

# STATEMENT ON CORPORATE GOVERNANCE

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The Board of Directors of Wah Seong Corporation Berhad (“WSC”) 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. Hence, the Board is pleased to report that the Company and its Group have complied with the relevant principles, recommendations and best practices of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) issued by the Securities Commission as well as the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

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The Board is pleased to present the report hereunder on the manner in which the principles and best practices of the MCCG 2012 have been applied across the Group.

## 1. BOARD OF DIRECTORS

### 1.1 Duties and 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.

The Board together with the Managing Director/Group Chief Executive Officer and the respective Management team(s), where applicable, developed 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.

The Board exercises due care and diligence in discharging its duties and responsibilities and in ensuring that high ethical standards are applied in upholding good corporate governance and through the compliance with the relevant rules and regulations, directives and guidelines and the adoption of the best practices of the MCCG 2012 in addition to acting in the best interest of the shareholders, stakeholders and the Group.

The Board has adopted a Board Charter which sets out the Board’s strategic intent and outlines the Board’s roles and responsibilities including the key values, mission, principles and ethos of the Company. The Board Charter serves as a source of reference for Board members as well as a primary induction literature for new Board members in respect of their duties and responsibilities and the various legislations and regulations governing their conduct with the application of principles and practices of good corporate governance in their business conduct. The Board Charter would be reviewed and updated periodically as and when the need arises. The Board Charter was last reviewed by the Board on 30 August 2016.

The Board Charter clearly spells out the following principal roles and responsibilities of the Board in enhancing Board’s effectiveness in the pursuit of corporate objectives:

- reviewing and adopting the strategic plans and direction of the Group;
  - overseeing and evaluating the conduct of the Group’s businesses;
  - identifying principal risks and ensuring that appropriate internal control and mitigation measures are implemented to manage these risks;
  - succession planning including the implementation of appropriate systems for recruitment, training, determining compensation benefits and replacement of Senior Management staff;
  - developing and implementing an investor relations programme to enable effective communications with the shareholders and stakeholders; and
  - reviewing the adequacy and integrity of the internal control systems and management information systems which includes sound system of reporting and in ensuring regulatory compliance with applicable laws, regulations, rules, directive and guidelines.
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## 1.1 Duties and Responsibilities of the Board (cont'd)

The Board Charter is available on the Company's website at [www.wahseong.com](http://www.wahseong.com).

Apart from the aforesaid principal roles and responsibilities of the Board, the Board also delegates certain responsibilities to its Board Committees with clearly defined terms of reference to assist the Board in discharging its responsibilities. While the Board Committees have their own functions and delegated roles, duties and responsibilities, they will report to the Board with their decisions and/or recommendations. Hence, the ultimate responsibility and decision on all matters lies with the Board.

The Board continues to observe high standard of ethical conducts based on the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

The Board of Directors has also established the Principles of Business Conduct as guidance for the conduct of the Group's business and on issues pertaining to conflict of interest and related parties which may affect any members of the Board.

The Principles of Business Conduct is available on the Company's website at [www.wahseong.com](http://www.wahseong.com).

The Board has devoted sufficient time in carrying out their duties and responsibilities. The schedule of meetings for the calendar year comprising Board meetings and other Committee meetings is prepared by the Group Company Secretary and sent to members of the Board two months prior to the commencement of the calendar year to notify the Board on the meetings scheduled ahead.

The Board also takes their own initiatives and liberty to regularly update their knowledge and enhance their skills by attending the relevant seminars and talks as listed under item 1.13 Directors' Training.

The members of the Board have maintained the number of other directorships comfortable and manageable by them in respect of time and commitment.

## 1.2 Board Composition and Balance

During the year under review, the Board is led by the Non-Executive Chairman, Dato' Seri Robert Tan Chung Meng and altogether, comprises of six (6) members, which includes two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors (including the Non-Executive Chairman) and two (2) Independent Non-Executive Directors.

The composition of the Board reveals their varied background as outlined on pages 18 to 19 of this Annual Report. The Board members are equipped with the relevant skills, knowledge and expertise required for the proper running of the Company's affairs. The effectiveness of the individual Directors and the Board as a whole are assessed annually by the Nomination Committee.

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.

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## 1.3 Board Independence

The number of Independent Directors on the Board complies with Paragraph 15.02, Chapter 15 of the MMLR, which states that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher shall comprise of Independent Directors. The Independent Directors also fulfill the criteria of independence as defined in the MMLR. Their presence provides a check and balance in the discharge of the Board function and the Independent Directors' views carry significant weight in all Board deliberations and decision-making. All Independent Directors act independently of Management and do not participate in any business dealings and are not involved in any other relationship with the Group that may impair their independent judgement and decision-making.

Annual assessment on the independence of the Independent Directors is conducted annually pursuant to Recommendation 3.1 of the MCCG 2012.

Recommendation 3.2 of MCCG 2012 states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and Board have duly assessed, determined and resolved that the Independent Non-Executive Directors of the Company namely Encik Halim Bin Haji Din and Professor Tan Sri Lin See Yan, who have served on the Board for more than nine (9) years, remain as Independent Directors based on the following justifications as well as contributions from Encik Halim Bin Haji Din and Professor Tan Sri Lin See Yan, as members of the Board and also members of the respective Board Committees:

- (i) they have fulfilled the criteria of independence as per the definition set out under Chapter 1 of the MMLR;
- (ii) they have performed their duties diligently and provided independent judgements and balanced assessments hence ensured effective check and balance in the proceedings of the Board and the respective Board Committees; and
- (iii) they have devoted sufficient time and attention to the duties and responsibilities as Independent Non-Executive Directors of the Company.

The Board acknowledges and takes cognisance of Recommendation 3.5 of MCCG 2012, which recommends that should the Chairman of the Board is not an Independent Director, the Board must comprise a majority of Independent Directors. The Company's Chairman is not an Independent Director and there are two (2) Independent Directors out of six (6) Board members. The Board believes that its current Board composition provides the appropriate balance in terms of skills, knowledge and experience in creating, protecting and enhancing the interests and values of all shareholders and stakeholders and to oversee the conduct of businesses and to properly run the Group effectively. As the Chairman is also a shareholder who has substantial interest in the Company, he is well placed to act on behalf of shareholders and stakeholders and in their best interest.

Despite not having a formal policy on gender diversity, ethnicity and age, the Board believes in recognising and retaining high performance and talented staff force and the recruitment of the best talents in the work place regardless of gender, ethnicity and age with the objective of maximising the performance, efficiencies and effectiveness of the work place.

The Board through the Nomination Committee will continuously evaluate suitable candidates for Independent Directors to form majority of the Board. However, the process should be exercised with due care and careful assessment has to be made based on merits, skills, knowledge, appropriate experience and time commitment to ensure that the candidates would be able to contribute to the effectiveness of the Board.

Hence, the above process is also applicable in the selection and evaluation of suitable candidate for gender, ethnicity and age diversity on the Board.

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#### 1.4 Division of Roles and Responsibilities between the Chairman and the Managing Director/Chief Executive Officer

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

There is a clear separation between the Chairman's role and the Managing Director/Group Chief Executive Officer's role to ensure a division of responsibilities and a balance of control, power and authority.

The Chairman leads and manages the Board with a keen focus on governance and compliance. In turn, the Board monitors the functions of the Board Committees in accordance with their respective terms of reference, to ensure its own effectiveness, while the Managing Director/Group Chief Executive Officer manages the businesses and operations of the Group and implements and develops the Board's decisions, policies and strategies.

#### 1.5 Senior Independent Non-Executive Director

The Board has identified Professor Tan Sri Lin See Yan as the Senior Independent Non-Executive Director of the Board, to whom concerns relating to the Group may be conveyed by shareholders and other stakeholders.

All concerns relating to the Group can be conveyed to him via his electronic mail address at [seeyan.lin@wahseong.com](mailto:seeyan.lin@wahseong.com).

#### 1.6 Board Meetings

The Board meetings for each financial year are scheduled before the end of the preceding financial year, to enable the Directors to plan ahead and fit the year's meetings into their own schedules. The Board meets on a scheduled basis of at least four (4) times a year and has a formal schedule of matters specifically reserved for the Board to decide in order to ensure that the direction and control of the Company firmly rests in its hands, for example strategic financial and investment decisions. Additional or ad-hoc Board meetings can be convened as and when necessary.

During the financial year ended 31 December 2016, the Board met four (4) times and the details of the attendance of the Board members are as follows:

Director	Directorship	Total Meetings Attended
Dato' Seri Robert Tan Chung Meng	Non-Independent Non-Executive Chairman	4/4
Chan Cheu Leong	Managing Director/Group Chief Executive Officer	4/4
Giancarlo Maccagno	Deputy Managing Director	4/4
Professor Tan Sri Lin See Yan	Senior Independent Non-Executive Director	4/4
Halim Bin Haji Din	Independent Non-Executive Director	4/4
Tan Jian Hong, Aaron	Non-Independent Non-Executive Director	4/4

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## 1.6 Board Meetings (cont'd)

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda with the supply of complete and timely information to enable the Board to discharge their responsibilities effectively and for them to make informed decisions. The Board reviews and deliberates on the Group's financial performance and results, business operations, budgets, reports of the various Board Committees, risks management, business plans, corporate exercises and strategic financials and investments decisions.

In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approvals will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

## 1.7 Supply of Information

The Board is briefed on a timely manner on all major financial, operational and corporate matters. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed highly confidential and sensitive, would only be distributed to the Directors at the Board meeting itself.

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 other performance factors e.g. customer satisfaction, product and service quality, market share, market reaction, environmental protection, etc.

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. Through regular Board meetings, the Board receives updates, written reports and supporting/discussion documents on the development and business operations of the Group, as well as on potential corporate exercises, proposals, mergers and acquisitions. Minutes of the respective Board Committees' meetings are presented at Board meetings. The respective Board Committees' Chairman will brief the Board on major issues deliberated by each of the Board Committees.

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.

The Directors also have access to the advice and services of its qualified Group Company Secretary in the course of discharging their duties and responsibilities and in fulfilling their obligation to statutory requirements, the MMLR or other rules and regulations, either as a full Board or in their individual capacity.

## 1.8 Group Company Secretary

Ms. Irene Woo Ying Pun, the Group Company Secretary of WSC is a Fellow Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and also a Council Member of MAICSA. She heads the Group Corporate Secretarial Department of WSC and is a member of the key senior management team of the WSC Group. She was appointed to the position since 3 November, 2008.

Ms. Woo has more than 26 years of extensive relevant working experience in the corporate secretarial practice both as the in-house Group Company Secretary for large public listed groups as well as in large professional consultancy firms. She obtained her initial training of more than six years in Signet & Co. Sdn. Bhd, the Corporate Secretarial arm of Messrs. Ernst & Young.

Ms. Woo does not hold any directorship and does not have any family relationship with any of the Directors or major shareholders of WSC and has no conflict of interest whatsoever with WSC.

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## 1.8 Group Company Secretary (cont'd)

She ensures that the Group complies with the Companies Act, 1965, the new Companies Act, 2016, MMLR, Capital Markets & Services Act, 2007 and all relevant acts, rules, regulations, codes and guidelines of the relevant authorities and governmental/regulatory bodies and their relevant updates and amendments from time to time. She assists the Board of Directors in overseeing and advising on the relevant aspects of the regulatory, compliance and corporate governance matters of the Group. She attends all meetings of the Board of Directors and all meetings of the Committees and Sub-Committees of the Board and captures all discussions and deliberations thereat comprehensively and accurately in her minutes. Her prompt and well written minutes and advices given to the members of the Board have so far assisted the Board of Directors in making informed decisions as well as for the Management to promptly act on decisions approved by the Board. The Board of Directors is satisfied with the competent performance and support rendered by the Group Company Secretary in the discharge of their duties and functions as members of the Board.

## 1.9 Appointments to the Board

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

The Directors take cognisance of Recommendation 4.1 of the MCCG 2012 that they are required to notify the Chairman of the Company before accepting any new directorships and the expected time to be spent on the new appointment.

## 1.10 Re-election of Directors

The Company's Constitution provides that all the Directors shall retire at least once (1) in every three (3) years and are eligible for re-election at each Annual General Meeting in compliance with the MMLR.

## 1.11 Board Committees

The Board delegates specific responsibilities to the respective Board Committees of the Board, each of which has clearly defined terms of reference and its own functions, delegated roles, duties and responsibilities. The Board reviews the functions and terms of reference of Board Committees from time to time to ensure that they are relevant and updated in line with the MCCG 2012, the MMLR and other related policies or regulatory requirements.

The Board Committees have the authority to examine specific issues and report to the Board with their proceedings, deliberations, findings and recommendations. The Board also reviews the minutes of the Board Committees' meetings presented at Board meetings.

During Board meetings, the Chairman of the various Committees provide summary reports of the decisions and recommendations made at the respective Board Committees' meetings, and highlight to the Board on any further deliberation and/or approval that is required at the Board level. The Board Committees shall deliberate and thereafter recommend their decisions to the Board for its approval. The relevant decisions and recommendations of the Board Committees are incorporated into the minutes of the Board meetings accordingly.

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## 1.11 Board Committees (cont'd)

The Board has established three (3) principal Board Committees namely, Audit Committee, Nomination Committee and Remuneration Committee. The Risk Management Committee is a sub-committee of the Audit Committee.

### (a) Audit Committee

The composition of the Audit Committee comprises of two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. The Terms of Reference, including the duties and responsibilities of the Audit Committee are available on the Company's website at [www.wahseong.com](http://www.wahseong.com). A summary of activities of the Audit Committee in discharge of its functions and duties for the financial year ended 31 December 2016 are set out separately in the Audit Committee Report as laid out on pages 23 to 26 of this Annual Report.

### (i) Risk Management Committee

The Risk Management Committee comprised of the Executive Directors; Heads of Finance, Group Internal Audit and Heads of Business Units/Divisions. The Committee meets at least four (4) times a year to discuss, assess, manage and mitigate risks associated with the respective Business Units and Divisions and the Group as a whole. The Summarised Risk Registers compiled and confirmed by the respective Heads of the Business Unit/Division and based on which WSC Group's key risks are identified for monitoring. Potential new investments are tabled to the Risk Management Committee for comprehensive risks assessment and deliberation on the risks associated thereto before the said proposed investment is tabled to the Finance and Investment Committee for review, evaluation and financing needs assessment before tabling to the Audit Committee for their review and then to the Board for approval.

### (b) Nomination Committee

The Nomination Committee has been established comprising exclusively of three (3) Non-Executive Directors, a majority of whom are Independent Directors. The Terms of Reference, including the roles and responsibilities of the Nomination Committee are available on the Company's website at [www.wahseong.com](http://www.wahseong.com). The activities of the Nomination Committee in the discharge of its duties for the financial year ended 31 December 2016 are set out on pages 30 to 33 of this Annual Report.

The Nomination Committee will conduct annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director in every financial year using a set of customised self-assessment questionnaires to be completed by the Directors. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary will be tabled to the Board for review and deliberation.

The Nomination Committee will also conduct the annual assessment on the Board Committees' effectiveness based on a set of questionnaires.

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### 1.11 Board Committees (cont'd)

#### (c) Remuneration Committee

The Remuneration Committee has been established comprising mainly of Independent Non-Executive Directors with the role of determining and recommending to the Board the remuneration of Executive Directors in all its forms, drawing from outside advice where necessary. The Executive Directors play no part in decisions on their own remuneration.

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.

The information on Remuneration Committee and Terms of Reference including its functions are available on pages 27 to 29 of this Annual Report.

### 1.12 Finance and Investment Committee

The Finance and Investment Committee ("FIC") is chaired by the Group Managing Director/ Chief Executive Officer and comprised of the Executive Directors, Head of Group Treasury, Head of Finance of the Industrial Services Division and Chief Financial Officer of the Oil & Gas Division. The FIC meets quarterly or as and when required or at such frequency as the Chairman may deem appropriate.

The FIC undertakes periodic review of the overall Group's financial position with emphasis on group financial status and financing requirements, summary update on forward contracts position, group cash flows and receivables. The FIC also provides oversight of the investment functions of the Group to assist the Board of Directors in evaluating new investments, acquisitions, joint ventures, divestments and any other corporate proposals ("Investment Related Proposals") in which the Group engages as its business strategy from time to time. The respective business units/divisions strategic business activities and ventures are also updated at the FIC meetings.

Besides, the FIC also deliberates on the implication of the global economic sentiment and outlook on the Group's various business divisions and with this hindsight, actively reviews the overall business activities, capital expenditure requirements and forex strategies.

Both the Risk Management Committee and the FIC have the responsibility of assessing and reviewing all Investment Related Proposals.

Normally, the Risk Management Committee will perform the necessary risk assessment on the Investment Related Proposals and thereafter recommend the same to the FIC for their review. The FIC will then consider and evaluate the feasibility of the Investment Related Proposals by taking into account the comprehensive feasibility study, due diligence reports, valuation reports and/or other relevant reports in accordance with the standard operating procedures. A threshold limit of the value of the Investment Related Proposals is established to determine the relevant approvals required. The value of the Investment Related Proposals of up to RM5.0 million will be approved by the FIC and the Board of the investing company and thereafter to be endorsed by the Board of WSC. For value of the Investment Related Proposals of above RM5.0 million, the approval must be sought from the Board of WSC upon recommendation by the FIC.

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## 1.13 Directors' Training

All members of the Board have attended the Mandatory Accreditation Programme as required under the MMLR.

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

During the financial year under review, the Directors had participated in various programmes, courses and forums which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors.

The lists of training/courses attended by the respective individual Directors are tabled to the Board at the Board Meetings held every quarter for the Board's notation. Based on the result of the annual assessment of the individual Directors and the Board's effectiveness as a whole conducted by the Nomination Committee, the Board was satisfied with the training/courses attended by the respective Directors and that they are well equipped and updated on the industry knowledge and developments in enhancing their skills and in discharging their duties and responsibilities effectively.

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

Director	Date of Course/ Name of Organiser	Title of Training/Courses Attended
Dato' Seri Robert Tan Chung Meng	26 July 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	How to prepare for the New Companies Act
	22 November 2016/ In-House Talk of IGB Corporation Bhd	Budget 2017 - Key Task Proposals
Professor Tan Sri Lin See Yan	14 January 2016/ The Asian Strategy & Leadership Institute (ASLI)	Panelist at Special Commemorative Seminar on Tun Abdul Razak (Prime Minister of Malaysia 1970-1976)
	28 January 2016/ Universiti Malaya & HELP University	Chairing a session at a forum jointly organized by Centre for Poverty & Development Studies, Universiti Malaya & HELP University
	12 March 2016/ Federation of Chinese Association Malaysia & Sin Chew Daily	Professor Tan Sri Lin Yee San as speaker on "Risks Confronting the Global Economy in 2016" at the opening of Wisma Huazong
	24 March 2016/ Jeffrey Cheah Institute	Professor Tan Sri Lin Yee San as moderator on Southeast Asia Forum on "The Northeast Asian Situation"
	28 March 2016/ Khazanah Research Institute	Global Economic Trends and Implications for Low and Middle Income Countries

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## 1.13 Directors' Training (cont'd)

Director	Date of Course/ Name of Organiser	Title of Training/Courses Attended
Professor Tan Sri Lin See Yan	23 April 2016/ Jeffrey Cheah Institute	The European Economy: Policies, Prospects and Problems
	27 April 2016/ Wong & Partners & Genting Berhad	Companies Bill
	26 July 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	How to prepare for the New Companies Act
	18 August 2016/ Board of Trustees of REHDA Institute (The Training, Research and Education arm of the Real Estate Housing Developers Association Malaysia)	Professor Tan Sri Lin Yee San as speaker on "Ultra-low interest rates & other key global factors influencing Malaysia's economic outlook 2H 2016: (Impact towards the banking sector, construction and property development sector)"
	9 September 2016/ Silverlake Axis	Speaker at the Banking & Digital Economy Summit held in Vienna, Austria hosted by Silverlake Axis
	29 November 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	Directors' and Officers' Liability Insurance 2016
Halim Bin Haji Din	26 February 2016/ Bursa Malaysia Securities Berhad	Corporate Governance Breakfast Series: Thought Leadership Session for Directors "Improving Board Risk Oversight Effectiveness"
	30 & 31 March 2016/ MSWG – Institutional Investor Council	Governance Week 2016 Stewardship Matters – For Long Term Sustainability
	11 April 2016/ Bursa Malaysia Securities Berhad	Nominating Committee Programme Part 2: Effective Board Evaluations
	26 July 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	How to prepare for the New Companies Act
	15 & 16 November 2016/ MIA	MIA International Accountants Conference 2016
	29 November 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	Directors' and Officers' Liability Insurance 2016

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### 1.13 Directors' Training (cont'd)

Director	Date of Course/ Name of Organiser	Title of Training/Courses Attended
Chan Cheu Leong	14 January 2016/ The Asian Strategy & Leadership Institute (ASLI)	Special Commemorative Seminar on Tun Abdul Razak (Prime Minister Of Malaysia 1970-1976)
	21 January 2016/ Bank of Singapore	Year Ahead Market Outlook 2016
	26 January 2016/ Credit Suisse	Access to Expertise – Automatic Exchange of Information Seminar (AEOI)
	12 April 2016/ Maybank Investment Bank	Invest Malaysia 2016 - The Capital Market Conversation
	26 July 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	How to prepare for the New Companies Act
	22 August 2016/ RHB Group	Exclusive Invitation to RHB Equity Opportunity Fund 1
	25 August 2016/ Maybank Investment Bank	Market Outlook 2H 2016
Giancarlo Maccagno	29 November 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	Directors' and Officers' Liability Insurance 2016
	26 January 2016/ Credit Suisse	Access to Expertise – Automatic Exchange of Information Seminar (AEOI)
Tan Jian Hong, Aaron	16 April 2016/ UOB	2016 Economy and Markets Update
	26 July 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	How to prepare for the New Companies Act
	1 November 2016/ KPMG	KPMG in Malaysia Tax Summit 2016
	29 November 2016/ In-House Directors' Training of Wah Seong Corporation Berhad	Directors' and Officers' Liability Insurance 2016
	27 December 2016/ In-House Directors' Training of Yi-Lai Berhad	Risk Management Workshop

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## 2. DIRECTORS' 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.

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.

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 of the Directors of the Company (including the remuneration for services rendered to the Company as a Group) received from the Company and received on a group basis during the financial year ended 31 December 2016 are as follows:

### Company

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and Other Emoluments	3,104	72	3,176
Bonus	700	-	700
Directors' Fees	80	230	310
	3,884	302	4,186
Benefits-in-kind			
- Leave passage	-	-	-
- Others *	52	11	63
	52	11	63
<b>Total</b>	<b>3,936</b>	<b>313</b>	<b>4,249</b>

### Group

	Executive Directors (RM'000)	Non-Executive Directors (RM'000)	Total (RM'000)
Salaries and Other Emoluments	7,309	72	7,381
Bonus	1,395	-	1,395
Directors' Fees	80	230	310
	8,784	302	9,086
Benefits-in-kind			
- Leave passage	214	-	214
- Others *	247	11	258
	461	11	472
<b>Total</b>	<b>9,245</b>	<b>313</b>	<b>9,558</b>

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

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

	No. of Executive Directors	No. of Non-Executive Directors	Total
Less than RM50,001	-	1	1
RM50,001 to RM100,000	-	2	2
RM100,001 to RM150,000	-	1	1
RM3,800,001 to RM3,900,000	1	-	1
RM5,300,001 to RM5,400,000	1	-	1
<b>Total</b>	<b>2</b>	<b>4</b>	<b>6</b>

## 3. SHAREHOLDERS AND INVESTORS

### 3.1 Effective Communications Policy

Besides the various announcements and disclosures including information on the quarterly and annual results released to Bursa Malaysia Securities Berhad, the Board maintains an effective communications policy that enables the Board (in particular the Executive Board Members) to communicate effectively with its shareholders, stakeholders and the public in general.

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

- 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).
- 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.
- Internally, the Group Corporate Secretarial Department headed by the Group Company Secretary maintains most of the official correspondences with the various authorities.
- the Annual General Meeting provides an additional forum for shareholders' interaction and feedback with the Company.
- Media and Analyst Briefings are held by the Company to explain any major corporate exercises and/or to discuss the financial performance of the Group from time to time.

### 3.2 Dialogue between the 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 the MMLR.

The Company's website at [www.wahseong.com](http://www.wahseong.com) contains vital information concerning the Group. All investors are encouraged at all times to log on and visit the Company's website to be informed of the latest happenings and detailed information of the Group and all the announcements made to Bursa Malaysia Securities Berhad.

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### 3.3 Annual General Meeting

The Annual General Meeting (“AGM”) 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 Management and the Company’s External Auditors will be in attendance to provide explanations to all shareholders’ queries.

Pursuant to Paragraph 8.29A(1), Chapter 18 of the MMLR, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is required to be voted by poll.

At least one (1) scrutineer will be appointed to validate the votes cast at the general meeting. Such scrutineer must be independent of the person undertaking the polling process.

A summary of the key matters discussed at the AGM will be published on the Company’s website as soon as practicable after the conclusion of the AGM.

## 4. ACCOUNTABILITY AND AUDIT

### 4.1 Financial Reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group’s financial position, performance and prospects at the end of the financial year primarily through the audited financial statements, annual report as well as the quarterly announcements of results to shareholders.

The Board is responsible for ensuring that the financial statements prepared are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Board assisted by the Audit Committee, oversees the financial reporting processes and the quality of the financial reporting by the Group. The Audit Committee scrutinises information prior to their disclosure to ensure their timeliness, accuracy and adequacy. The quarterly financial results and audited financial statements were reviewed by the Audit Committee and approved by the Board before being released to Bursa Malaysia Securities Berhad.

The Statement of Directors’ Responsibility in respect of the audited financial statements of the Company and the Group is set out on page 54 of this Annual Report.

### 4.2 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.

Information on the Group’s Internal Control is as set out in the Statement on Risk Management and Internal Control on pages 52 to 53 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

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The establishment of an Internal Audit Department since the Group first commenced operations followed by the formation of the Risk Management Committee in 2009 are testimony of the dedication and commitment that the Board and the Company have in identifying and mitigating potentially risks which affect the Group.

## **4.3 Principles of Business Conduct and Whistle-Blowing Policy**

The Board is committed to achieving and maintaining high ethical standards with regards to behavior at work and hence the Principles of Business Conduct are established. The Principles of Business Conduct of the Group is a formal document which sets out the guiding principles and standards in which the employees and Directors shall adhere to in conducting the day to day duties and operations.

In conjunction with the above, the Company has also disseminated its Whistle Blowing Policy and Procedures by which an employee or stakeholder can report or disclose in good faith, through the established channel, genuine concerns about unethical behaviour, malpractice, illegal act or failure to comply with regulatory requirements.

The Principles of Business Conduct and procedures of the Whistle Blowing Policy, in raising such genuine concerns to the established channels are available on the Company's website at [www.wahseong.com](http://www.wahseong.com).

## **4.4 Relationship with Auditors**

The Board has established a formal and transparent relationship with 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.

For the financial year under review, the Audit Committee had two (2) meetings with the External Auditors without the presence of Management, which has encouraged a greater exchange of independent, frank views and opinions/dialogue between both parties.

The Audit Committee obtains written confirmation from the External Auditors on their independence throughout their terms of engagement for the financial year in compliance with the requirements of the relevant professional and regulatory bodies and/or authorities.

The Board also reviews the External Auditors' annual audit plan and scope of work for each of the financial years and the External Auditors' audit review on the financial statements for each of the financial years together with their audit report.

The Annual Assessment Form for External Auditors is established to assess the annual performance of the External Auditors by the Audit Committee. During the financial year under review, the Audit Committee had reviewed the independence of the External Auditors' by taking into consideration among other factors, the following:-

- rotation of the External Audit Partner-in-charge once in every five years in accordance with the relevant laws and requirements; and
  - the professionalism, openness in communication and interaction with the External Auditors through private discussions which had demonstrated their independence.
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#### 4.4 Relationship with Auditors (cont'd)

The Audit Committee also assessed the suitability of the External Auditors by taking into consideration among other factors, the following:-

- size, sufficiency of the allocated resources and geographical coverage of the external audits being conducted;
- calibre, competency, requisite skills and expertise, including industry knowledge of the audit team to effectively audit the Company and the Group that meet the requirements;
- adequacy of audit scope and plan to address the accounting risks, audit risk and financial reporting risks faced by the Company and the Group;
- quality and effectiveness of the audit services provided by the External Auditors; and
- the External Auditors met their performance targets as expected of them.

Based on the result of the annual assessment carried out during the financial year under review, the Audit Committee was satisfied with the independence and suitability of the External Auditors and hence had recommended the re-appointment of the External Auditors for the Board's consideration.

The Board, upon the recommendation of the Audit Committee, concurred on the suitability and independence of the External Auditors and therefore agreed to table the resolution for the re-appointment of the External Auditors to the Shareholders' at the forthcoming 17th AGM for their approval.

Further information on the role of the Audit Committee with the External Auditors is stated in the Audit Committee Report on pages 23 to 26 of this Annual Report.

#### 4.5 Internal Audit Function

The Board has established an Internal Audit Function for the Group to review the adequacy of financial and 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 performed in-house. It focused on:

- a) reviewing the adequacy and effectiveness of key controls.
- b) compliance to established policies and procedures as well as relevant statutory requirements.
- c) recommending improvements to existing procedures and policies in order to improve financial and operational efficiency and effectiveness within the Group and the Company.
- d) performing special reviews requested by Management and/or the Audit Committee.

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 encompasses 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.

Further details of the activities of the Internal Audit Function are set out in the Statement on Risk Management and Internal Control on pages 52 to 53 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE

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## 5. CORPORATE RESPONSIBILITY

Throughout 2016, the Group has undertaken various initiatives to create a positive and momentous impact on the lives of others, within the community and the environment in which it operates, as set out in the Corporate Responsibility Statement & Calendar on page 8 of this Annual Report.

## 6. SUSTAINABILITY

The Company has come a long way from a medium sized Malaysian enterprise to where the Group is today. It is through resilience and fortitude that the Group has been growing from strength to strength, meeting challenges along the way and succeeding in branching further aloft. As at today, the Group is a significant player in its core businesses and is sustaining growth on the global business landscape.

The Company develops, implements and maintains sound management systems for sustainable development and growth that drive continual improvement. While maintaining sustainable growth, the Company is committed to create an open, diverse, friendly and safe workplace which is part of the Group's core values. Besides, the Company places utmost priority and is fully committed to its Health, Safety and Environment policy and objectives with the aim of ensuring health and safety of our people as well as protection of the environment that the Group operates in by promoting and improving the health and welfare of the workforce, maintaining an accident-free work environment, eliminating occupational injuries, preventing pollutions by reducing carbon footprint, preventing wastages by promoting the efficient use of resources, recycling initiatives, optimising the use of natural resources and conserving energy.

The Group is dedicated in supporting the local communities within which it operates and through its corporate responsibility programmes, the Company will continue to implement initiatives to contribute back to the society and local communities.

## 7. CORPORATE DISCLOSURE POLICIES AND PROCEDURES

The Board has established a Corporate Disclosure Policies and Procedures aiming at effectively handling and disseminating the corporate information timely and accurately to its shareholders, stakeholders, potential investors and the public in general as required by Bursa Malaysia Securities Berhad.

The Corporate Disclosure Policies and Procedures are available on the Company's website at [www.wahseong.com](http://www.wahseong.com).

## 8. COMPLIANCE STATEMENT

The Company has complied throughout the financial year ended 31 December 2016 with the relevant principles and recommendations of the MCCG 2012 other than Recommendation 3.5 of MCCG 2012 where the Board must comprise of a majority of Independent Directors should the Chairman of the Board is not an Independent Director which is explained under item 1.3 above.

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