

## STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of the Company recognises the importance of upholding good corporate governance in the discharge of its duties and responsibilities to protect its shareholders' interest and to reflect the status of the Group in the eyes of the public investors.

### Principles of Corporate Governance

#### A. DIRECTORS

##### I. Board of Directors

The Company is headed by the Board of Directors ("the Board") who leads and controls the Company.

##### II. Board Balance

The Board is led by a Non-Executive Chairman and altogether, comprises eight (8) members, which includes two (2) Executive Directors, three (3) Non-Independent Non-Executive Directors (including the Non-Executive Chairman) and three (3) Independent Non-Executive Directors.

Composition of the Board members reveals their varied background as outlined on pages 21 to 23 of this Annual Report. The Board members are experienced and equipped with the relevant skills, knowledge and expertise required for the proper running of the Company's affairs.

Generally, the Executive Directors along with the Management Team are responsible for making and implementing operational decisions. Non Executive Directors play a key supporting role, contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate objectives, policies and decisions.

##### III. Supply of Information

The Board is briefed on a timely manner on all major financial, operational and corporate matters.

All Directors are provided with written reports and supporting documents and they have full access to all staff for any information pertaining to the Group's affairs.

The Board either collectively or individually is authorised to seek such independent professional advice as may be considered necessary in furtherance of their duties at the expense of the Company.

Directors also have access to the advice and services of its qualified Company Secretaries in the course of discharging their duties and responsibilities and in fulfilling their obligation to statutory requirements, the Bursa Securities Listing Requirements or other rules and regulations, either as a full Board or in their individual capacities.

##### IV. Appointments to the Board

The Nomination Committee is responsible for assessing and making recommendations on any new appointments to the Board and its various Committees.

In making these recommendations, due consideration is given to the required mix of skills, expertise, knowledge, experience, professionalism and integrity that the proposed Directors shall bring to complement the Board.

##### V. Re-election and Re-appointment of Directors

The Company's Articles of Association provide that all the Directors shall retire at least once in every three (3) years and are eligible for re-election at each Annual General Meeting in compliance with the Bursa Securities Listing Requirements.

Pursuant to Section 129 of the Companies Act, 1965, a Director who has attained the age of seventy (70) years is required to submit himself/herself for re-appointment as Director annually at the Annual General Meeting of the Company.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

**B. DIRECTORS' REMUNERATION****I. Level and Make-Up of Remuneration**

The remuneration of the Board Members is broadly categorised into those paid to Executive Directors and Non-Executive Directors.

The Executive Directors are remunerated in cash and in kind by way of salary, performance bonus and other benefits and entitlements; taking into consideration their experience, responsibilities, length of service, their individual performance and contribution as well as the overall performance of the Group and the Company.

Non-Executive Directors are paid fees based on their experience and level of responsibilities.

**II. Procedure**

The Remuneration Committee is responsible to make any recommendation to the Board on the remuneration package and benefits extended to the Executive Directors; whereas, Non-Executive Directors' remuneration is a matter to be decided by the Board as a whole.

The individual concerned must abstain from deliberations and voting on decisions in respect of his individual remuneration.

**III. Disclosure**

For purposes of security, instead of presenting the remuneration details of each Director individually, the Board is of the opinion that such information will not add significantly to the understanding and evaluation of the Company's standards of corporate governance and that the same can be disclosed as follows:-

The details of the remuneration for the Directors of the Company during the financial year ended 31 December 2009 are as follows:-

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and Other Emoluments	2,687	48	2,735
Bonus	1,655	-	1,655
Directors' Fees	60	255	315
Benefits-in-kind			
- Leave Passage	23	-	23
- Others *	85	10	95
<b>Total</b>	<b>4,510</b>	<b>313</b>	<b>4,823</b>

\* Others under benefits-in-kind include motor vehicles, club subscription and etc.

The number of Directors whose total remuneration falls within the following bands :-

	No. of Executive Directors	No. of Non-Executive Directors	Total
Less than RM50,000	-	3	3
RM50,001 to RM100,000	-	3	3
RM1,800,001 to RM1,850,000	1	-	1
RM2,700,001 to RM2,750,000	1	-	1
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>



## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### C. SHAREHOLDERS AND INVESTORS

#### I. Dialogue Between Company and Investors

The Board values feedback and dialogues with its Investors. The Company will hold open discussions with Investors upon written request. Analyst Briefings are periodically held to introduce and update the Investors on the Company's/the Group's undertakings and financial performance from time to time.

In this respect, the Board and the Company shall ensure that any information sought is disseminated in strict adherence to the disclosure requirements under Bursa Securities Listing Requirements.

All Investors are encouraged at all times to log on and visit the Company's website at [www.wahseong.com](http://www.wahseong.com) to be informed of the latest happenings and detailed information of the Group.

#### II. Annual General Meeting

The Annual General Meeting is one of the platforms for the Company's shareholders to meet and exchange views with the Board.

An open Question and Answer Session will be held whereby any shareholder may seek further details and clarification regarding any proposed resolutions as well as matters relating to the Group's businesses and affairs.

The Chairman and the other members of the Board together with the Company's auditors will be in attendance to provide explanations to all shareholders' queries.

### D. ACCOUNTABILITY AND AUDIT FUNCTION

#### I. Financial Reporting

Fair assessments are always given by the Directors of the Group's financial performance and prospects in respect of all quarterly results, annual financial statements and announcements issued by the Company.

The Board is assisted by the Audit Committee to scrutinise information for disclosure to ensure its timeliness, accuracy and adequacy.

Page 55 of this Annual Report sets out the Statement by the Board in compliance with paragraph 15.26(a) of Bursa Securities Listing Requirements.

#### II. Internal Control

The Board has overall responsibility for maintaining a sound system of internal control, which encompasses risk management, financial, organisational, operational and compliance controls necessary for the Group to achieve its objectives within an acceptable risk profile.

These controls can only provide reasonable but not absolute assurance against material misstatement, errors of judgment, loss or fraud.

The Group's Statement on Internal Control is as set out on pages 52 to 54 of this Annual Report.

The creation of an Internal Audit Department since the Group first commenced operations is a further proof of the dedication and commitment that the Board and the Company have in identifying and minimising such potentially harmful risks from occurring.

#### III. Relationship with External Auditors

The Board has established a formal and transparent relationship with all the External Auditors appointed by the Company and its subsidiaries within its fold.

The External Auditors are invited to attend the Audit Committee Meeting where the Group's annual financial results are considered, as well as at meetings to review and discuss the Group's audit findings, internal controls and accounting policies, whenever the need arises.

The amount of non-audit fees paid and payable to the External Auditors and its affiliated companies for the financial year ended 31 December 2009 was RM915,000.

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)



## STATEMENT ON THE EXTENT OF COMPLIANCE WITH THE BEST PRACTICES IN CORPORATE GOVERNANCE

## AA. BOARD OF DIRECTORS

## I. Principal Responsibilities of the Board

The Board is responsible towards the strategic planning, overseeing the resources and operational conduct, identifying and implementing appropriate systems to manage principal risks, reviewing the adequacy and integrity of its internal control and management information systems, ensuring a management succession plan as well as having a dedicated investor relation and shareholders' communication policy in place.

Where appropriate, the Board has delegated certain responsibilities to the various Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities.

## II. Non-Executive Chairman

The Board is led by Mr. Robert Tan Chung Meng as the Non-Executive Chairman and Mr. Chan Cheu Leong as the Managing Director and Group Chief Executive Officer.

There is a separation of the Chairman's role to ensure a division of responsibilities and a balance of control, power and authority.

## III. Board Balance

The Board is led by a Non-Executive Chairman and altogether, comprises eight (8) members, which includes two (2) Executive Directors, three (3) Non-Independent Non-Executive Directors (including the Non-Executive Chairman) and three (3) Independent Non-Executive Directors.

Composition of the Board members reveals their varied background as outlined on pages 21 to 23 of this Annual Report. The Board members are equipped with the relevant skills, knowledge and expertise towards the proper running of the Company's affairs.

Generally, the Executive Directors along with the Management Team are responsible for making and implementing operational decisions. Non-Executive Directors play a key supporting role, contributing their skills, expertise and knowledge towards the formulation of the Group's strategic and corporate objectives, policies and decisions.

## IV. Directors Representing Minority Shareholders

The Board may consider the appointment of additional Directors who fairly reflects the level of investment by minority shareholders in the Company.

## V. Largest Shareholder Other Than the Majority Shareholder

The Board may exercise judgment in determining the appropriate number of Directors, which fairly reflects the level of investment by the other shareholders in the Company.

## VI. One Third Independent Directors

The Board currently comprises one third Independent Directors.

## VII. Senior Independent Non-Executive Director

There is no combination or overlapping of roles between the current Chairman (who is a Non-Executive Director) and the Managing Director/Group Chief Executive Officer of the Company since these two (2) positions are held by separate individuals.

As such, the Board is of the view that there is no necessity to appoint a Senior Independent Non-Executive Director of the Board to whom concerns may be conveyed.

## VIII. Appointments to the Board

A Nomination Committee comprising majority Independent Directors has been set up. Its details are set out on pages 37 to 39 of this Annual Report.



## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### IX. Review of Quality Mix of Board Members

The Nomination Committee will meet at least once every year to review the optimum mix of the Board members after considering the skills, experience and other qualities including core competencies which Non-Executive Directors will bring to the Board.

### X. Annual Assessment of the Board's Performance

The Nomination Committee will meet at least once every year to assess the effectiveness of the Board and Committees as a whole as well as the contribution of each individual Director.

### XI. Services of Company Secretary

The Board has full access to the services of the Company Secretaries.

Currently, the Group's in-house Company Secretary is assisted by the external Company Secretary in preparing and effecting all proper documentation and meeting all statutory obligations and compliances.

### XII. Size of Board

The Board will, from time to time, examine its size to determine the optimum mix of skills and its effectiveness.

### XIII. Directors' Training

All the current Directors of the Company have attended and completed the Mandatory Accreditation Program ("MAP") as well as the Continuing Education Program ("CEP"), having accumulated the requisite minimum CEP Points within the period 2004 - 2005 as formerly required under the previous Bursa Malaysia Securities Berhad's Practice Note 15 which has since been repealed.

The Directors do and will undergo such similar or continuing training and education programs from time to time to equip and keep themselves abreast of the latest developments in order to discharge their duties and responsibilities more effectively.

Subject to Bursa Malaysia Securities Berhad's Practice Note 5 and in compliance with paragraph 15.08 of Bursa Securities Listing Requirements, the Board shall on a continuous basis, evaluate and determine the training needs of its Directors, which subject matter of training shall be one that aids the Director in the discharge of his/her duties as a Director.

A brief description of the type of training/courses attended by the Directors for the financial year under review are as set out below.

#### DETAILS OF DIRECTORS' TRAINING

Directors	Date of Course/ Name of Organiser	Type of Training/Courses Attended
Robert Tan Chung Meng	25 August 2009/ IGB Corporation Berhad	Corporate Governance Update by PricewaterhouseCoopers
Pauline Tan Suat Ming	25 August 2009/ IGB Corporation Berhad	Corporate Governance Update by PricewaterhouseCoopers

## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)



Directors	Date of Course/ Name of Organiser	Type of Training/Courses Attended
Tan Sri Ab Rahman Bin Omar	22 April 2009/ Sime Darby Berhad	Developing Sustainable Futures Lecture Series by Reverend Jesse L. Jackson Sr., Founder and President of the Rainbow PUSH Coalition
	14 July 2009/ Chemical Company of Malaysia Berhad	Malaysia – The Global Halal Hub
	15 September 2009/ Khazanah Nasional Berhad	Putrajaya Committee on GLC High Performance 20th Meeting
	5-6 October 2009/ Khazanah Nasional Berhad	Khazanah MegaTrends Forum (KMF)
	3 November 2009/ Perbadanan Nasional Berhad and Ernst & Young	2010 Budget Updates – FRS 7 and FRS 139
Tan Sri Dato' Dr. Lin See Yan	16 February 2009/ Sunway University College	The Economic Crisis of 2008/2009: Precipitator, Impact and Response
	2-3 April 2009/ Fraser & Neave Holdings Bhd and Guinness Anchor Berhad	Directors' Continuing Education Programme 2009
	23 -24 June 2009/ Charles River Centre	Changing Minds: The Art of Changing Our Own and Other People's Minds
	20 July 2009/ Rating Agency of Malaysia	The Global Economy in the Aftermath of the Financial Crisis
	13 -14 August 2009/ Charles River Centre	Advanced Negotiation
	30 September 2009/ PricewaterhouseCoopers	Board Evaluation by Dato' Johan Raslan
	5 October 2009/ Genting Malaysia Berhad and Resorts World at Sentosa Pte Ltd	Senior Managers' Conference on Branding & Leadership in a New Competitive Environment
	28 October 2009/ Charles River Centre	How Leaders Build Value: Using People, Organisation and other Intangibles to get bottom line results
1 November 2009/ Straits Trading Co. Ltd.	Workshop (Board Retreat)	
Giancarlo Maccagno	25 August 2009/ IGB Corporation Berhad	Corporate Governance Update by PricewaterhouseCoopers


**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)**

<b>Directors</b>	<b>Date of Course/ Name of Organiser</b>	<b>Type of Training/Courses Attended</b>
Jen (B) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin	8 January 2009/ Asiatic Development Berhad	"Building Business Values with Corporate Responsibility" by PricewaterhouseCoopers
	4 August 2009/ Affin Holdings Berhad	"High Performance Leadership" by Prof. Dr. George Kohlrieser
	20 August 2009/ MIA and Cahya Mata Sarawak	Corporate Governance Guide by the Malaysian Institute of Accountants ("MIA")
	8 September 2009/ Bursa Malaysia Securities Berhad	Talks on Corporate Governance
	8 October 2009/ Cahaya Mata Sarawak Berhad	Corporate Governance Update by PricewaterhouseCoopers
	2 December 2009/ Bandaraya Development Berhad	From Good Governance to Great Branding by Mr. John Zinkin – Securities Industry Development Corporation (SIDC)
Chan Cheu Leong	12 February 2009/ BNP Paribas	Investment Themes & Opportunities for 2009 by Senior Investment Intangibles to get bottom line results
	7- 9 June 2009/ Petroliam Nasional Berhad (PETRONAS)	Oil & Gas Conference 2009, Kuala Lumpur
	24 August 2009/ Wah Seong Corporation Berhad	Briefing on FRS 139 Financial Instruments: Recognition and Measurement and FRS 7 Financial Instruments: Disclosure by PricewaterhouseCoopers
	25 August 2009/ IGB Corporation Berhad	Corporate Governance Update by PricewaterhouseCoopers
	6 November 2009/ IGB Corporation Berhad	Leadership Summit Asia 2009
	25 January 2009/ Credit Suisse	Investment Seminar
Halim Bin Haji Din	11 May 2009/ MMC Corporation Berhad	High Performance Leadership in Turbulence Times by Robin Sharma of HRnet Performance Consulting
	12 May 2009/ MMC Corporation Berhad/ Bursa Malaysia Securities Berhad	Bursa Malaysia's High Level Forum for Directors of Listed Issuers in Enhancing Corporate Governance
	25 August 2009/ IGB Corporation Berhad	Corporate Governance Update by PricewaterhouseCoopers

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)****XIV. Board Meetings**

The Board meets on a schedular basis of at least four (4) times a year. Additional board meetings can be convened as and when necessary.

During the financial year ended 31 December 2009, the Board met on five (5) occasions. The meeting attendance of each individual Director is set out on page 178 of this Annual Report (see Statement Accompanying Notice of Annual General Meeting).

**XV. Formal Schedule of Matters**

There are formal schedule of matters specifically reserved for the Board to decide to ensure that the direction and control of the Company firmly rests in its hands, for example strategic financial and investment decisions.

**XVI. Position Descriptions and Corporate Objectives**

The Board together with the Managing Director/Group Chief Executive Officer and the respective management team(s), where applicable, develop the Group's corporate objectives, policies and positions descriptions and setting out the limits of empowerment of its respective management/committees' authority, duties and responsibilities.

**XVII. Quality of Information**

The Board stresses on having timely reports and has full access to quality information which is not just historical or bottom line and financial oriented but information that goes beyond assessing the quantitative performance of the Group and looks at other performance factors e.g. customer satisfaction, product and service quality, market share, market reaction, environmental performance, etc.

**XVIII. Information Organising**

The Non-Executive Chairman of the Board, as assisted by the Managing Director/Group Chief Executive Officer and the Company Secretaries, undertake primary responsibility for organising information necessary for the Board to deal with the agenda at Board Meetings and for circulating this information to the Directors on a timely basis.

**XIX. Access to Information**

The Directors have access to all information within the Company whether as a full board or in their individual capacity, in furtherance of their duties.

**XX. Access to Advice**

The Directors, whether as a full board or in their individual capacities, in furtherance of their duties may take such independent professional advice at the expenses, if any, of the Company on a case to case basis and depending on the complexities involved.

**XXI. Company Secretary**

The Directors have access to the advice and services of both its in-house and external Company Secretaries.

**XXII. Appointment of Company Secretary**

Both the in-house and externally appointed Company Secretaries meet the requirements for the discharge of their duties and termination of his/her services is a matter for the Board as a whole.

**XXIII. Use of Board Committees**

The authority of such Committees appointed by the Board is governed by their respective Terms of Reference. An extension of such authority may be expressly given for a specific purpose and the Board may delegate such Committees to act on its behalf.



## STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

### XXIV. Remuneration Committee

The Board has set up a Remuneration Committee consisting mainly of Independent Non-Executive Directors to recommend to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice as necessary. The Executive Directors play no part in decisions on their own remuneration.

Members of the Remuneration Committee appear on page 34 of this Annual Report.

Determination of remuneration packages of Non-Executive Directors, including the Non-Executive Chairman is a matter of the Board as a whole. The individuals concerned will abstain from discussion of their own remuneration.

### BB. ACCOUNTABILITY AND AUDIT

#### I. The Audit Committee's composition complies with the Bursa Malaysia Securities Berhad Main Market Listing Requirements.

The Terms of Reference of the Audit Committee, which deals clearly with its authority and duties, is as detailed and set out on pages 30 to 32 of this Annual Report.

The Audit Committee is chaired by an Independent Non-Executive Director.

#### II. Duties of the Audit Committee

Please refer to pages 31 and 32 of this Annual Report.

#### III. Audit Committee Meetings

The Head, Group Compliance, Risk Management, Tax and Strategic Finance and the Head, Group Internal Audit attend such Audit Committee Meetings and the representative of the external auditors is encouraged to attend whenever possible. Other Directors may be invited to attend such Audit Committee Meetings when necessary. The Audit Committee will meet the external auditors at least twice a year without the presence of any executive member.

#### IV. Authority of the Audit Committee

The Audit Committee has explicit authority to investigate any matter within its terms of reference and shall have the resources which it needs to do so as well as full access to all information it needs. The Audit Committee can obtain, at the expense of the Company, outside legal or other independent professional advice that it considers necessary.

#### V. Frequency of Audit Committee Meetings

The Audit Committee meets regularly at least four (4) times annually, with due notice of issues to be discussed and its conclusions are duly recorded and minuted by the Company Secretary in attendance towards discharging of its duties and responsibilities. Additional meetings may be held at the request of the Board, the Committee, the Management, the External or Internal Auditors.

Nonetheless, the Chairman and the Audit Committee members have free and direct access to consult, communicate and enquire with any senior management of the Company as well as the external auditors at any time.

#### VI. Disclosure of the Audit Committee's Activities

The Board will disclose in an informative way, details of the Audit Committee's activities, the number of Audit Committee meetings held annually and the details of attendance of each individual Director in respect of such meetings.

**STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)****VII. Internal Audit Function and Activities**

The Board has established an internal audit function for the Group to review the adequacy of operational controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group and to add value and improve the Group's operations by providing independent and objective assurance.

The internal audit function of the Group is currently performed in-house.

A summary of the Internal Audit activities during the financial year is as follows:

- a) prepared its annual audit plan for consideration by the Audit Committee;
- b) performed operational audits on business units of the Group to ascertain the adequacy and integrity of their system of internal controls and made recommendations for improvement where weaknesses were found;
- c) conducted follow-up review to determine the adequacy, effectiveness and timeliness of action taken by the Management on audit recommendations and provided updates on their status to the Audit Committee; and
- d) reviewed related party transactions.

**VIII. Independence of the Internal Audit Function**

The Head, Group Internal Audit reports directly to the Audit Committee. The Internal Audit function of the Group is independent of the activities they audit and the audit reviews are performed with impartiality, proficiency and due professional care.

The Board and/or the Audit Committee determines the general direction or remits of the internal audit function, which encompass its main role, that is to evaluate risk and monitor the effectiveness of the Group's system of internal controls, consistent with the standards developed by the internal audit profession.

The Internal Audit function is competently and adequately resourced and independently positioned to assist the Board and the Audit Committee in obtaining the assurance they require regarding the effectiveness of the Group's system of internal controls.

**CC. SHAREHOLDERS****I. Effective Communications Policy**

Besides the various announcements and disclosures including information on the quarterly and annual results to Bursa Malaysia Securities Berhad, the Board maintains an effective communications policy that enables both the Board and the Group Management to communicate effectively with its shareholders, stakeholders and the public generally.

As part of the Group's commitment towards having an effective investor relations and shareholders' communication policy, the following have been established :-

- a) an interactive and dedicated website for the Group which can be accessed by the public at large at [www.wahseong.com](http://www.wahseong.com).
- b) the Company's Investor Relations and Communications Department attends to the Group's communication needs and whenever required, the services of an external public relations firm will be engaged to promote the Group's image and to create greater public awareness of the Group's products and services aside from fostering and maintaining closer relations with the press and other members of the media.
- c) Internally, the Corporate Secretarial Department headed by the Group's in-house Company Secretary maintains most of the official correspondences with the various authorities.
- d) the Annual General Meeting provides an additional forum for shareholders' interaction and feedback with the Company.
- e) Media and Analyst Briefings are held by the Company to explain any major corporate exercises and/or to discuss the financial performance of WSC Group from time to time.

**DD. CORPORATE SOCIAL RESPONSIBILITY**

Please refer to pages 26 and 27 of this Annual Report.