of Singapore Chartered Accountants and the Association of Chartered Certified Accountants, UK.

BOARD OF DIRECTORS

SUNNY WONG FOOK CHOY was appointed Independent Director at Excelpoint Technology Ltd. on 13 November 2003, and was re-elected on 5 April 2017. He is the Chairman of the Remuneration Committee, and a member of the Audit and Nominating Committees.

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

Mr. Wong serves as a Director at Mencast Holdings Ltd., KTL Global Limited, Civmec Limited, and Innotek Limited. He holds a Bachelor of Laws (Honours) degree from the National University of Singapore.

PROFESSOR LOW TECK SENG was appointed Independent Director at Excelpoint Technology Ltd. on 19 April 2006, and was re-elected on 11 April 2018. He is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees.

Professor Low is currently the CEO of the National Research Foundation, Singapore, an Independent Director at ISEC Healthcare Ltd., Key ASIC Berhad and UCrest Berhad, and a tenured professor at Nanyang Technological University, Singapore and National University of Singapore.

He received a Bachelor of Science (Electrical and Electronic Engineering) (First Class Honours) degree and a PhD degree from the University of Southampton, UK, in 1978 and 1982 respectively.

JOANNE KHOO SU NEE was appointed Independent Director at Excelpoint Technology Ltd. on 28 September 2016, and was re-elected on 5 April 2017. 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 serves as an Independent Director at TEHO International Inc Ltd., a company listed on the Singapore Exchange Securities Trading Limited. In addition, she serves as an Independent Non-Executive Director at Netccentric Limited, a company listed on the Australian Securities Exchange 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. She is also a member of WomenCorporateDirectors, the world's largest membership organisation and community of women corporate board directors.

KEY MANAGEMENT

STANLEY CHAN TUNG HONG is the Senior Vice President of Operations at Excelpoint Systems (Pte) Ltd, and Assistant to the Group CEO. He is responsible for the overall business activities in Southeast Asia, India, Australia and New Zealand, and also assists the Group CEO in overall business strategies.

Mr. Chan holds a Bachelor of Engineering (Electrical and Electronics) (Second Class Honours) degree from Nanyang Technological University, Singapore.

SAMUEL GE YI XIN is the Senior Vice President of Field Applications at Excelpoint Systems (H.K.) Limited. He is the head of the field applications team in Hong Kong and China, and is responsible for providing technical design assistance, technical support and engineering consultancy services to customers.

Mr. Ge holds a Bachelor of Engineering (Automatic Manufacturing Systems) degree and a Master of Engineering degree from Shanghai University of Technology, China.

ALAN TAN JIN TIONG is the Vice President of Sales at Excelpoint Systems (H.K.) Limited, overseeing overall sales performances and managing sales teams in Hong Kong and China.

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

DAVID WANG QING SHENG is the Director of Research and Development ("R&D") at Excelpoint Systems (Pte) Ltd, and oversees the R&D teams in Singapore, China and Vietnam who are responsible for reference solutions and application designs.

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

PHUAY YONG HUA is the Group Senior Vice President of Human Resources and Administration at Excelpoint Technology Ltd.

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

IVAN LEE SEE THIAM is the Group Chief Financial Officer at Excelpoint Technology Ltd., and oversees the overall financial activities of the Group.

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

BUSINESS PRESENCE

OVER 40 CITIES IN MORE THAN 10 COUNTRIES

SINGAPORE

CHINA

Beijing	Guangzhou	Nanjing	Suzhou
Changsha	Hangzhou	Ningbo	Wuhan
Chengdu	Hefei	Qingdao	Wuxi
Chongqing	Hong Kong	Shanghai	Xiamen
Dongguan	Huizhou	Shenyang	Xi'an
Fuzhou	Jinan	Shenzhen	Zhengzhou
			Zhuhai

INDIA

Bangalore	Mumbai
Chennai	New Delhi
Cochin	Pune
Hyderabad	

AUSTRALIA

Sydney
Melbourne

PAKISTAN

Lahore

BUSINESS PRESENCE




NEW ZEALAND
Christchurch

SRI LANKA
Colombo

USA
San Diego, California

THAILAND
Bangkok




PHILIPPINES
Manila

INDONESIA
Jakarta

MALAYSIA
Kuala Lumpur
Penang

VIETNAM
Hanoi
Ho Chi Minh City

CORPORATE STRUCTURE

Excelpoint®

Excelpoint Technology Ltd.

- **EXCELPOINT SYSTEMS (PTE) LTD (SINGAPORE) (100%)**
  - **EXCELPOINT SYSTEMS SDN. BHD. (MALAYSIA) (100%)**
  - **EXCELPOINT SYSTEMS (INDIA) PVT LTD (INDIA) (100%)**
  - **EXCELPOINT SYSTEMS (USA) INC. (USA) (100%)**
  - **BRANCHES/REPRESENTATIVE OFFICES**
    - AUSTRALIA – SYDNEY
    - INDIA – BANGALORE
    - INDONESIA – JAKARTA
    - PHILIPPINES – MANILA
    - THAILAND – BANGKOK
    - VIETNAM – HO CHI MINH CITY
- **EXCELPOINT SYSTEMS (H.K.) LIMITED (HONG KONG) (100%)**
  - **EXCELPOINT INTERNATIONAL TRADING (SHENZHEN) CO., LTD. (CHINA) (100%)**
  - **EXCELPOINT INTERNATIONAL TRADING (SHANGHAI) CO., LTD. (CHINA) (100%)**
    - **BRANCHES/OFFICES**
      BEIJING, CHENGDU, GUANGZHOU, NANJING, QINGDAO, SHENZHEN, WUHAN, XIAMEN, XI'AN
- **PLANETSPARK PTE. LTD. (SINGAPORE) (100%)**

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive
Albert Phuay Yong Hen
(Chairman and Group CEO)
Alan Kwan Wai Loen
Herbert Kwok Fei Lung
Tonny Phuay Yong Choon

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
T +65 6741 8966
F +65 6741 8980
www.excelpoint.com
Company Registration No. 200103280C

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
T +65 6536 5355
F +65 6536 1360

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Yee Woon Yim
(With effect from financial year ended
31 December 2018)

FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

Excelpoint Technology Ltd. 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 the 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 Approving major funding proposals, investment and divestment proposals; and

1.5 Assuming responsibility for corporate governance.

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 allows 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 is supported by the Audit Committee, Remuneration Committee and Nominating Committee.

The Board met four times in FY2018 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 2018 is disclosed as follows:-

Attendance at Board and Board Committee Meetings

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

* By Invitation

REPORT ON CORPORATE GOVERNANCE

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. During the year, the Board was briefed and/or updated on the changes to the Code, SGX Listing Rules and other regulations. The Company encourages Directors to attend training and continuing education courses on new legislations and/or regulations.

The Company will also conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses, operations and processes of the Group. Further, newly appointed Directors will be provided with a formal letter setting out their duties and obligations and appropriate trainings to ensure that they are fully aware of their responsibilities and obligations of being a Director. The Company will also send newly appointed Directors who have no prior experience as a Director of a Singapore-listed company to attend training in the roles and responsibilities of a Director of a listed company provided by the Singapore Institute of Directors as prescribed by SGX-ST within one year from the date of his/her appointment to the Board.

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 experiences are extensive and complementary.

The NC conducts an annual review on the composition of the Board, so as to ensure that there is an appropriate balance of members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive. Having reviewed and considered the composition of the Board and its Committees, the NC has determined that the current Board size and structure are adequate for the existing business operations of the Company.

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 CEO)
Alan Kwan Wai Loen	(Executive)
Herbert Kwok Fei Lung	(Executive)
Tonny Phuay Yong Choon	(Executive)
Kwah Thiam Hock	(Lead Independent)
Sunny Wong Fook Choy	(Independent)
Professor Low Teck Seng	(Independent)
Joanne Khoo Su Nee	(Independent)

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 Independent Directors are not employed by the Company or any of its related corporations for the current or any of the past three financial years. They also do not have any immediate family member who is employed by the Company or any of its related corporations for the past three financial years.

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/her independence based on the guidelines set out in the Code. All four Independent Directors are independent of the Management and 10% shareholders.

REPORT ON CORPORATE GOVERNANCE

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 valuables 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.

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, experiences and qualities in the fields of operations, the Management, financial, legal, accounting and technology. At present, the Board has one female Director. Each Director has been appointed on the strength of his/her calibre, experiences and stature and is expected to bring a valuable range of experiences and expertise to contribute to the development of the Group strategy and the performance of its business. Profiles of the Directors are found on pages 10, 11 and 12 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 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 Phuay 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 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.

REPORT ON CORPORATE GOVERNANCE

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 to work 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. 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.

Principle 4: BOARD MEMBERSHIP

Nominating Committee

The Nominating Committee comprises the following Directors:-

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

The NC met once in FY2018. 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 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, experiences, 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/her 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 2019 for the nomination of Directors for the Eighteenth Annual General Meeting.

The NC has reviewed the independence of each Director for FY2018 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 Annual General Meeting 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 Annual General Meeting, 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 Annual General Meeting 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/her attendance at meetings 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 Annual General Meeting:-

Kwah Thiam Hock	(Retiring pursuant to Article 104)
Herbert Kwok Fei Lung	(Retiring pursuant to Article 104)

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the above Directors to be put forward for re-election at the forthcoming Annual General Meeting is disclosed below:-

Name of Director	Kwah Thiam Hock	Herbert Kwok Fei Lung
Date of appointment	18 April 2007	28 September 2016
Date of last re-appointment	6 April 2016	5 April 2017
Age	72	53
Country of principal residence	Singapore	Hong Kong
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having assessed Mr. Kwah Thiam Hock's requisite knowledge and experiences to assume the responsibilities as Lead Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and succession planning, and having assessed Mr. Herbert Kwok Fei Lung's working experiences and leaderships in the Group, is of the view that Mr. Herbert Kwok Fei Lung has the requisite experiences to assume the responsibilities as Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Director and responsible for the entire business and operations in the North Asia region, including Hong Kong and China.
Job title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Lead Independent Director, Chairman of the Audit Committee, Member of the Nominating Committee and Remuneration Committee.	Executive Director

REPORT ON CORPORATE GOVERNANCE

Professional qualifications	Bachelor of Accountancy from the National University of Singapore. Fellow CPA of the Australian Society of Accountants. Fellow Member of the Institute of Singapore Chartered Accountants. Fellow Member of the Association of Chartered Certified Accountants, United Kingdom.	Higher Diploma in Marine Electronics from the Hong Kong Polytechnic University.
Any relationship (including immediate family relationships) with any existing Director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None.	Husband of Ms. Ivy Chan Yuk Wah, Director of Excelpoint Systems (H.K.) Limited
Conflict of interest (including any competing business)	None.	None.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.
Working experience and occupation(s) during the past 10 years	Excelpoint Technology Ltd. • Independent Director since 18 April 2007, and was re-elected on 6 April 2016. • Chairman of the Audit Committee. • Member of the Remuneration and Nominating Committees. • Lead Independent Director since 28 February 2014. Wilmar International Limited, TEHO International Inc Ltd. and IFS Capital Limited • Independent Director	Excelpoint Systems (H.K.) Limited • Senior Vice President – 1 January 2006 to 31 December 2012 • Managing Director – 1 January 2013 to current Excelpoint Technology Ltd. • Executive Director – September 2016 to current
Shareholding interest in the listed issuer and its subsidiaries	Yes.	Yes.
Shareholding details	80,000 ordinary shares	441,900 ordinary shares
Other Principal Commitments Including Directorships		
Past (for the last five years)	Independent Director of Select Group Limited	None.
Present	Independent Director of:- • Wilmar International Limited • TEHO International Inc Ltd. • IFS Capital Limited Co-owner/Director of:- • Pivot Medical Pte. Ltd.	None.

REPORT ON CORPORATE GOVERNANCE

Information Required Pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within two years from the date he/she ceased to be a partner?	No.	No.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a Director or an equivalent person or a key executive, at the time when he/she was a Director or an equivalent person or a key executive of that entity or at any time within two years from the date he/she ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No.	No.
(c) Whether there is any unsatisfied judgement against him/her?	No.	No.
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No.	No.
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No.	No.

REPORT ON CORPORATE GOVERNANCE

(f)	Whether at any time during the last 10 years, judgement has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No.	No.
(g)	Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or the Management of any entity or business trust?	No.	No.
(h)	Whether he/she has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the Management of any entity or business trust?	No.	No.
(i)	Whether he/she has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No.	No.
(j)	Whether he/she has ever, to his/her knowledge, been concerned with the Management or conduct, in Singapore or elsewhere, of the affairs of:-		
	• any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No.	No.
	• any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No.	No.

REPORT ON CORPORATE GOVERNANCE

• any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No.	No.
• any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No.	No.
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No.	No.
Disclosure Applicable to the Appointment of Director Only		
Any prior experience as a Director of an issuer listed on the Exchange? If Yes, please provide details of prior experience. If No, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the Nominating Committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable) **Note:-** N.A. – Not Applicable	N.A.	N.A.

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/her duties as a Director of the Company, taking into consideration the Director's number of listed company Board representations and other principal commitments.

REPORT ON CORPORATE GOVERNANCE

Although the Independent Directors 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 experiences 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.

The Company does not have any alternate Director.

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:-

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

(2) The NC will source for potential candidates if needed. Directors and the Management may also make recommendations;

(3) The NC will meet the shortlisted candidates to assess suitability and ensure that the candidates are aware of the expectations and the level of commitment required; and

(4) The NC will then make recommendations to the Board for approval.

The details of each Director are set out below:-

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Other Listed Companies	Other Past Directorships Held over Preceding Three Financial Years	Principal Commitments (including Directorships of Non-Listed Companies)
Albert Phuay Yong Hen	Chairman and Group CEO	18 May 2001	11 April 2018	None.	None.	None.
Alan Kwan Wai Loen	Executive Director	18 May 2001	5 April 2017	None.	None.	None.
Herbert Kwok Fei Lung	Executive Director	28 September 2016	5 April 2017	None.	None.	None.
Tonny Phuay Yong Choon	Executive Director	28 September 2016	5 April 2017	None.	None.	None.
Kwah Thiam Hock	Lead Independent Director	18 April 2007	6 April 2016	• Wilmar International Limited • TEHO International Inc Ltd. • IFS Capital Limited	• Select Group Limited	• Pivot Medical Pte. Ltd. (Director)

REPORT ON CORPORATE GOVERNANCE

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Other Listed Companies	Other Past Directorships Held over Preceding Three Financial Years	Principal Commitments (including Directorships of Non-Listed Companies)
Sunny Wong Fook Choy	Independent Director	13 November 2003	5 April 2017	• Mencast Holdings Ltd. • KTL Global Limited • Civmec Limited • Innotek Limited	• China Medical (International) Group Limited	• Wong Tan & Molly Lim LLC (Managing Director) • WTML Management Services Pte Ltd (Managing Director)
Professor Low Teck Seng	Independent Director	19 April 2006	11 April 2018	• ISEC Healthcare Ltd. • Key ASIC Berhad • UCrest Berhad	• Singapore Post Limited	• National Research Foundation (CEO) • CREATE Governing Council (Member) • Halza Pte. Ltd. (Advisor) • NRF Holdings Pte. Ltd. (Director) • Singapore-MIT Alliance for Research & Technology Centre (Board Member) • Cambridge Centre for Advanced Research in Energy Efficiency in Singapore (Director) • TUM Create Limited (Director) • Revantha Technologies Pte. Ltd. (Director)

REPORT ON CORPORATE GOVERNANCE

Name	Appointment	Date of Initial Appointment	Date of Last Re-election	Current Directorships in Other Listed Companies	Other Past Directorships Held over Preceding Three Financial Years	Principal Commitments (including Directorships of Non-Listed Companies)
Professor Low Teck Seng (cont'd)						• DSO National Laboratories (Director)
Joanne Khoo Su Nee	Independent Director	28 September 2016	5 April 2017	• TEHO International Inc Ltd. • Netccentric Limited	• Kitchen Culture Holdings Ltd.	• Bowmen Capital Private Limited (Director)

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 collective assessment process that required each Director to assess the performance of the Board as a whole for FY2018. The 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 criteria include the level of participation in the Company such as his/her commitment of time to the Board and Board Committee meetings and his/her performance of tasks delegated to him/her. The NC has reviewed and is satisfied with the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2018.

In view of the composition of our Board, the Board, in conducting the collective assessment of its effectiveness, also takes into account the performance and effective functioning of each Board Committee.

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 Annual General Meeting including determining whether Directors with multiple Board representatives are able to and have adequately discharge their duties as Directors of the Company.

REPORT ON CORPORATE GOVERNANCE

Principle 6: ACCESS TO INFORMATION

Prior to each Board meeting, the Board is supplied with relevant information such as management reports, budgets, 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.

In addition, the Board has separate and independent access to the 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.

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, all of whom are Independent Directors:-

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

The RC met once in FY2018. 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 the 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 programme for Directors and the Senior Management to ensure that the programme is competitive and sufficient to attract, retain and motivate the Senior Management of the required quality to run the Company successfully; and

7.3 Review compensation packages of Directors, the 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 Annual General Meeting.

The Executive Directors do not receive Directors' fees and are paid based on their Service Agreements with the Company. 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.

REPORT ON CORPORATE GOVERNANCE

The 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 FY2018 of the Directors and Key Management Personnel is set out below:-

Directors' and Group CEO's Remuneration

Remuneration Bands	Name of Director	Directors' Fees %	Salary %	Bonus %	Allowance and Benefits %	Share-based %	Total %
S$500,000 and above	Albert Phuay Yong Hen	–	61%	37%	2%	–	100%
S$500,000 and above	Alan Kwan Wai Loen	–	63%	34%	3%	–	100%
S$500,000 and above	Herbert Kwok Fei Lung	–	61%	39%	–	–	100%
S$500,000 and above	Tonny Phuay Yong Choon	–	61%	37%	2%	–	100%
Below S$250,000	Kwah Thiam Hock	83%	–	–	–	17%	100%
Below S$250,000	Professor Low Teck Seng	83%	–	–	–	17%	100%
Below S$250,000	Sunny Wong Fook Choy	83%	–	–	–	17%	100%
Below S$250,000	Joanne Khoo Su Nee	78%	–	–	–	22%	100%

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

No. of Key Management Personnel	Salary %	Bonus %	Allowance and Benefits %	Share-based %	Total %
S$250,000 to below S$500,000					
1	80%	11%	9%	–	100%
1	84%	6%	4%	6%	100%
1	72%	10%	7%	11%	100%
1	77%	6%	10%	7%	100%
1	71%	6%	16%	7%	100%

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$1,863,000.

REPORT ON CORPORATE GOVERNANCE

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 employees who are immediate family members of our Directors and whose remuneration exceeds S$50,000 for FY2018. By the same token, their remunerations in incremental bands of S$50,000 will not be disclosed.

Name of Employee	Related To
Below S$1,000,000	
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) and Brother to Mr. Tonny Phuay Yong Choon (Executive Director)
Ivy Chan Yuk Wah	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 FY2018.

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 and renewed the EPSS at the Annual General Meeting held on 11 April 2018.

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 9 May 2018, 80,000 new ordinary shares had been granted and vested to four Independent Directors and thereafter, on 19 November 2018, 609,900 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 EPSS during FY2018. 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 FY2018.

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.

REPORT ON CORPORATE GOVERNANCE

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 reports 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.

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 to safeguard shareholders' investments and Company's assets. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess and review the adequacy and effectiveness of the Company's risk management framework, systems 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.

The Group, with the help of the internal auditor, has done up a documentation on its risk profile which summarises the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board. The documentation provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process.

REPORT ON CORPORATE GOVERNANCE

On an annual basis, the internal auditor prepares the internal audit plan approved by the AC. The audit plan takes into consideration the risks identified in the risk profile document and the audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendations for improvement are reported to the AC. The AC reviews these reports and ensures that appropriate and timely countermeasures are taken by the Management as part of its continuous improvement efforts to further enhance its internal control systems and practices. A copy of the report is also issued to the relevant subsidiaries for their follow-up actions. 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 the statutory audit.

At least once a year, the AC undertakes a formal enterprise-wide review of the adequacy and effectiveness of its risk management and internal control systems, including financial, operational, compliance and information technology controls and risk management systems. During this exercise, risk owners review and update the risks and controls for their respective areas. The result of this annual risk review is presented to the Board to ensure enterprise risks are appropriately identified and managed such that residual risks are acceptable given the operational nature of the business.

As part of the annual statutory audit on financial statements, the external auditor reports to the AC and the appropriate level of the 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 in respect of the past 12 months, the financial records of the Company have been properly maintained and the Company's financial statements give a true and fair view of the Company's operations and finances; and the Company's risk management and internal control systems are adequate and effective.

The Board and the Audit Committee have rigorously reviewed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and information technology controls and risk management systems. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, various Board Committees and the Board, the Audit Committee concurred with the Board's comment that the Group's internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as at 31 December 2018.

The bases for the Board's view are as follows:-

(1) Assurance has been received from the Group CEO and CFO;

(2) An internal audit has been done by the internal auditor and significant matters highlighted to the AC and Key Management Personnel were appropriately addressed;

(3) Key Management Personnel regularly evaluates, monitors and reports to the AC on material risks;

(4) Discussions were held between the AC and external auditors in the absence of the Key Management Personnel and the Management to review and address any potential concerns;

(5) An enterprise risk management framework overseen by the AC was established to identify, manage and mitigate significant risks;

(6) Risk appetite statements with tolerance limits have been approved by the Board to contain risks within acceptable levels; and

(7) The Group has put in place whistle-blowing procedures by which employees may report and raise any concerns on possible wrongdoings in good faith and in confidence. All concerns can be reported to the Chairman of the AC which will then be forwarded to the AC. They will assess whether action or review is required. The whistle-blowing procedure is posted on the Company's notice boards for staff's easy reference.

REPORT ON CORPORATE GOVERNANCE

The Board has additionally relied on the internal auditor's reports issued to the Company for FY2018 as assurances that the Company's risk management and internal control systems are effective.

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	(Member)

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

The AC met quarterly in FY2018. The principal functions are as follows:-

12.1 Review the independence of the external auditor annually and recommend to the Board, the external and internal auditors to be nominated, approve the remuneration of the external and internal auditors, and review the scope and results of the audit;

12.2 Review all non-audit services provided by the external auditor so as to ensure that any provision of such services would not affect the independence of the external auditor;

12.3 Review (with the other Committees, the Management, and the external and internal auditors) significant risks or exposures that exist and assess the steps the 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 auditor at the completion of the annual examination:-

(1) The external auditor's audit of the annual financial statements and reports;

(2) The adequacy of the Group's system of accounting controls;

(3) The level of assistance and cooperation given by the Management to the external auditor;

(4) Any significant findings and recommendations of the external auditor and internal auditor and the related Management's responses thereto; and

(5) Any significant changes required in the external auditor's audit plan, any serious difficulties or disputes with the 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, and programmes and reports received from regulators;

12.7 Report actions and resolutions of the AC to the Board with such recommendations as the AC considers appropriate;

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;

12.9 Review audit plans of the external and internal auditors and evaluating the reports issued by the external and internal auditors from their examination of the Company's internal control systems;

12.10 Review the financial and operating results of the Group and the Company in compliance with accounting policies and assistance given by the Management to its auditors; and

12.11 Review quarterly and annual announcement of results of the Group and the Company before submission to the Board for approval.

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 and subsidiaries, 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 auditor of the Company (including member firms of EY Global) for the financial year ended 31 December 2018 amount to US$227,000 and US$30,000 respectively.

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. Ernst & Young LLP has confirmed their independence to the Board.

The AC also meets with the external auditor, without the presence of the Management, at least once a year. For FY2018, the AC met once with the external auditor without presence of the Management. This meeting enabled the external auditor 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 Auditor at the forthcoming Annual General Meeting.

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 were no whistle-blowing letters received during the year.

The external auditor presents 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 2018, the Group adopted Singapore Financial Reporting Standard (International) ("SFRS(I)") and the new standards that are effective on 1 January 2018. The impacts on the adoption of SFRS(I) and the new standards are disclosed in Note 2.2 to the Financial Statements.

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

REPORT ON CORPORATE GOVERNANCE

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 the Management should focus their attention on.

The AC is satisfied that the internal audit is staffed by suitably qualified and experienced personnel. The internal audit function is independent, effective and adequately resourced.

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.

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's website. When press conferences and briefings are 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 will receive the Annual Report and Notice of Annual General Meeting. The Notice is also advertised in a national newspaper. At Annual General Meetings, shareholders are given the opportunity to air their views and ask Directors or the Management questions regarding the Company. Separate resolutions on each distinct issue are proposed at general meetings for approval. The external auditor 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 Singapore 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 Annual General Meeting through an open question-and-answer session. The Chairman of the Audit, Remuneration and Nominating Committees are available at the Annual General Meeting to address any queries or concerns and the external auditor is 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.

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 the 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.

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 Annual General Meeting, 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 2018.

REPORT ON CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The aggregate value of all interested person transactions during the financial year ended 31 December 2018 was 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 Phuay Yong Hen	US$107,000	Rental of office premises	N.A.

USE OF PLACEMENT PROCEEDS AS AT DATE OF THIS ANNUAL REPORT

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 date of this annual report, the status on the use of the Net Proceeds is as follows:-

Intended Uses	Approximate Amount (S$'000)	Estimated Percentage Allocation of Net Proceeds	Amount Utilised as at Date of this Annual Report (S$'000)	Balance as at Date of this Annual Report (S$'000)
Strategic Investments and Acquisitions	5,000	63.9%	(300)	4,700
Development of New Technology and Application	1,700	21.7%	(800)	900
Investments in Research and Development Expertise	1,125	14.4%	(735)	390
Total	7,825	100.0%	(1,835)	5,990

On Behalf of the Directors,

Albert Phuay Yong Hen
Chairman and Group CEO
Singapore

REPORT OF THE AUDIT COMMITTEE

Financial Matters

For FY2018, the Audit Committee ("AC") held four meetings. During each of these meetings, the AC reviewed the quarterly financial reports prepared by the Management, including all supporting schedules such as the Group's trade debtors ageing, movement in allowance for expected credit losses, and the customers with significant credit exposure. The AC also reviewed the Group's stock ageing, movement in stock allowances, and the stock allowance policy. Other matters reviewed included: the Group's operating expenses, the top 10 product lines and top 10 customers as well as the availability and utilisation of the Group's banking lines. The AC reviewed the operating cycles of the Group so as to ensure that the Group operates at an efficient level. It also reviewed key financial ratios, such as Return on Assets ("ROA"), Return on Equity ("ROE"), and Total Shareholders' Return ("TSR"); the TSR determines the returns for shareholders vis-a-vis their cost of capital for investing in the Group.

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 electronics industry. Hence, it is important for the 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 arrangement with major suppliers.

Oversight of the External Auditor

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

The AC held a separate meeting with the external auditor without the presence of the Management during which the AC was briefed on the Audit Quality Indicators achieved by the external auditor. The AC is satisfied with the external auditor's independence and that it has maintained a high standard of audit quality and controlled policies. The AC therefore recommends to the Board of Directors the re-appointment of the external auditor at the forthcoming Annual General Meeting.

Key Audit Matters ("KAMs")

In respect of the KAMs highlighted by the external auditor, the AC's comments are as follows:-

KAMs	AC's Comments
Revenue recognition	The AC concurred with the Management's methodology of revenue recognition which occurs at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.
Recoverability of trade debtors	The AC reviewed the long outstanding debts to ascertain they are indeed collectable. Overall, the AC is satisfied that the Management has in place a credit evaluation system before credits are granted to its customers and that there is close monitoring of trade debtors ageing by the Management as this in turn will allow the Group to take prompt actions to recover any doubtful debts.
Allowance for slow-moving and obsolete stocks	The 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 2018.

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 2018 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 CEO)
Alan Kwan Wai Loen
Herbert Kwok Fei Lung
Tonny Phuay Yong Choon
Kwah Thiam Hock
Sunny Wong Fook Choy
Professor Low Teck Seng
Joanne Khoo Su Nee

3. Arrangements to enable directors to acquire shares and debentures

Except as described in paragraph 5 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.

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 (other than wholly-owned subsidiaries) as stated below:-

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Albert Phuay Yong Hen	47,915,204	47,915,204	2,598,168	2,598,168
Alan Kwan Wai Loen	6,258,244	6,258,244	–	–
Herbert Kwok Fei Lung	441,900	441,900	281,200	341,700
Tonny Phuay Yong Choon	144,800	144,800	–	–
Kwah Thiam Hock	60,000	80,000	–	–
Sunny Wong Fook Choy	80,000	100,000	–	–
Professor Low Teck Seng	60,000	80,000	–	–
Joanne Khoo Su Nee	–	20,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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. 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 statement 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 21 years on or before the date of grant and are not undischarged bankrupts and who have not entered into a composition with his/her creditors.

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

DIRECTORS' STATEMENT

5. Share plans (cont'd)

Performance shares

The Company has adopted the Excelpoint Performance Share Scheme ("EPSS"), which was approved by the shareholders at the Extraordinary General Meeting held on 25 June 2008 and the Annual General Meeting held on 11 April 2018.

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 EPSS 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 EPSS.

Controlling shareholders and their associates shall be eligible to participate in the EPSS. However, the aggregate number of shares available to controlling shareholders and their associates must not exceed 25% of the shares available under the EPSS. The number of shares available to each controlling shareholder or their associate must also not exceed 10% of the shares available under the EPSS.

During the financial year, the Company has granted 689,900 (2017: 692,000) ordinary shares to its directors and employees.

Name of director	(1) Number of ordinary shares comprised in EPSS to be issued during financial year under review (including terms)	(2) Aggregate number of ordinary shares comprised in EPSS from commencement of Award to the end of financial year under review	(3) Number of ordinary shares comprised in EPSS allotted and/or transferred during the financial year under review	(4) = (1) – (3) Number of ordinary shares comprised in EPSS not released during financial year under review	(5) Proportion of ordinary shares comprised in EPSS vested during financial year under review
Kwah Thiam Hock	20,000 *	80,000	20,000	–	20,000
Professor Low Teck Seng	20,000 *	80,000	20,000	–	20,000
Sunny Wong Fook Choy	20,000 *	80,000	20,000	–	20,000
Joanne Khoo Su Nee	20,000 *	20,000	20,000	–	20,000

* The EPSS was granted on 9 May 2018 made pursuant to a resolution passed at the Annual General Meeting of the Company held on 5 April 2017 wherein an aggregate number of 80,000 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 2017 to 31 December 2017.

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

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

DIRECTORS' STATEMENT

6. Audit Committee

The Audit Committee ("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 independent 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;

- Met with the external auditor, other Committees, and the 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 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.

DIRECTORS' STATEMENT

7. Auditor

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

On behalf of the Board of Directors,

Albert Phuay Yong Hen
Director

Alan Kwan Wai Loen
Director

Singapore
28 February 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Excelpoint Technology Ltd. for the financial year ended 31 December 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Excelpoint Technology Ltd. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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

The Group has recognised revenue of US$1,256.0 million for the financial year ended 31 December 2018. Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer. As the Group uses a variety of shipment terms, incorrect determination of the point at which control of the goods is transferred to customer could affect the timing of revenue recognition. Accordingly, there is a risk that revenue could be recognised in the incorrect period for sales transactions occurring near or at the year-end. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

To the Members of Excelpoint Technology Ltd. for the financial year ended 31 December 2018

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 the Management's internal controls over the revenue process and evaluated the design and tested operating effectiveness of key controls over revenue recognition. We analysed the monthly trends and compared to prior year to determine whether the analyses are in line with our expectations based on our understanding of the Group's business. We reviewed and discussed with the Management any unusual sales trends near the year-end. In addition, we performed year-end sales cut-off procedures focusing on material sales transactions near or at year-end, and reviewed material credit notes issued to customers subsequent to year-end. We also considered the results of confirmations requested from a sample of customers on the outstanding debts. On a sampling basis, we tested revenue by tracing to customers' purchase orders and proof of delivery to ensure that revenue and related trade debtors were recorded in the correct period taking into account the terms and conditions of the sales, including the shipping terms. We also considered the adequacy of the disclosures in respect of revenues in Note 4.

Recoverability of Trade Debtors

As at 31 December 2018, the Group has gross trade debtors of US$185.5 million with allowance for expected credit loss of US$0.6 million. The Group uses a provision matrix to calculate expected credit losses for trade debtors, which is determined based on the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The assessment of correlation between historical observed default rates, forecast economic conditions and expected credit losses require the Management to exercise significant judgement. As such, we determined that this is a key audit matter.

We evaluated the Group's processes and controls relating to the monitoring of trade debtors and review of credit risks of customers. Our audit procedures included, amongst others, requesting confirmation of trade debtors' balances and tracing to cash receipts from the trade debtors after the year-end. We also tested the reasonableness of the Management's assumptions used to develop the provision matrix, through analyses of ageing of trade debtors and historical credit loss experience, assessment of material overdue individual trade debtors, and comparison to forward-looking macroeconomic factors affecting the recoverability of the trade debtors. We considered the adequacy of the Group's disclosures in respect of trade debtors in Note 14 and the related risks such as credit risk in Note 25.

Allowance for Slow-moving and Obsolete Stocks

As at 31 December 2018, the Group has gross stocks of US$166.5 million, with allowance for slow-moving and obsolete stocks of US$2.1 million. Stocks balances comprise trading stocks. The determination of allowance for slow-moving and obsolete stocks requires the Management to exercise judgement in identifying slow-moving and obsolete stocks and make estimates of their realisable value to determine the appropriate level of allowance required. This process involves the Management to consider the different stock rotation and price protection arrangements with certain suppliers. This process is also subject to uncertainty arising from rapid technological changes given the nature of the Group's stocks. As such, we determined that this is a key audit matter.

As part of our audit procedures, we evaluated the analyses and assessments made by the Management with respect to the carrying value of stocks and the identification of slow-moving and obsolete stocks, and the expected demand and net realisable value of the stocks. We tested the net realisable values of the stocks on a sample basis by comparing the carrying values of the stocks to the latest selling prices. We attended and observed the Management's physical stock count process at material stock locations, including their process over the identification of slow-moving and obsolete stocks. We also inquired the 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 against our understanding by performing a review of the significant terms and conditions in supplier contracts. The Group's disclosure relating to stocks are included in Note 15.

INDEPENDENT AUDITOR'S REPORT

To the Members of Excelpoint Technology Ltd. for the financial year ended 31 December 2018

Other Information

The 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 the Management and Directors for the Financial Statements

The 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 SFRS(I), 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, the 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 the 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

INDEPENDENT AUDITOR'S REPORT

To the Members of Excelpoint Technology Ltd. for the financial year ended 31 December 2018

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

- Conclude on the appropriateness of the 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 Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
28 February 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Revenue	4	1,255,975	1,146,394
Cost of sales		(1,188,142)	(1,085,487)
Gross profit		67,833	60,907
Other income	5	942	483
Sales and distribution costs		(34,655)	(29,181)
General and administrative expenses		(18,559)	(17,403)
Interest expense	6	(6,756)	(4,107)
Impairment losses on financial assets	7	(409)	(476)
Profit before tax	7	8,396	10,223
Income tax expense	8	(293)	(2,125)
Profit for the year attributable to equity holders of the Company		8,103	8,098
Basic and diluted earnings per share attributable to equity holders of the Company (cents per share)	9	6.83	6.87

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 2018

	Group	
	2018	**2017**
	US$'000	US$'000
Profit for the year	8,103	8,098
<u>Other comprehensive income:-</u>		
Items that will not be reclassified subsequently to profit or loss:-		
Net fair value changes on equity instrument at fair value through other comprehensive income	(202)	–
	(202)	–
Items that may be reclassified subsequently to profit or loss:-		
Foreign currency translation	(27)	6
Net gain on fair value changes of available-for-sale financial assets	–	540
	(27)	546
Other comprehensive income for the year, net of tax	(229)	546
Total comprehensive income for the year attributable to equity holders of the Company	7,874	8,644

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group			Company		
		31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS							
Non-current assets							
Property, plant and equipment	10	3,411	2,621	2,577	–	–	–
Intangible assets	11	752	472	519	–	–	–
Investments in subsidiaries	12	–	–	–	25,878	9,878	9,878
Other investments	13	2,418	2,354	1,793	2,198	2,354	1,793
Deferred tax assets	20	142	–	18	–	–	–
		6,723	5,447	4,907	28,076	12,232	11,671
Current assets							
Trade and other debtors	14	191,521	199,055	155,379	13,555	30,071	26,557
Prepayments		455	375	353	2	2	2
Stocks	15	164,422	174,980	131,598	–	–	–
Derivatives	16	386	–	–	–	–	–
Cash and short-term deposits	17	20,571	9,979	16,606	1,484	718	2,841
		377,355	384,389	303,936	15,041	30,791	29,400
Total assets		384,078	389,836	308,843	43,117	43,023	41,071
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other creditors	18	150,765	161,599	107,264	1,522	1,558	900
Contract liabilities	4	4,037	7,679	6,599	–	–	–
Interest-bearing loans and borrowings	19	148,947	142,720	123,501	–	–	–
Income tax payable		2,459	4,003	3,221	134	149	16
Total liabilities		306,208	316,001	240,585	1,656	1,707	916
Net current assets		71,147	68,388	63,351	13,385	29,084	28,484
Net assets		77,870	73,835	68,258	41,461	41,316	40,155
Equity attributable to equity holders of the Company							
Share capital	21	38,859	38,553	38,244	38,859	38,553	38,244
Revenue reserves		38,178	34,220	29,498	1,773	1,732	1,420
Other reserves	22	833	1,062	516	829	1,031	491
Total equity		77,870	73,835	68,258	41,461	41,316	40,155
Total equity and liabilities		384,078	389,836	308,843	43,117	43,023	41,071

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 2018

		Attributable to equity holders of the Company							
2018 Group	**Note**	**Equity, total**	**Share capital**	**Revenue reserve**	**Other reserves, total**	**Fair value reserve**	**Statutory reserve**	**Foreign currency translation reserve**	**Other capital reserve**
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Opening balance at 1 January 2018 (FRS framework)		**73,835**	**38,553**	**35,323**	**(41)**	**804**	**25**	**(1,097)**	**227**
Cumulative effects of adopting SFRS(I)		(117)	–	(1,220)	1,103	–	–	1,103	–
Opening balance at 1 January 2018 (SFRS(I) framework)		**73,718**	**38,553**	**34,103**	**1,062**	**804**	**25**	**6**	**227**
Profit for the year		8,103	–	8,103	–	–	–	–	–
Other comprehensive income:-									
Foreign currency translation		(27)	–	–	(27)	–	–	(27)	–
Net fair value changes on equity instrument at FVOCI		(202)	–	–	(202)	(202)	–	–	–
Other comprehensive income for the year, net of tax		(229)	–	–	(229)	(202)	–	(27)	–
Total comprehensive income for the year		7,874	–	8,103	(229)	(202)	–	(27)	–
Contributions by and distributions to owners:-									
Grant of equity-settled share awards under EPSS	21	306	306	–	–	–	–	–	–
Dividends on ordinary shares	29	(4,028)	–	(4,028)	–	–	–	–	–
Total contributions by and distributions to owners		(3,722)	306	(4,028)	–	–	–	–	–
Closing balance at 31 December 2018		**77,870**	**38,859**	**38,178**	**833**	**602**	**25**	**(21)**	**227**

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

2017 Group	Note	Equity, total US$'000	Share capital US$'000	Revenue reserve US$'000	Other reserves, total US$'000	Fair value reserve US$'000	Statutory reserve US$'000	Foreign currency translation reserve US$'000	Other capital reserve US$'000
		Attributable to equity holders of the Company							
Opening balance at 1 January 2017 (FRS framework)		**68,258**	**38,244**	**30,601**	**(587)**	**264**	**25**	**(1,103)**	**227**
Cumulative effects of adopting SFRS(I)		–	–	(1,103)	1,103	–	–	1,103	–
Opening balance at 1 January 2017 (SFRS(I)) framework)		**68,258**	**38,244**	**29,498**	**516**	**264**	**25**	**–**	**227**
Profit for the year		8,098	–	8,098	–	–	–	–	–
Other comprehensive income:-									
Foreign currency translation		6	–	–	6	–	–	6	–
Net gain on fair value changes of available-for-sale financial assets		540	–	–	540	540	–	–	–
Other comprehensive income for the year, net of tax		546	–	–	546	540	–	6	–
Total comprehensive income for the year		8,644	–	8,098	546	540	–	6	–
Contributions by and distributions to owners:-									
Grant of equity-settled share awards under EPSS	21	309	309	–	–	–	–	–	–
Dividends on ordinary shares	29	(3,376)	–	(3,376)	–	–	–	–	–
Total contributions by and distributions to owners		(3,067)	309	(3,376)	–	–	–	–	–
Closing balance at 31 December 2017		**73,835**	**38,553**	**34,220**	**1,062**	**804**	**25**	**6**	**227**

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to equity holders of the Company					
Company	**Note**	**Equity, total** US$'000	**Share capital** US$'000	**Revenue reserve** US$'000	**Other reserves, total** US$'000	**Fair value reserve** US$'000	**Other capital reserve** US$'000
2018							
Opening balance at 1 January 2018 (SFRS(I) framework)		**41,316**	**38,553**	**1,732**	**1,031**	**804**	**227**
Profit for the year		4,069	–	4,069	–	–	–
Other comprehensive income for the year, net of tax:-							
Net fair value changes on equity instrument at FVOCI		(202)	–	–	(202)	(202)	–
Total comprehensive income for the year		3,867	–	4,069	(202)	(202)	–
Contributions by and distributions to owners:-							
Grant of equity-settled share awards under EPSS	21	306	306	–	–	–	–
Dividends on ordinary shares	29	(4,028)	–	(4,028)	–	–	–
Total contributions by and distributions to owners		(3,722)	306	(4,028)	–	–	–
Closing balance at 31 December 2018		**41,461**	**38,859**	**1,773**	**829**	**602**	**227**
2017							
Opening balance at 1 January 2017 (SFRS(I) framework)		**40,155**	**38,244**	**1,420**	**491**	**264**	**227**
Profit for the year		3,688	–	3,688	–	–	–
Other comprehensive income for the year, net of tax:-							
Net gain on fair value changes of available-for-sale financial assets		540	–	–	540	540	–
Total comprehensive income for the year		4,228	–	3,688	540	540	–
Contributions by and distributions to owners:-							
Grant of equity-settled share awards under EPSS	21	309	309	–	–	–	–
Dividends on ordinary shares	29	(3,376)	–	(3,376)	–	–	–
Total contributions by and distributions to owners		(3,067)	309	(3,376)	–	–	–
Closing balance at 31 December 2017		**41,316**	**38,553**	**1,732**	**1,031**	**804**	**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 2018

	Note	Group 2018 US$'000	Group 2017 US$'000
Operating activities			
Profit before tax		8,396	10,223
Adjustments for:-			
Interest income	5	(22)	(31)
Interest expense	6	6,756	4,107
Depreciation of property, plant and equipment	10	1,271	853
Dividend income from equity security	5	(195)	(181)
Net loss on disposal of property, plant and equipment	7	16	9
Property, plant and equipment written off	7	–	4
Net gain on disposal of intangible assets	7	(117)	(1)
Net impairment losses on trade debtors	14	409	476
Net stock written down	15	134	1,034
Net fair value changes on derivatives	7	84	–
Share based payments under EPSS	21	306	309
Operating cash flows before changes in working capital		17,038	16,802
Changes in working capital:-			
Decrease/ (increase) in stocks		10,424	(44,416)
Decrease/ (increase) in trade and other debtors and prepayments		6,936	(44,174)
(Decrease)/ increase in trade and other creditors and contract liabilities		(14,476)	55,424
Cash flows generated from/ (used in) operations		19,922	(16,364)
Interest received		22	31
Interest paid		(6,756)	(4,107)
Income tax paid		(1,984)	(1,329)
Net cash flows generated from/ (used in) operating activities		11,204	(21,769)
Investing activities			
Purchase of property, plant and equipment	10	(2,100)	(905)
Proceed from disposal of property, plant and equipment		12	5
Purchase of intangible assets	11	(339)	–
Proceeds on disposal of intangible assets		176	48
Purchase of derivatives		(496)	–
Proceed from derivatives		18	–
Purchase of other investment		(220)	–
Dividend income from investment security		150	160
Net cash flows used in investing activities		(2,799)	(692)
Financing activities			
Proceeds from interest-bearing loans and borrowings	19	6,227	19,219
Dividend paid on ordinary shares	29	(4,028)	(3,376)
Net cash flows generated from financing activities		2,199	15,843
Net increase/ (decrease) in cash and cash equivalents		10,604	(6,618)
Effects of exchange rate changes on cash and cash equivalents		(12)	(9)
Cash and cash equivalents at 1 January		9,979	16,606
Cash and cash equivalents at 31 December	17	20,571	9,979

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 2018

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.

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 are disclosed in Note 12.

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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The financial statements are presented in United States Dollar ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 *First-time adoption of SFRS(I)*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemption applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:-

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of US$1,103,000 was adjusted against the opening revenue reserves as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

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

2.2 *First-time adoption of SFRS(I) (cont'd)*

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening revenue reserves at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present FVOCI. For equity security, the Group elects to measure its currently held available-for-sale quoted equity security at FVOCI.

There is no significant impact arising from measurement of the instruments above under SFRS(I) 9. The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of SFRS(I) (cont'd)*

New accounting standards effective on 1 January 2018 (cont'd)

SFRS(I) 9 *Financial Instruments* (cont'd)

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade debtors of US$117,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in revenue reserves of US$117,000 as at 1 January 2018.

The reconciliation for loss allowances for the Group are as follow:-

	Trade debtors
	US$'000
Opening loss allowance as at 1 January 2018	98
Amount restated through opening revenue reserves	117
Adjusted loss allowance as at 1 January 2018	215

The initial application of SFRS(I) 9 does not have any impairment effect to the Company's financial statements.

Tax adjustments and other adjustments

There is no significant impact arising from tax adjustments from the adoption of SFRS(I) 9.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively.

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 key impact of adopting SFRS(I) 15 is detailed as follows:-

Advances received from customers

The Group previously included advances received from customers for sale of electronics equipment in trade and other creditors. Upon adoption of SFRS(I) 15, the Group reclassified trade and other creditors of US$6,599,000 related to advances received from customers to contract liabilities as at 1 January 2017. The Group's balance sheet as at 31 December 2017 was restated, resulting in recognition of contract liabilities of US$7,679,000 and decrease in trade and other creditors of US$7,679,000.

Tax and other adjustments

There is no significant impact arising from tax adjustments from the adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	1.1.2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**1.1.2017 (SFRS(I))**
	US$'000	US$'000	US$'000	US$'000
ASSETS				
Non-current assets				
Property, plant and equipment	2,577	–	–	2,577
Intangible assets	519	–	–	519
Other investments	1,793	–	–	1,793
Deferred tax assets	18	–	–	18
	4,907	–	–	4,907
Current assets				
Trade and other debtors	155,379	–	–	155,379
Prepayments	353	–	–	353
Stocks	131,598	–	–	131,598
Cash and short-term deposits	16,606	–	–	16,606
	303,936	–	–	303,936
Total assets	308,843	–	–	308,843
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other creditors	113,863	–	(6,599)	107,264
Contract liabilities	–	–	6,599	6,599
Interest-bearing loans and borrowings	123,501	–	–	123,501
Income tax payable	3,221	–	–	3,221
Total liabilities	240,585	–	–	240,585
Net current assets	63,351	–	–	63,351
Net assets	68,258	–	–	68,258
Equity attributable to equity holders of the Company				
Share capital	38,244	–	–	38,244
Revenue reserves	30,601	(1,103)	–	29,498
Other reserves	(587)	1,103	–	516
Total equity	68,258	–	–	68,258
Total equity and liabilities	308,843	–	–	308,843

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.2 *First-time adoption of SFRS(I) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group					
	31.12.2017 (FRS)	SFRS(I) 1 adjustments	SFRS(I) 15 adjustments	31.12.2017 (SFRS(I))	SFRS(I) 9 adjustments	1.1.2018 (SFRS(I))
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS						
Non-current assets						
Property, plant and equipment	2,621	–	–	2,621	–	2,621
Intangible assets	472	–	–	472	–	472
Other investments	2,354	–	–	2,354	–	2,354
	5,447	–	–	5,447	–	5,447
Current assets						
Trade and other debtors	199,055	–	–	199,055	(117)	198,938
Prepayments	375	–	–	375	–	375
Stocks	174,980	–	–	174,980	–	174,980
Cash and short-term deposits	9,979	–	–	9,979	–	9,979
	384,389	–	–	384,389	(117)	384,272
Total assets	389,836	–	–	389,836	(117)	389,719
EQUITY AND LIABILITIES						
Current liabilities						
Trade and other creditors	169,278	–	(7,679)	161,599	–	161,599
Contract liabilities	–	–	7,679	7,679	–	7,679
Interest-bearing loans and borrowings	142,720	–	–	142,720	–	142,720
Income tax payable	4,003	–	–	4,003	–	4,003
Total liabilities	316,001	–	–	316,001	–	316,001
Net current assets	68,388	–	–	68,388	(117)	68,271
Net assets	73,835	–	–	73,835	(117)	73,718
Equity attributable to equity holders of the Company						
Share capital	38,553	–	–	38,553	–	38,553
Revenue reserves	35,323	(1,103)	–	34,220	(117)	34,103
Other reserves	(41)	1,103	–	1,062	–	1,062
Total equity	73,835	–	–	73,835	(117)	73,718
Total equity and liabilities	389,836	–	–	389,836	(117)	389,719

The first-time adoption of SFRS(I) and application of the new accounting standards does not have any material impact to the Group's comprehensive income for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.3 *Standards issued but not yet effective*

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

Description	*Effective for annual periods beginning on or after*
SFRS(I) 16 *Leases*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:-

a. its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

b. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:-

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.4 *Basis of consolidation and business combinations*

(a) ***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of 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 and dividends 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.

(b) ***Business combinations***

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.

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 profit or loss.

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.

2.5 *Foreign currency*

The financial statements are presented in USD, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.5 *Foreign currency (cont'd)*

(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.

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 are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

2.7 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives 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.

Club memberships

Club memberships were acquired separately and the useful lives of the memberships are estimated to be indefinite because they are lifetime memberships and have no dates of expiry.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.8 *Impairment of non-financial assets (cont'd)*

Impairment losses are recognised in profit or loss.

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.

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 balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

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 instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade debtors are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade debtors do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:-

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income ("OCI") are measured at FVPL. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.10 *Financial instruments (cont'd)*

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

Subsequent measurement (cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or 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 the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(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.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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 expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a "12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a "lifetime ECL").

For trade debtors, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payment is 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits.

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 for 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*

General

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.15 *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.

2.16 *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 measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.11 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.17 *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 scheme in Singapore and the Mandatory Provident Fund 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.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

(c) *Equity-settled share-based payment transactions*

Employees of the Group receive remuneration in the forms of share options and performance shares as consideration for services rendered.

In the case of share options granted, the cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised 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 options that will ultimately vest. The charge or credit to profit or loss 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. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

In the case of performance shares awarded, the cost of these equity-settled share-based payment transactions with employees is measured by reference to the fair value of the performance shares at the date on which the performance shares are awarded. This cost is recognised in profit or loss on the award date as the performance shares awarded vest immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.18 *Borrowing costs*

All 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.

2.19 *Leases*

As lessee

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.

2.20 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) ***Sale of electronics equipment, electrical components and accessories***

The Group supplies electronics equipment, electrical components and accessories for manufacturers and distributions channels.

Revenue is recognised when the goods are delivered to the customer, generally on delivery of goods. Certain goods are sold with retrospective volume discounts based on the aggregate sales over a period of time.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price and net of the estimated volume discounts and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected volume discounts payable to customer where consideration have been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjusts them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

2.20 *Revenue (cont'd)*

(a) ***Sale of electronics equipment, electrical components and accessories (cont'd)***

Consignment arrangements

In consignment arrangements, although the good has been delivered to the customer, the Group retains control of the good and satisfies its performance obligation only upon the utilisation of the good by the customer.

(b) ***Commission income***

The Group acts as an agent to provide a service of arranging for another party to transfer goods or services to a customer. The Group recognises a commission fee, being the net amount of consideration that the Group retains after paying the other party the consideration received in exchange for the goods or services to be provided by that entity.

2.21 *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. The 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, 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 2018

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

2.21 *Taxes (cont'd)*

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

Deferred tax assets are recognised for all deductible temporary differences, the 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, 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.

(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.

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. Summary of significant accounting policies (cont'd)

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

(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.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires the 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. 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*

The Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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) ***Provision for expected credit losses of trade debtors***

The Group uses a provision matrix to calculate ECLs for trade debtors. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

3.2 *Key sources of estimation uncertainty (cont'd)*

(a) ***Provision for expected credit losses of trade debtors (cont'd)***

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade debtors is disclosed in Note 14.

The carrying amount of trade debtors at the end of the reporting period is disclosed in Note 14.

(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 and obsolete 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, the 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 carrying amount of the Group's stocks stated at net realisable value at the end of the reporting period is disclosed in Note 15.

4. Revenue

(a) Disaggregation of revenue

	Hong Kong Business Unit		Singapore Business Unit		Total revenue	
	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Primary geographical markets						
Hong Kong/ The People's Republic of China	628,277	605,248	323,818	299,728	952,095	904,976
Southeast Asia	30	799	207,320	171,438	207,350	172,237
India	–	–	59,469	31,769	59,469	31,769
Others	–	18,954	37,061	18,458	37,061	37,412
	628,307	625,001	627,668	521,393	1,255,975	1,146,394
Electronics equipment, electrical components and accessories for manufacturers and distribution channels	628,297	624,980	627,667	521,377	1,255,964	1,146,357
Commission income	10	21	1	16	11	37
	628,307	625,001	627,668	521,393	1,255,975	1,146,394
Timing of transfer of goods or services						
At a point in time	628,307	625,001	627,668	521,393	1,255,975	1,146,394

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Estimating variable consideration of sale of electronics equipment, electrical components and accessories

In estimating the variable consideration, the Group uses the most likely amount method to predict the volume discounts by the different product types.

The Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price.

(c) Receivables and contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:-

			Group	
	Note	**31.12.2018**	**31.12.2017**	**1.1.2017**
		US$'000	US$'000	US$'000
Receivables from contracts with customers	14	184,926	189,332	150,765
Contract liabilities		4,037	7,679	6,599

The Group has recognised net impairment losses on receivables arising from contracts with customers amounting to US$409,000 (2017: US$476,000) for the financial year ended 31 December 2018.

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers for sale of electronics equipment, electrical components and accessories. Contract liabilities are recognised as revenue as the Group performs under the contract.

Significant changes in contract liabilities are explained as follows:-

	Group	
	2018	**2017**
	US$'000	US$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	3,831	3,699

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. Other income

The following items have been included in arriving at other income:-

	Group	
	2018	**2017**
	US$'000	US$'000
Interest income from:-		
- Debt instruments at amortised cost	22	–
- Loans and receivables	–	31
Grant and subsidy income	317	98
Dividend income from:-		
- Equity security at FVOCI	195	–
- Available-for-sale financial asset	–	181

6. Interest expense

	Group	
	2018	**2017**
	US$'000	US$'000
Interest expense on bank loans and borrowings, carried at amortised cost	(6,756)	(4,107)

7. Profit before tax and impairment losses on financial assets

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

		Group	
	Note	**2018**	**2017**
		US$'000	US$'000
Stocks recognised as an expense in cost of sales	15	(1,186,992)	(1,084,374)
Net loss on disposal of property, plant and equipment		(16)	(9)
Property, plant and equipment written off		–	(4)
Depreciation of property, plant and equipment	10	(1,271)	(853)
Net gain on disposal of intangible assets		117	1
Net foreign exchange (loss)/ gain		(1,333)	1,131
Net fair value changes on derivatives		(84)	–
Impairment losses on financial assets – Trade debtors	14	(409)	(476)
Employee benefits expenses (including directors):-			
- Salaries and bonuses		(28,207)	(26,197)
- Contributions to defined contribution plans		(4,369)	(3,696)
- Other short-term benefits		(1,757)	(1,745)
- Share-based payments under EPSS		(306)	(309)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Profit before tax and impairment losses on financial assets (cont'd)

	Note	Group 2018 US$'000	Group 2017 US$'000
Audit fees:-			
- Auditor of the Company		(120)	(118)
- Member firms of EY Global		(107)	(109)
- Other auditors		(2)	(2)
Non-audit fees:-			
- Auditor of the Company		(27)	(79)
- Member firms of EY Global		(3)	(56)
- Other auditors		(1)	(1)
Operating lease expense	24(a)	(3,763)	(3,517)

Impairment losses on financial assets allocated by function are as follows:-

	Group 2018 US$'000	Group 2017 US$'000
Sales and distribution costs	(409)	(476)

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 2018 and 2017 are:-

	Group 2018 US$'000	Group 2017 US$'000
Consolidated income statement:-		
Current income tax		
- Current income taxation	(1,547)	(2,063)
- Over/ (under) provision in respect of previous years	1,106	(44)
	(441)	(2,107)
Deferred income tax		
- Origination and reversal of temporary differences	148	(18)
Income tax expense recognised in profit or loss	(293)	(2,125)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. Income tax expense (cont'd)

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

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the financial years ended 31 December 2018 and 2017 is as follows:-

	Group	
	2018	**2017**
	US$'000	US$'000
Profit before tax	8,396	10,223
Tax at the tax rate of 17% (2017: 17%)	(1,427)	(1,738)
Adjustments:-		
Non-deductible expenses	(588)	(394)
Income not subject to taxation	101	32
Effect of partial tax exemption, tax relief, tax rebates and tax incentives	412	117
Difference in tax rates of subsidiaries	244	(27)
Over/ (under) provision in respect of previous years	1,106	(44)
Deferred tax assets not recognised	(266)	(25)
Others	125	(46)
Income tax expense recognised in profit or loss	(293)	(2,125)

A subsidiary has been granted a tax incentive under the Singapore Global Trader Programme for a period of 3 years from 1 January 2016 to 31 December 2018. The qualifying income derived by the subsidiary from qualifying transactions is taxed at concessionary tax rate of 10%.

9. Earnings per share

Basic earnings per share are calculated by dividing profit, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December 2018 and 2017:-

	Group	
	2018	**2017**
Profit for the year attributable to equity holders of the Company used in the computation of basic and diluted earnings per share (US$'000)	8,103	8,098
Weighted average number of ordinary shares for basic and diluted earnings per share computation ('000)	118,627	117,928

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Property, plant and equipment

Group	Furniture and fittings	Office equipment	Motor vehicles	Computers	Renovations	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:-						
At 1 January 2017	712	2,846	2,018	2,624	2,357	10,557
Additions	114	71	18	310	392	905
Written off	(1)	(52)	(16)	(202)	(87)	(358)
Disposals	(19)	(224)	(1)	(30)	(24)	(298)
Exchange differences	–	4	–	5	12	21
At 31 December 2017 and 1 January 2018	806	2,645	2,019	2,707	2,650	10,827
Additions	60	166	47	1,668	159	2,100
Written off	–	(12)	(23)	(55)	–	(90)
Disposals	(120)	(16)	(55)	(51)	–	(242)
Exchange differences	–	(2)	–	(7)	(19)	(28)
At 31 December 2018	746	2,781	1,988	4,262	2,790	12,567
Accumulated depreciation:-						
At 1 January 2017	506	2,677	1,126	1,964	1,707	7,980
Depreciation charge for the year	59	72	171	297	254	853
Written off	(1)	(52)	(16)	(201)	(84)	(354)
Disposals	(19)	(214)	(1)	(26)	(24)	(284)
Exchange differences	–	3	–	–	8	11
At 31 December 2017 and 1 January 2018	545	2,486	1,280	2,034	1,861	8,206
Depreciation charge for the year	72	89	162	719	229	1,271
Written off	–	(12)	(23)	(55)	–	(90)
Disposals	(108)	(14)	(47)	(45)	–	(214)
Exchange differences	–	(2)	–	(6)	(9)	(17)
At 31 December 2018	509	2,547	1,372	2,647	2,081	9,156
Net carrying amount:-						
At 1 January 2017	206	169	892	660	650	2,577
At 31 December 2017	261	159	739	673	789	2,621
At 31 December 2018	237	234	616	1,615	709	3,411

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Intangible assets

Group	Club memberships
	US$'000
Cost:-	
At 1 January 2017	540
Disposal	(68)
At 31 December 2017 and 1 January 2018	472
Additions	339
Disposal	(59)
At 31 December 2018	752
Accumulated impairment:-	
At 1 January 2017	(21)
Disposal	21
At 31 December 2017, 1 January 2018 and 31 December 2018	–
Net carrying amount:-	
At 1 January 2017	519
At 31 December 2017	472
At 31 December 2018	752

As explained in Note 2.7, the useful life of club memberships is estimated to be indefinite.

During the financial years ended 31 December 2018 and 2017, there has been no impairment loss recognised to write-down the carrying amount of club memberships.

12. Investments in subsidiaries

	Company		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Unquoted shares, at cost	25,878	9,878	9,878

During the financial year, the Company has increased the issued and paid-up share capital of three wholly-owned subsidiaries by US$16,000,000 (2017: US$Nil).

During the financial year, a wholly-owned subsidiary of the Company, Excelpoint Systems (Pte) Ltd, incorporated a wholly-owned subsidiary, Excelpoint Systems (USA) Inc., in United States of America with an issued and paid-up share capital of US$1,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Investments in subsidiaries (cont'd)

The Group has the following investments in subsidiaries.

Name	Principal place of business	Principal activities	Proportion of ownership interest		
			31.12.2018	31.12.2017	1.1.2017
			%	%	%
Held by the Company					
Excelpoint Systems (Pte) Ltd [1]	Singapore	Trading of electronic components	100	100	100
Excelpoint Systems (H.K.) Limited [2]	Hong Kong	Trading of electronic components	100	100	100
PlanetSpark Pte. Ltd. [1]	Singapore	Investment holding	100	100	100
Lights Electronics Pte. Ltd. [7]	Singapore	Dormant	–	–	100
Held by Excelpoint Systems (Pte) Ltd					
Excelpoint Systems Sdn. Bhd. [3]	Malaysia	Trading of electronic components	100	100	100
Excelpoint Systems (India) Private Limited [2]	India	Provision of marketing support services and technical support services	100	100	100
Excelpoint Systems (USA) Inc. [5]	United States of America	Provision of marketing support services and technical support services	100[6]	–	–
Held by Excelpoint Systems (H.K.) Limited					
Excelpoint International Trading (Shanghai) Co., Ltd. [2]	The People's Republic of China	Trading of electronic components	100	100	100
Excelpoint International Trading (Shenzhen) Co., Ltd. [4]	The People's Republic of China	Dormant	100	100	100

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

(2) Audited by member firms 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) Newly incorporated during the financial year ended 31 December 2018.

(7) Deregistered on 9 March 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Other investments

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At fair value through profit or loss:-						
- Debt security (unquoted) (Note 16)	220	–	–	–	–	–
At fair value through other comprehensive income:-						
- Equity security (quoted)	2,198	–	–	2,198	–	–
Available-for-sale financial asset:-						
- Equity security (quoted)	–	2,354	1,793	–	2,354	1,793
	2,418	2,354	1,793	2,198	2,354	1,793

Investments in equity instrument designated at fair value through other comprehensive income

The Group has elected to measure its quoted equity security at FVOCI due to the Group's intention to hold the equity instrument for long-term appreciation.

The Group recognised a dividend of US$195,000 (2017: US$181,000) from equity security during the year.

14. Trade and other debtors

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade debtors	184,926	189,332	150,765	–	–	–
Bill receivables	2,079	3,855	2,675	–	–	–
Deposits	985	2,144	795	–	–	–
Staff loans	47	9	10	–	–	–
Loans to subsidiaries	–	–	–	12,500	28,500	26,000
Amounts due from subsidiaries	–	–	–	1,055	1,571	551
Other debtors	3,484	3,715	1,134	–	–	6
Total trade and other debtors	191,521	199,055	155,379	13,555	30,071	26,557
Add: Cash and short-term deposits (Note 17)	20,571	9,979	16,606	1,484	718	2,841
Less: Non-refundable deposits	(102)	(1,093)	–	–	–	–
Less: Other taxes receivable	(3,414)	(2,957)	(796)	–	–	(6)
Total financial assets carried at amortised cost	208,576	204,984	171,189	15,039	30,789	29,392

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Trade and other debtors (cont'd)

Trade debtors

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.

At the end of the reporting period, trade debtors arising from export sales amounting to US$133,000 (31.12.2017: US$1,216,000, 1.1.2017: US$Nil) are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based.

Bills receivable

Bills receivable have an average maturity of one to six months (2017: One to six months) from the end of the reporting period.

Related party balances and staff loans

- Loans to subsidiaries are unsecured, bear interest at 3.71% (2017: 1.58% to 2.18%) per annum and are to be settled in cash. Loans to subsidiaries are denominated in USD.
- Amounts due from subsidiaries are non-trade related, repayable on demand, unsecured, non-interest bearing and are to be settled in cash. Amounts due from subsidiaries are denominated in USD.
- Staff loans are unsecured, non-interest bearing and have fixed repayment schedule.

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Chinese Renminbi	16,612	24,485	17,958	–	–	–
Singapore Dollar	3,524	3,252	897	–	–	6
Hong Kong Dollar	373	1,290	269	–	–	–
Euro	147	369	86	–	–	–
India Rupee	144	92	50	–	–	–
Others	15	3	15	–	–	–

Receivables that are past due but not impaired

The Group has trade debtors amounting to US$39,003,000 as at 31 December 2017 and US$38,696,000 as at 1 January 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:-

	Group	
	31.12.2017	**1.1.2017**
	US$'000	US$'000
Trade debtors past due but not impaired:-		
1 to 30 days	33,383	22,026
31 to 60 days	3,661	9,075
61 to 90 days	477	2,408
More than 90 days	1,482	5,187
	39,003	38,696

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Trade and other debtors (cont'd)

Receivables 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	
	Individually impaired	
	31.12.2017	1.1.2017
	US$'000	US$'000
Trade debtors – nominal amounts	98	87
Less: Allowance for impairment	(98)	(87)
	–	–
Movement in allowance accounts:-		
At 1 January	(87)	(1,166)
Charge for the financial year	(1,878)	(143)
Written back	1,402	973
Written off	466	248
Exchange differences	(1)	1
At 31 December	(98)	(87)

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 debtors are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade debtors computed based on lifetime ECL are as follows:-

	Group
	2018
	US$'000
Movement in allowance accounts:-	
At 1 January	(215)
Charge for the financial year	(550)
Written back	141
Written off	37
Exchange differences	(1)
At 31 December	(588)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Stocks

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Balance sheet:-			
Trading stocks	164,422	174,980	131,598
Consolidated income statement:-			
Stocks recognised as an expense in cost of sales (Note 7)	(1,186,992)	(1,084,374)	
Inclusive of the following (charge)/credit:-			
Stocks written down	(3,093)	(3,285)	
Reversal of stocks written down	2,959	2,251	

The reversal of stocks written down was made when the related stocks were sold above their carrying amounts in 2018 and 2017.

16. Derivatives

	Group					
	31.12.2018		**31.12.2017**		**1.1.2017**	
	US$'000		US$'000		US$'000	
	Contract/ Notional amount	Assets	Contract/ Notional amount	Assets	Contract/ Notional amount	Assets
Interest rate cap contracts	20,000	386	–	–	–	–
Total derivatives		386		–		–
Add: Debt security at fair value through profit or loss (Note 13)		220		–		–
Total financial assets at fair value through profit or loss		606		–		–

Interest rate cap contracts are used to hedge interest rate risk arising from the Group's interest-bearing loans and borrowings. The interest rate cap contracts receive interest monthly when the interest rate exceeds the agreed strike price and mature in May 2021.

17. Cash and short-term deposits

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	20,571	9,979	15,020	1,484	718	2,841
Short-term deposits	–	–	1,586	–	–	–
Cash and short-term deposits, representing cash and cash equivalents per consolidated cash flow statement	20,571	9,979	16,606	1,484	718	2,841

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Cash and short-term deposits (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits were made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earned interests at the respective short-term deposit rates. The weighted average effective interest rate as at 1 January 2017 for the Group was 1.10% per annum.

Cash and cash equivalents of US$2,206,000 (31.12.2017: US$1,879,000, 1.1.2017: US$5,030,000) held in the People's Republic of China are subject to local exchange control regulations. These regulations place restriction on the amount of currency being exported.

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

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Chinese Renminbi	2,209	1,874	4,843	–	–	–
Singapore Dollar	232	203	4,117	29	73	135
Euro	109	62	47	–	–	–
Hong Kong Dollar	393	471	403	–	–	–
Others	505	489	474	7	5	157

18. Trade and other creditors

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trade creditors	131,040	142,706	93,475	–	–	–
Accrued operating expenses	10,858	10,191	8,825	1,490	1,533	876
Other creditors	8,867	8,702	4,964	32	25	24
Total trade and other creditors	150,765	161,599	107,264	1,522	1,558	900
Add: Interest-bearing loans and borrowings (Note 19)	148,947	142,720	123,501	–	–	–
Less: Other taxes payable	(2,606)	(1,423)	(200)	(15)	–	–
Total financial liabilities carried at amortised cost	297,106	302,896	230,565	1,507	1,558	900

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Trade and other creditors (cont'd)

Trade creditors/ other creditors

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

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

	Group			Company		
	31.12.2018	31.12.2017	1.1.2017	31.12.2018	31.12.2017	1.1.2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Chinese Renminbi	5,231	4,966	4,025	–	–	–
Singapore Dollar	4,669	4,251	3,452	1,522	1,558	896
India Rupee	2,665	8	219	–	–	–
Hong Kong Dollar	132	490	236	–	–	–
Euro	29	1,598	53	–	–	–
Others	35	34	23	–	–	–

19. Interest-bearing loans and borrowings

		Group		
	Maturity	31.12.2018	31.12.2017	1.1.2017
		US$'000	US$'000	US$'000
Current:-				
Bills payable, unsecured	2019	148,947	142,720	120,501
Revolving short-term bank loan	–	–	–	3,000
Total interest-bearing loans and borrowings		148,947	142,720	123,501

Bills payable, unsecured

Bills payables are unsecured, denominated in USD and bear interest ranging from 0.9% to 2.0% (31.12.2017: 0.90% to 2.25%, 1.1.2017: 0.90% to 2.25%) above the banks' cost of funds or interbank offer rates per annum.

Revolving short-term bank loan

Revolving short-term bank loan was unsecured, denominated in USD and carried interest at 2.30% per annum. The short-term bank loan was repaid in January 2017.

A reconciliation of liabilities arising from the Group's financing activities is as follows:-

	Group		
	1.1.2018	Cash flows	31.12.2018
	US$'000	US$'000	US$'000
Bills payable, unsecured	142,720	6,227	148,947

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Interest-bearing loans and borrowings (cont'd)

	Group		
	1.1.2017	**Cash flows**	**31.12.2017**
	US$'000	US$'000	US$'000
Bills payable, unsecured	120,501	22,219	142,720
Revolving short-term bank loan	3,000	(3,000)	–
Total	123,501	19,219	142,720

20. Deferred tax assets

Deferred tax as at 31 December relates to the following:-

	Group				
	Balance sheet			Consolidated income statement	
	31.12.2018	**31.12.2017**	**1.1.2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000	US$'000
Deferred tax liabilities:-					
Differences in depreciation for tax purposes	(95)	(93)	(81)	(2)	(12)
Deferred tax assets:-					
Provisions	165	21	78	144	(57)
Others	72	72	21	6	51
Net deferred tax assets	142	–	18		
Deferred tax income/ (expense)				148	(18)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately US$3,818,000 (31.12.2017: US$2,181,000, 1.1.2017: US$2,021,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date except for amounts of US$1,707,000 and US$251,000 (31.12.2017: US$Nil, 1.1.2017: US$Nil) which will expire in 2023 and 2025 respectively.

Tax consequences of proposed dividends

There are no income tax consequences (2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares:-				
At 1 January	118,503	38,553	117,811	38,244
Grant of share awards under EPSS	690	306	692	309
At 31 December	119,193	38,859	118,503	38,553

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.

Excelpoint Performance Share Scheme ("EPSS")

In May 2017, the Company issued and allotted 60,000 ordinary shares in the share capital of the Company at the market price of US$0.430 (S$0.600) under the EPSS. In November 2017, the Company issued and allotted 632,000 ordinary shares in the share capital of the Company at the Market Price of US$0.448 (S$0.610) under the EPSS.

In May 2018, the Company issued and allotted 80,000 ordinary shares in the share capital of the Company at the market price of US$0.517 (S$0.685) under the EPSS. In November 2018, the Company issued and allotted 609,900 ordinary shares in the share capital of the Company at the Market Price of US$0.433 (S$0.600) under the EPSS.

22. Other reserves

(a) ***Fair value reserve***

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial asset and equity security at FVOCI until they are disposed of or impaired.

(b) ***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.

(c) ***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.

(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 2018

23. 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	
	2018	**2017**
	US$'000	US$'000
Rental expense paid/payable to a director	107	119

(b) *Compensation of Key Management Personnel*

	Group	
	2018	**2017**
	US$'000	US$'000
Short-term employee benefits	5,611	5,160
Contributions to defined contribution plans	93	102
Share-based payments under EPSS	136	144
	5,840	5,406
Comprise amounts paid to:-		
Directors of the Company	4,049	3,652
Other Key Management Personnel	1,791	1,754
	5,840	5,406

24. Commitments and contingencies

(a) *Operating lease commitments – as lessee*

The Group leases certain properties under lease arrangements that are non-cancellable. These leases have an average tenure of between one month and nine years with renewal options and escalation clauses included in the contracts. The Group is restricted from subleasing the leased properties.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to US$3,763,000 (2017: US$3,517,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:-

		Group	
	31.12.2018	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000
Not later than one year	3,546	3,381	3,124
Later than one year but not later than three years	3,715	5,511	2,828
Later than three years	338	1,046	–
	7,599	9,938	5,952

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Commitments and contingencies (cont'd)

(b) ***Contingent liabilities***

As at 31 December 2018, the Company has provided corporate guarantees to banks and institutions in connection with credit facilities provided to its subsidiaries, of which US$148,947,000 (31.12.2017: US$144,806,000, 1.1.2017: US$126,385,000) of the credit facilities have been utilised.

25. 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, foreign currency risk and market price 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 and the Company's exposure to credit risk arises primarily from trade and other debtors. For other financial assets (including cash and short-term deposits, other investments and derivatives), the Group and the Company minimise 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:-

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:-

- There is significant difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade debtors

The Group provides for lifetime expected credit losses for all trade debtors using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on business operating unit. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions, where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

Trade debtors *(cont'd)*

Summarised below is the information about the credit risk exposure on the Group's trade debtors using provision matrix, grouped by business operating unit:-

(i) Hong Kong Business Unit

31 December 2018	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due More than 90 days	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	65,856	14,742	3,493	1,256	2,072	87,419
Loss allowance provision	–	–	–	(6)	(181)	(187)

(ii) Singapore Business Unit

31 December 2018	Current	Past due 1 to 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due More than 90 days	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Gross carrying amount	70,009	10,536	6,745	10,272	533	98,095
Loss allowance provision	–	–	–	–	(401)	(401)

Information regarding loss allowance movement of trade debtors is disclosed in Note 14.

During the year, the Group wrote-off US$37,000 (2017: US$466,000) of trade debtors which are more than 180 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

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 a nominal amount of US$148,947,000 (31.12.2017: US$144,806,000, 1.1.2017: US$126,385,000) relating to the corporate guarantees provided by the Company to banks and institutions for credit facilities provided to its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

Credit risk concentration profile

The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:-

	Group					
	31.12.2018		**31.12.2017**		**1.1.2017**	
	US$'000	% of total	US$'000	% of total	US$'000	% of total
Hong Kong/The People's Republic of China	122,502	66.2	142,326	75.2	114,729	76.1
Singapore	24,250	13.1	21,578	11.4	10,533	7.0
Malaysia	9,451	5.1	8,864	4.7	6,880	4.6
India	5,918	3.2	6,297	3.3	6,604	4.4
Thailand	5,750	3.1	1,646	0.9	1,890	1.3
Indonesia	2,958	1.6	2,182	1.2	294	0.2
United States of America	2,917	1.6	2,269	1.2	6,621	4.4
British Virgin Island	2,865	1.5	59	–	–	–
Vietnam	2,507	1.4	487	0.3	814	0.5
Other countries	5,808	3.2	3,624	1.8	2,400	1.5
	184,926	100.0	189,332	100.0	150,765	100.0

At the end of the reporting period, approximately 20% (31.12.2017: 19%, 1.1.2017: 13%) of the Group's trade debtors were due from two (31.12.2017: two, 1.1.2017: two) major customers located in Hong Kong/The People's Republic of China and Singapore (31.12.2017: Hong Kong/The People's Republic of China, 1.1.2017: 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. Cash and short-term deposits, other investments and derivatives 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.

(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.

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

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by the remaining contractual maturities

All the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on the contractual repayment obligations have maturity profile of less than one year (31.12.2017: Less than one year, 1.1.2017: Less than one year).

All the Company's financial guarantee contracts have contractual expiry by maturity of less than one year (31.12.2017: Less than one year, 1.1.2017: Less than one year). The financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

(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 and the Company'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 (2017: 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 (2017: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been US$85,000 (2017: US$74,000) 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 the Group entities, primarily USD. The foreign currencies in which these transactions are denominated are mainly in Singapore Dollar ("SGD"), Hong Kong Dollar ("HKD"), Chinese Renminbi ("RMB"), India Rupee ("INR") and Euro ("EUR").

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. 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 tax to a reasonably possible change in the SGD, HKD, RMB, INR and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant:-

		Group 2018	Group 2017
		Increase/ (decrease) in profit before tax	
		US$'000	US$'000
SGD/USD	- strengthened 2% (2017: 5%)	(18)	(40)
	- weakened 2% (2017: 5%)	18	40
HKD/USD	- strengthened 1% (2017: 5%)	6	64
	- weakened 1% (2017: 5%)	(6)	(64)
RMB/USD	- strengthened 5% (2017: 5%)	679	1,070
	- weakened 5% (2017: 5%)	(679)	(1,070)
INR/USD	- strengthened 9% (2017: 5%)	(206)	12
	- weakened 9% (2017: 5%)	206	(12)
EUR/USD	- strengthened 5% (2017: 5%)	11	(58)
	- weakened 5% (2017: 5%)	(11)	58

(e) ***Market price risk***

Market price risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted security. This security is quoted on the Taiwan Stock Exchange and is classified as financial asset at FVOCI (2017: available-for-sale financial asset). The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the price of the shares held had been 7% (2017: 5%) higher/ lower with all other variables held constant, the Group's other comprehensive income would have been US$154,000 (2017: US$118,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity security classified as financial asset at FVOCI (2017: available-for-sale financial asset).

26. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:-

- 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 – Unobservable inputs for the asset or liability.

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.

There has been no transfer between Level 1 and Level 2 and no transfers into or out of Level 3 during the financial years ended 2018 and 2017.

(b) Assets measured at fair value

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

	Group			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Financial assets measured at fair value:-				
Equity security at FVOCI (Note 13)				
Quoted equity security	2,198	–	–	2,198
Debt security at fair value through profit or loss (Note 13)				
Unquoted debt security	–	–	220	220
Derivatives (Note 16)				
Interest rate cap contracts	–	386	–	386
Financial assets as at 31 December 2018	2,198	386	220	2,804
Financial assets measured at fair value:-				
Available-for-sale financial asset (Note 13)				
Quoted equity security	2,354	–	–	2,354
Financial assets as at 31 December 2017	2,354	–	–	2,354

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Fair value of assets and liabilities (cont'd)

(b) Assets measured at fair value (cont'd)

	Group Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets measured at fair value:-				
Available-for-sale financial asset (Note 13)				
Quoted equity security	1,793	–	–	1,793
Financial assets as at 1 January 2017	1,793	–	–	1,793

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

	Company Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets measured at fair value:-				
Equity security at FVOCI (Note 13)				
Quoted equity security	2,198	–	–	2,198
Financial assets as at 31 December 2018	2,198	–	–	2,198
Financial assets measured at fair value:-				
Available-for-sale financial asset (Note 13)				
Quoted equity security	2,354	–	–	2,354
Financial assets as at 31 December 2017	2,354	–	–	2,354
Financial assets measured at fair value:-				
Available-for-sale financial asset (Note 13)				
Quoted equity security	1,793	–	–	1,793
Financial assets as at 1 January 2017	1,793	–	–	1,793

26. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:-

Derivatives

Interest rate cap contracts are valued using a valuation technique with market observable inputs. The Group uses a variety of models and make assumptions that are based on market conditions existing at each reporting date. The models incorporate various inputs including the credit quality of counterparties and observable yield curves. The valuation techniques apply present value calculations.

(d) Level 3 fair value measurements

The significant unobservable input used in determining recurring fair value measurement of unquoted debt security is developed by the issuer of the debt security, using income approach.

27. Capital management

Capital includes debt and equity items as disclosed 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 2018 and 2017.

As disclosed in Note 22(b), subsidiaries in the 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 the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2018 and 2017.

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 the above-mentioned restricted statutory reserve fund.

		Group	
	Note	2018	2017
		US$'000	US$'000
Interest-bearing loans and borrowings	19	148,947	142,720
Less: Cash and short-term deposits	17	(20,571)	(9,979)
Net debt		128,376	132,741
Equity attributable to equity holders of the Company		77,870	73,835
Less: Statutory reserve fund	22(b)	(25)	(25)
Total capital		77,845	73,810
Capital and net debt		206,221	206,551
Gearing ratio		62%	64%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. 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 covers the business entities located in Hong Kong and The People's Republic of China.

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

The Singapore Business Unit 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.

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

The 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.

28. Segment information (cont'd)

	Hong Kong Business Unit		Singapore Business Unit		Corporate Unit		Adjustment and eliminations		Per consolidated financial statements	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December										
Revenue										
External customers	628,307	625,001	627,668	521,393	–	–	–	–	1,255,975	1,146,394
Inter-segment	169	468	16,613	39,911	–	–	(16,782)	(40,379)	–	–
Total revenue	628,476	625,469	644,281	561,304	–	–	(16,782)	(40,379)	1,255,975	1,146,394
Results										
Interest income	17	21	4	8	1	2	–	–	22	31
Interest expense	(3,753)	(2,648)	(3,003)	(2,014)	–	–	–	555	(6,756)	(4,107)
Net loss on disposal of property, plant and equipment	(16)	(9)	–	–	–	–	–	–	(16)	(9)
Property, plant and equipment written off	–	–	–	(1)	–	–	–	(3)	–	(4)
Depreciation of property, plant and equipment	(793)	(414)	(478)	(439)	–	–	–	–	(1,271)	(853)
Other non-cash expenses:-										
- Reversal of stocks written down	1,588	974	1,371	1,277	–	–	–	–	2,959	2,251
- Stocks written down	(1,606)	(2,152)	(1,487)	(1,133)	–	–	–	–	(3,093)	(3,285)
- Impairment losses on financial assets	(63)	(480)	(346)	4	–	–	–	–	(409)	(476)
Segment profit before tax	2,135	5,820	5,049	3,842	1,210	505	2	56	8,396	10,223
Income tax credit/ (expenses)	88	(1,114)	(234)	(874)	(147)	(137)	–	–	(293)	(2,125)
Assets										
Additions to non-current assets	1,579	423	860	482	–	–	–	–	2,439	905
Segment assets	231,099	222,329	149,043	164,433	3,936	3,074	–	–	384,078	389,836
Liabilities										
Segment liabilities	(172,843)	(165,981)	(131,703)	(148,312)	(1,662)	(1,708)	–	–	(306,208)	(316,001)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Segment information (cont'd)

	Hong Kong Business Unit	Singapore Business Unit	Corporate Unit	Adjustment and eliminations	Per consolidated financial statements
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2017					
Assets					
Segment assets	187,406	116,796	4,641	–	308,843
Liabilities					
Segment liabilities	(129,876)	(109,792)	(917)	–	(240,585)

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.

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		
	2018	**2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	US$'000	US$'000	US$'000	US$'000	US$'000
Hong Kong/The People's Republic of China	952,095	904,976	2,364	1,596	1,596
Southeast Asia	207,350	172,237	1,660	1,326	1,329
India	59,469	31,769	139	171	171
Others	37,061	37,412	–	–	–
	1,255,975	1,146,394	4,163	3,093	3,096

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

<u>Information about major customer</u>

There was no major customer who contributed more than 10% of the Group's total revenue for the years ended 31 December 2018 and 2017.

29. Dividends

	Group and Company	
	2018	**2017**
	US$'000	US$'000
Declared and paid during the financial year:-		
Dividends on ordinary shares:-		
- Final exempt (one-tier) dividend for 2017: S$0.030 (2016: S$0.025) per share	2,685	2,110
- Final exempt (one-tier) special dividend for 2017: S$0.015 (2016: S$0.015) per share	1,343	1,266
	4,028	3,376
Proposed but not recognised as a liability as at 31 December:-		
Dividends on ordinary shares subject to shareholders' approval at the Annual General Meeting:-		
- Final exempt (one-tier) dividend for 2018: S$0.030 (2017: S$0.030) per share	2,621	2,659
- Final exempt (one-tier) special dividend for 2018: S$0.010 (2017: S$0.015) per share	874	1,330
	3,495	3,989

30. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 28 February 2019.

STATISTICS OF SHAREHOLDINGS

As at 28 February 2019

Number of Issued Shares	:	119,192,840
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share

Number of treasury shares and subsidiary holdings: Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	10	0.52	392	–
100 - 1,000	524	27.12	247,000	0.21
1,001 - 10,000	997	51.60	4,445,940	3.73
10,001 - 1,000,000	389	20.14	21,556,692	18.08
1,000,001 AND ABOVE	12	0.62	92,942,816	77.98
TOTAL	1,932	100.00	119,192,840	100.00

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST	%	DEEMED INTEREST	%
Albert Phuay Yong Hen	47,915,204[1]	40.20	2,598,168[2]	2.18
Alonim Investments Inc	15,000,000	12.58	–	–
Alan Kwan Wai Loen	6,258,244	5.25	–	–

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 2019

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	PHUAY YONG HEN	47,515,204	39.86
2	RAFFLES NOMINEES (PTE.) LIMITED	15,324,480	12.86
3	KWAN WAI LOEN	6,258,244	5.25
4	CHNG SENG CHYE @ CHNG HUNG SENG	5,446,120	4.57
5	ANSWER TECHNOLOGY CO LTD	4,800,000	4.03
6	DBS NOMINEES (PRIVATE) LIMITED	2,906,300	2.44
7	HAN JIAK SIEW	2,432,168	2.04
8	BRUCE DOUGLAS MOULIN	2,118,100	1.78
9	OCBC SECURITIES PRIVATE LIMITED	2,060,300	1.73
10	LAI WENG KAY	1,690,300	1.42
11	UOB KAY HIAN PRIVATE LIMITED	1,273,200	1.07
12	CITIBANK NOMINEES SINGAPORE PTE LTD	1,118,400	0.94
13	WONG HIN YET OR LEE KENG LAN	800,140	0.67
14	PHILLIP SECURITIES PTE LTD	688,000	0.58
15	MAYBANK KIM ENG SECURITIES PTE. LTD.	645,200	0.54
16	KOK FAT KEUNG	515,924	0.43
17	TEO YOU XIAO	484,000	0.41
18	KWOK FEI LUNG HERBERT	395,900	0.33
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	393,500	0.33
20	LEE JUI-SI	390,000	0.33
	TOTAL	97,255,480	81.61

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information provided, to the best of the Directors and Substantial Shareholders of the Company, 38.63% of the Company's Shares are held in the hands of the public as at 28 February 2019. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth 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, 3 April 2019 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 financial year ended 31 December 2018 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a first and final ordinary tax exempt one-tier dividend of 3.0 Singapore cents per ordinary share for the financial year ended 31 December 2018 (FY2017: first and final ordinary tax exempt one-tier dividend of 3.0 Singapore cents per ordinary share). **(Resolution 2)**

3. To declare a special tax exempt one-tier dividend of 1.0 Singapore cent per ordinary share for the financial year ended 31 December 2018 (FY2017: special tax exempt one-tier dividend of 1.5 Singapore cents per ordinary share). **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Article 104 of the Constitution of the Company*:-

   Mr. Kwah Thiam Hock **(Resolution 4)**
   Mr. Herbert Kwok Fei Lung **(Resolution 5)**

   Mr. Kwah Thiam Hock will, upon re-election as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent.

   Mr. Herbert Kwok Fei Lung will, upon re-election as Director of the Company, remain as Executive Director and will be considered non-independent.

5. To approve the payment of Directors' Fees to the Independent Directors for the financial year from 1 January 2019 to 31 December 2019 comprising:-

   (a) The payment of S$248,000 in cash (FY2018: S$248,000); and

   (b) The award of an aggregate number of 80,000 ordinary shares in the share 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 2019 to 31 December 2019 as follows (FY2018: aggregate number of 80,000 ordinary shares in the share capital of the Company pursuant to Excelpoint Performance Share Scheme):-

      (i) 20,000 ordinary shares to Mr. Kwah Thiam Hock;

      (ii) 20,000 ordinary shares to Mr. Sunny Wong Fook Choy;

      (iii) 20,000 ordinary shares to Professor Low Teck Seng; and

      (iv) 20,000 ordinary shares to Ms. Joanne Khoo Su Nee.

   [See Explanatory Note (i)] **(Resolution 6)**

6. To re-appoint Messrs Ernst & Young LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

* Detailed information on the Directors who are proposed to be re-elected can be found under the sections entitled "Board of Directors" and "Report on Corporate Governance" of the Company's annual report.

NOTICE OF EIGHTEENTH 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:-

8. **Authority to issue shares in the share capital of the Company**

   That pursuant to Section 161 of the Singapore Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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 and subsidiary holdings) in the capital of the Company of which the aggregate number of shares and convertible securities issued other than 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 and subsidiary holdings) in the capital of the Company;

   (b) For the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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 (ii)] **(Resolution 8)**

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

9. **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 and subsidiary holdings) 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 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.
[See Explanatory Note (iii)] **(Resolution 9)**

10. **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 and subsidiary holdings) 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.
[See Explanatory Note (iv)] **(Resolution 10)**

11. **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 and subsidiary holdings) 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 Section 2.3.4 of the Circular to Shareholders of the Company (the "Circular")) in accordance with the Terms of the Share Buyback Mandate set out in the Circular, and this mandate 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 earlier.
[See Explanatory Note (v)] **(Resolution 11)**

By Order of the Board

Tan Cher Liang
Wong Yoen Har
Company Secretaries
Singapore, 19 March 2019

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:-

(i) Subject to the approval of Ordinary Resolution 6 in item 5 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 Singapore Exchange Securities Trading Limited. The relevant Directors and their respective associates will abstain from exercising any voting rights on Ordinary Resolution 6 in item 5 above.

(ii) The Ordinary Resolution 8 in item 8 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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

(iii) The Ordinary Resolution 9 in item 9 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 and subsidiary holdings) from time to time.

(iv) The Ordinary Resolution 10 proposed 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, whichever is earlier, to issue Shares in the Company pursuant to the vesting of awards granted or to be granted under the EPSS, provided always that the aggregate number of Shares to be issued in respect of the EPSS, the ESOS 2014 and any other share-based incentive scheme of the Company collectively shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(v) The Ordinary Resolution 11 proposed 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, 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 and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Circular. 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 2018 are set out in greater detail in Section 2 of the Circular.

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

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 Singapore 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.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member of the Company (such as his/her name, his/her presence at the Meeting and any questions he/she may raise or motions he/she proposes/seconds) may be recorded by the Company for such purpose.

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 Eighteenth 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, 3 April 2019 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 11. 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 financial year ended 31 December 2018		
2	Payment of proposed first and final ordinary tax exempt one-tier dividend		
3	Payment of proposed special tax exempt one-tier dividend		
4	Re-election of Mr. Kwah Thiam Hock as Director		
5	Re-election of Mr. Herbert Kwok Fei Lung as Director		
6	Approval of Directors' Fees to the Independent Directors for the financial year from 1 January 2019 to 31 December 2019 comprising payment of S$248,000 in cash and the award of 80,000 ordinary shares under the Excelpoint Performance Share Scheme		
7	Re-appointment of Messrs Ernst & Young LLP as Independent Auditor		
	Special Business		
8	Authority to issue shares in the share capital of the Company		
9	Authority to offer and grant options and to allot and issue shares under the Excelpoint Share Option Scheme 2014		
10	Authority to offer and grant awards and to allot and issue shares under the Excelpoint Performance Share Scheme		
11	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 ___________ 2019

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/her 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 Eighteenth Annual General Meeting dated 19 March 2019.

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/her 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.

Excelpoint®

EXCELPOINT TECHNOLOGY LTD.
Company Registration No. 200103280C

15 Changi Business Park Central 1
#06-00 Singapore 486057
T +65 6741 8966
F +65 6741 8980
www.excelpoint.com