

# REPORT ON CORPORATE GOVERNANCE

Extracted from Annual Report 2009

**Excelpoint Technology Ltd** (the "Company") 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 the Code of Corporate Governance (the "Code").

The Group's approach in FY2009 remains unchanged. This Report describes the Company's corporate governance processes and activities with specific reference to the Code in its annual report.

## BOARD MATTERS

### PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The principal functions of the Board are:-

- 1.1 Approving the broad policies, strategies and financial objectives of the Company and monitoring the performance of management;
- 1.2 Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- 1.3 Approving the nominations of directors and appointment of key personnel;
- 1.4 Approving major funding proposals, investment and divestment proposals; and
- 1.5 Assuming responsibility for corporate governance.

The Board makes decisions in matters specifically involving conflict of interest situations relating to a substantial shareholder or a director, material acquisitions and disposal of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders 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 Articles of Association allow a board meeting to be conducted by way of telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. The Board is supported by the Audit Committee, Remuneration Committee and Nominating Committee. The attendance of the directors at these meetings is disclosed in this Report.

### PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Board currently comprises three Executive Directors and three Independent Directors. The Board has examined its size and is satisfied that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. The Independent Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. The independence of each Independent Director is reviewed by the Nominating Committee annually in accordance with the guidelines of the Code. The Board of Directors is as follows:-

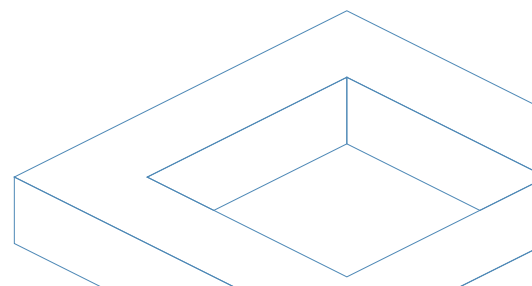
#### Executive Directors

Albert Phuay Yong Hen	(Chairman and Group Chief Executive Officer)
Alan Kwan Wai Loen	(Managing Director of the LES Group)
David Kok Fat Keung	(Chief Operating Officer of the ESHK Group)

#### Independent Directors

Sunny Wong Fook Choy  
Professor Low Teck Seng  
Kwah Thiam Hock

Profiles of the Directors are found on page 14 of this Annual Report.



### **PRINCIPLE 3: ROLE OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

The Chairman and Group CEO, Albert Phuai 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 schedules Board meetings, oversees the preparation of the agenda for Board meetings and ensures the Group's compliance with the Code. The role of 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 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.

### **PRINCIPLE 4: BOAD MEMBERSHIP**

#### **Nominating Committee ("NC")**

The Nominating Committee comprises the following Directors:-

Professor Low Teck Seng (Chairman)  
Sunny Wong Fook Choy (Member)  
Albert Phuai Yong Hen (Member)

The NC met once in FY2009. The NC's principal functions are to:-

- 4.1 Identify candidates and review all nominations for the appointment or re-appointment of members of the Board of Directors and the members of the various Board Committees for the purpose of proposing such nominations to the Board for its approval;
- 4.2 Determine the criteria for identifying candidates and reviewing nominations for the appointments referred to in paragraph 4.1;
- 4.3 Decide the manner in which the Board's performance may be evaluated and propose objective performance criteria for the Board's approval;
- 4.4 Assess the effectiveness of the Board as a whole, and the contribution by each individual director to the effectiveness of the Board; and.
- 4.5 To determine on an annual basis the independence of directors.

The NC had held a meeting in February 2010 for the nomination of directors for the Ninth Annual General Meeting ("AGM").

At present, new directors are appointed by way of a Board resolution, upon the NC's approval of their appointment. The new directors must submit themselves for re-election at the next AGM of the Company. In addition, the Company's Articles of Association requires all Directors to retire from office at regular intervals and at least once every three years.

Although the Independent Directors and the Chairman & Group CEO hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as directors. These directors would widen the experience of the Board and give it a broader perspective.

### **PRINCIPLE 5: BOARD PERFORMANCE**

The NC, in considering the re-appointment of any director, evaluates the performance of the director. The NC and the Chairman of the Board implemented a self-assessment process that required each director to assess the performance of the Board as a whole for FY2009. The self-assessment process took into consideration, inter alia, board structure, corporate strategy and planning, risk management and internal control, performance measurement and compensation, succession planning, financial reporting, conduct of meetings and communication with shareholders.

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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 and has recommended the re-election of the following Directors to be put forward for re-election at the forthcoming Annual General Meeting:-

Albert Phuay Yong Hen (Retiring pursuant to Article 104)  
Kwah Thiam Hock (Retiring pursuant to Article 104)

The attendance of each Director at meetings of the Board and Audit Committee during the financial year ended 31 December 2009 is as follows:-

## Attendance at Board and Committee Meetings

Name of Directors	Board		Audit Committee ("AC")		Nominating Committee ("NC")		Remuneration Committee ("RC")	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Albert Phuay Yong Hen	4	4	-	-	1	1	-	-
Alan Kwan Wai Loen	4	4	-	-	-	-	-	-
David Kok Fat Keung	4	4	-	-	-	-	-	-
Sunny Wong Fook Choy	4	4	4	4	1	1	1	1
Professor Low Teck Seng	4	4	4	4	1	1	1	1
Kwah Thiam Hock	4	4	4	4	-	-	1	1

## PRINCIPLE 6: ACCESS TO INFORMATION

Prior to each Board meeting, the Board is supplied with relevant information 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 senior management and the Company Secretaries at all times. 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 ensure that Board procedures are followed.

## REMUNERATION MATTERS

### PRINCIPLES 7, 8 and 9: REMUNERATION MATTERS

#### Remuneration Committee ("RC")

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

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

The RC met once in FY2009. Its principal responsibilities are to:-

- 7.1 Recommend to the Board base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives, including identifying equity-based incentives such as stock options;
- 7.2 Recommend to the Board the structure of the compensation program for directors and senior management to ensure that the program is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully; and



- 7.3 Review compensation packages of directors, senior management and employees who are related to the Executive Directors and Controlling Shareholders (including the compensation package of the CEO) annually and determine appropriate adjustments for approval by the Board.

The Company has adopted the Excelpoint Share Option Scheme which was approved by the shareholders at an Extraordinary General Meeting held on 13 November 2003. To-date, no options had been granted.

Our Executive Directors are paid based on their Service Agreements with the Company as disclosed in the Company's Prospectus dated 18 December 2003. The Agreements were renewed for a further period of three years from 1 January 2008. The Independent Directors are paid basic fee and additional fees for serving on any of the committees.

Key executives' remuneration is set in accordance with a remuneration framework comprising basic salary (including variable bonuses and benefits-in-kind). To preserve the confidentiality of the remuneration packages of these key executives, the breakdown (in percentage terms) of each executive's remuneration is not disclosed.

The remuneration in FY2009 of the Directors and key executives are set out below:-

#### Directors' Remuneration

	Year 2009 No. of Directors	Year 2008 No. of Directors
\$500,000 and above	1	3
\$250,000 to below \$500,000	2	-
Below \$250,000	3	3
<b>Total</b>	<b>6</b>	<b>6</b>

#### Top 5 Key Executives Remuneration

	Year 2009 No. of Key Executives	Year 2008 No. of Key Executives
\$500,000 and above	-	-
\$250,000 to below \$500,000	4	5
Below \$250,000	1	-
<b>Total</b>	<b>5</b>	<b>5</b>

There are two employees who are immediate family members of our Chairman and Group CEO and their remuneration are between \$250,000 to below \$500,000 for FY2009.

#### EXCELPOINT PERFORMANCE SHARE SCHEME

The Company has adopted the Excelpoint Performance Share Scheme ("the Scheme") 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.

To-date, no performance shares had been granted.

#### ACCOUNTABILITY AND AUDIT

##### PRINCIPLE 10: ACCOUNTABILITY AND AUDIT

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

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## PRINCIPLE 11: AUDIT COMMITTEE (“AC”)

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

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

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

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

- 11.1 Recommends to the Board of Directors, the external and internal auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- 11.2 Reviews (with the other committees, management, and the external and internal auditors) significant risks or exposures that exist and assesses the steps management has taken to minimize such risk to the Company;
- 11.3 Reviews with the Chief Financial Officer and external auditors at the completion of the annual examination:-
  - the external auditors’ audit of the annual financial statements and reports;
  - the adequacy of the Group’s system of accounting controls;
  - the level of assistance and cooperation given by management to external auditors;
  - any significant findings and recommendations of the external auditors and internal auditors and the related management’s responses thereto; and
  - any significant changes required in the external auditors’ audit plan, any serious difficulties or disputes with management encountered during the course of the audit and their resolution, and other matters related to the conduct of the audit.
- 11.4 Reviews legal and regulatory matters that may have a material impact on the financial statements’ related exchange compliance policies, and programs and reports received from regulators;
- 11.5 Reports actions and resolutions of the AC to the Board of Directors with such recommendations as the AC considers appropriate.

The AC has the expressed 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.

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 AC also conducts reviews of interested person transactions and meets with the external auditors, without the presence of management, at least once a year. For FY2009, the AC met once with the external and internal auditors without presence of the management.

No material contract involving the interests of any director or controlling shareholder of the Company has been entered into by the Company or any of its subsidiary since the end of the previous financial year.

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. Contact details of AC have been made available to all staff.



## PRINCIPLE 12: INTERNAL CONTROLS

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Group's assets. In the absence of any evidence to the contrary, the Board believes that the system of internal controls maintained by the Company's management is adequate to meet the needs of the Group in its current business environment.

However, the Board notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

As part of the annual statutory audit on financial statements, the external auditors report to the AC and the appropriate level of management any material weaknesses in financial controls over the areas which are significant to the audit.

## PRINCIPLE 13: INTERNAL AUDITS

Since FY2006, the Company, upon the recommendation of the AC, appointed Messrs Baker Tilly TFWLCL as internal auditors to review key business processes of the Company and its material subsidiaries with the primary objective of identifying significant control issues that the AC and Management should focus their attention on.

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

## COMMUNICATION WITH SHAREHOLDERS

### PRINCIPLES 14 and 15: COMMUNICATION WITH SHAREHOLDERS AND GREATER SHAREHOLDER PARTICIPATION

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

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

The Articles of Association allow a member of the Company to appoint one or two proxies to attend and vote in place of the member.

## DEALINGS IN SECURITIES

The Company has issued an Internal Compliance Code on Securities Transactions 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, the implications of insider trading and the recommendations of the Best Practices Guide issued by the SGX-ST.

The Code forbids the trading of the Company's shares at least one month before the announcement of the Company's quarterly or full year results and ending one day after the announcement of the relevant results.

On Behalf of the Directors,

**Albert Phuyay Yong Hen**  
Chairman and Group CEO  
Singapore