



## STATEMENT ON INTERNAL CONTROL

### Board Responsibility

The Board of Directors acknowledges its responsibility for the system of internal control and for reviewing its adequacy and integrity. This system of internal control is designed to safeguard shareholders' investment and the Group's assets, which by its nature can only be managed within an acceptable risk profile rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable and not absolute assurance against material misstatement of financial information, financial loss or fraud.

The Board has established an ongoing process for identifying, evaluating and managing significant risks faced by the Group. There is regular review in place to ensure the effectiveness, adequacy and integrity of internal controls in safeguarding the Group's assets. The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the annual report and financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

### Risk Management

The Board subscribes to the guidelines spelt out in the Bursa Malaysia Securities Berhad's Statement on Internal Control: Guidance for Directors of Public Listed Companies. During the financial year under review, the Risk Management Committee formalised the Charter and Framework for risk management which were duly endorsed by the Board.

The key features of the Risk Management Charter are as follows:-

- The responsibility for management of the Group lies with the Board of Directors;
- The Group Risk Management Committee ("RMC") has been established to assist the Board of Directors discharge its responsibilities in relation to Group's corporate governance and risk management structure;
- In fulfilling this risk management responsibilities, the Charter sets out the processes, duties, authorities and reporting requirements of RMC to assist the Board of Directors; and
- The RMC shall consist of at least five (5) members and be headed by the Group Chief Executive Officer and its members shall comprise Executive Directors, Operational Heads, Head of Finance and Head of Risk Management.

An effective system of internal control and management information systems is the foundation of the Group's Enterprise Risk Management Framework.

The Risk Management Framework encompasses the following key principles:-

- Effective risk management enhances good corporate governance and is integral to the achievement of the Group's business objectives.
- Every level of employee within the Group is accountable for the management of risks within their areas of responsibility.
- Risk Management should be embedded into the day-to-day business processes and is explicitly applied in decision-making and strategic planning.
- The risk management processes applied should aim to take advantage of opportunities, manage uncertainties and minimise threats.
- Provide assurance on the reliability of reporting and compliance with laws and regulations.

**STATEMENT ON INTERNAL CONTROL (CONTINUED)****Internal Audit**

The Group has an internal audit department which reports to the Audit Committee of the Company. Its role is to provide the Board with regular assurance on the continuity, integrity and effectiveness of the internal control system through monitoring and reviewing of the internal control processes across the Group.

For each financial year, the internal audit department prepares an annual audit plan, which is presented and approved by the Audit Committee. The scope of work in the audit plan encompasses review of operations and procedures of operating units within the Group.

The Internal Audit Department has conducted various audit assignments to evaluate the adequacy and effectiveness of the internal control systems and made recommendations for improvements to the system of internal controls. Besides assessing the efficiency of the Group's business operations, the Internal Audit Department also reviews the Group's compliance with statutory legislations including Bursa Securities Listing Requirements. The Audit Committee reviews the internal audit reports on a regular basis and keeps the Board informed of key audit findings.

**Other Key Elements of Internal Control System**

As part of the internal control system, the Board has clearly defined delegation of responsibilities to the respective committees of the Board and to the Management of each operating units, including the establishment of authorisation limits for effective management of the Group's businesses.

Terms of reference of Committees in operation during the financial year to oversee the operational and strategic needs of the Group are:-

**Group Finance Committee**

The primary functions of the Group Finance Committee amongst others include:-

- a) ensuring effective financial management and supervision of Group's financial resources;
- b) reviewing the capital structure of the Group's businesses and effectiveness of the working capital management;
- c) reviewing the group tax structure;
- d) engage or meet selection of solicitors, financial advisers or consultants and other competent professionals as may be required in respect of any corporate exercise undertaken by the Group;
- e) disseminating new and changes to the relevant statutory legislations and compliance requirements as may be imposed by law or by governing body or authority in respect of the Group's businesses to the operating units; and
- f) deciding and implementing such other matters as may be delegated by the Board of Directors from time to time.

**Investment Committee**

The primary functions of the Investment Committee amongst others include:-

- a) to assess the Group's corporate strategies;
- b) to review adequacy of the processes relating to the Group's proposed investment or divestment policies;
- c) to oversee the financial viability, make recommendations and assessments of investment/divestment proposals; and
- d) to oversee the comprehensiveness of the due diligence process.



## STATEMENT ON INTERNAL CONTROL (CONTINUED)

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### Business Units Executive Committee

The primary functions of the Executive Committee amongst others include:-

- a) to conduct periodic meetings to examine all matters within the committee members' scope of responsibility including the deliberation of business units' operating performance against annual budget and key performance indicators;
- b) to determine and assess whether the business units' resources are utilised in an efficient manner for conduct of its businesses;
- c) to oversee and monitor the extent and nature of any related party transactions within the Group; and
- d) to formalise human resources policies covering amongst others management of human capital, formal training and annual performance appraisals within the Group.

Board and Management Meetings are regularly held by the respective operating units to *inter alia*, ensure that all decisions and policies formulated by the Group are acted upon in timely manner and adhered to respectively.

Periodic site visits to operating units are undertaken by the members of the Executive Committee and/or the members of the Board whenever deemed appropriate.

The Group's system of internal control applies principally to Wah Seong Corporation Berhad and its subsidiaries. Associated companies and joint ventures have been excluded because the Group does not have full management control and majority board representation.

### Review of the Statement by External Auditors

As required by paragraph 15.23 of the Bursa Securities Listing Requirements, the external auditors have reviewed this Statement on Internal Control. As set out in their terms of engagement, the review was performed in accordance with Recommended Practice Guide ("RPG") 5 issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.