

# Statement on Corporate Governance

The Board of Directors of WCT Berhad (formerly known as WCT Engineering Berhad) (“the Company”) is committed and continue to comply with the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance (“the Code”) respectively to ensure that the highest standards of corporate governance are practised throughout the Group.

This statement, approved by the Board via a resolution adopted on 28 April 2009, outlines how the Group has applied the principles laid down in the Code. Except for matters specifically identified, the Board of Directors has complied with the best practices set out in the Code.

## DIRECTORS

### The Board

The Group is led by a sound and experienced Board which plays an important role in the stewardship of its direction and operations. It focuses mainly on strategies, financial performance and critical business issues, including the following specific areas to ensure that the governance of the Group is firmly in its hands:-

- Business plan and direction of the Group
- The Group strategic action plans
- Financial performance and key performance indicators
- Acquisition and divestment policy
- Major investment decisions
- Internal control system

The Board also has a well-defined framework on the various categories of matters that require the Board’s approval, endorsement or notation as the case may be. The Board is ably supported by the Management Committee, whose responsibility is to implement the Group’s strategy. The Statement on Internal Control as disclosed in this Annual Report sets out the membership, functions, roles and responsibilities of the Management Committee.

The Board meets at least four (4) times a year, with additional meetings to be convened as necessary. During the financial year ended 31 December 2008, four (4) meetings were held. Details of the attendance of the Directors at the Board Meetings are as follows:

Directors	No. of meetings attended
Dato’ Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	4/4
Taing Kim Hwa	4/4
Goh Chin Liong	4/4
Wong Sewe Wing	4/4
Choe Kai Keong	4/4
Liang Kai Chong	4/4
Loh Siew Choh	4/4
Cheah Hon Kuen	4/4
Choo Tak Woh	4/4

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are sought via circular resolutions which are attached with sufficient and relevant information required for an informed decision to be made. Where a potential conflict arises in the Group’s investment, projects or any transactions involving Director’s interest, such Director is required to declare his interest and abstain from further discussion and the decision making process.

### Board Balance

As at 31 December 2008, the Board comprises nine (9) members, six (6) of whom are Executive Directors and the remaining three (3) are Independent Non-Executive Directors. Each Director’s brief profile is presented under the section titled “Profiles of Directors” of this Annual Report.

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There is a clear division of responsibility between the Chairman and the Managing Director of the Group in order to provide for balance of power and authority. The Chairman is an Independent Non-Executive Director and has not held any executive positions in the Group. He is responsible for ensuring the Board's effectiveness and conduct as well as facilitating constructive deliberation of all matters presented.

The Managing Director has overall responsibility for the operating units, organisational effectiveness and implementation of the Board's policies and decisions.

Although all the Executive Directors have an equal responsibility for the Group's operations, the presence of the Independent Non-Executive Directors on the Board fulfils an important role in ensuring corporate accountability, as they provide unbiased and independent views, advice, opinions and judgments to take into account the interests, not only of the Group but also of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. The Board is satisfied that the current Board composition fairly reflects the interest of the minority shareholders of the Company.

The Independent Non-Executive Directors are actively involved in the various Board Committees and visit the Group's project sites both local and overseas in getting a first hand assessment. They provide broader views, independent assessments and opinions on management proposals sponsored by the Executive Directors.

In view of the current composition of the Board, particularly the clear and strong independent element and the separation of the roles between the Chairman and Managing Director, the Board does not consider it necessary to nominate a Senior Independent Non-Executive Director to whom concerns may be conveyed.

The Board has reviewed and is satisfied that its current size and composition provides an effective blend of entrepreneurship, business and professional expertise in general management, finance and technical areas of the industries the Group is involved in. The mixture of skills and experience is vital for the continued success and direction of the Group. A key strength of this structure has been the speed of decision-making on critical matters.

## **Board Committees**

Where appropriate, matters have been delegated to Board Committees, all of which have written terms of reference to assist the Board in discharging its duties and responsibilities. The Board receives the reports of their proceedings and deliberations at its scheduled Board meetings.

### **(1) Audit Committee**

The composition of the Audit Committee is in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), including the requirement that all its members are non-executive directors with independent non-executive directors forming the majority and one of the members being a qualified accountant.

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to the Group's financial reporting and internal control systems. Details of the Audit Committee's terms of reference and activities during the financial year are disclosed in the Audit Committee Report.

The Audit Committee is able to obtain external professional advice and where necessary, invite outsiders with relevant experience to attend its meeting to seek opinions, viewpoints and clarifications.

### **(2) Nomination & Remuneration Committee**

The Nomination & Remuneration Committee ("NRC") comprises entirely of Independent Non-Executive Directors and its members are:-

- (i) Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid (Chairman);
- (ii) Cheah Hon Kuen; and
- (iii) Choo Tak Woh.

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The terms of reference of the NRC include the following:-

- (a) To establish a formal and transparent procedure for the appointment of new directors to the Board;
- (b) To review the terms and conditions of employment and remuneration of the Executive Directors;
- (c) To consider, assess and recommend new nominees to the Board as well as committees of the Board;
- (d) To review and approve the remuneration packages (including annual increments and bonuses) of the Executive Directors;
- (e) To assess the effectiveness of the Board as a whole, the committees of the Board as well as the contribution of each individual director through an annual evaluation process;
- (f) To review annually the required mix of skills, experience and other qualities including core competencies which each director should bring to the Board; and
- (g) To ensure that all reviews, assessments and evaluations are properly documented.

The NRC meets at least once a year and whenever required. In 2008, three (3) meetings were held and attended by all the members.

During the financial year, the NRC reviewed the re-election of three (3) directors retiring by rotation at the 27th Annual General Meeting, the terms of employment and remuneration of three (3) executive directors, the annual increment and bonuses of all executive directors, the annual assessment and evaluation of the Board, committees of the Board and the individual directors as well as the annual review of the Board in respect of its size and the required mix of skills and experience. All recommendations of the NRC are subject to endorsements by the Board.

### **(3) Options Committee**

The Options Committee is established to administer the Company's Employees' Share Options Scheme in accordance with the objectives and regulations thereof and to determine participation eligibility, option offers and share allocations and to attend to such other matters as may be required. The members of the Options Committee are as follows:-

- (i) Cheah Hon Kuen (Chairman);
- (ii) Taing Kim Hwa; and
- (iii) Goh Chin Liong.

During the financial year, one (1) meeting was held.

### **Supply of information**

All scheduled meetings held during the financial year were preceded with a formal agenda issued by the Company Secretary in consultation with the Chairman of the Meeting. The agenda for each of the meetings were accompanied by the minutes of preceding meetings of the Board and Board Committees, reports on group financial performance, operational performance of its business units including overall customer satisfaction and services quality, market share and market reaction, quarterly results for announcements, updates on material litigation (if any) and other relevant information. The Board papers are comprehensive and encompass all aspects of the matters being considered, enabling the Board to look at both quantitative and qualitative factors so that informed decisions may be made.

The Directors have access to the advice and services of the Company Secretary and all necessary external professional advice, when required, at the Company's expense.

### **Appointments and re-elections to the Board**

The NRC is responsible for making recommendations for any appointments to the Board. In making these recommendations, the NRC considers the required mix of skills and experience which the Directors should bring to the Board.

As part of the process of appointing new Directors, the Board ensures that the new Directors are provided with an orientation programme. For the re-election of Directors, the Company's Articles of Association requires that the number of Directors nearest to, but not greater than one third retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire are those who have been longest in office since their last election.

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A retiring director is eligible for re-election. This provides an opportunity for shareholders to renew mandates. The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile and the shareholdings in the Group of each director standing for election are furnished in the Annual Report.

## DIRECTORS' REMUNERATION

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. Generally, the remuneration of each Director reflects the level of responsibility and commitment that goes with his Board Committee membership.

In the case of Executive Directors, the Group aims to strike a balance between a level of remuneration which is sufficient to act as an incentive to the Executive Directors while at the same time challenging them to drive the growth of the Group's business and to maximize the return to shareholders. There are three (3) components to the Executive Directors' remuneration:-

- Basic salary and benefits;
- Annual bonus which is a percentage of salary and is linked to individual and corporate performance; and
- Long-term incentives.

Generally, salaries are established in accordance with each Executive Director's level of responsibility and experience. Long-term incentives are implemented through share-based schemes to align the Executive Directors' interest more closely to those of the shareholders.

The NRC also reviews and recommends for the Board's approval all other Directors' fees. In addition, the Company reimburses reasonable expenses incurred by these Directors in the course of their duties as Directors. Independent Non-Executive Directors are paid attendance fees for each Board or Board Committee meeting they attend.

In accordance with Article 72 of the Company's Articles of Association, the shareholders had on 18 October 2001 approved in advance an annual payment of Directors' fees of an aggregate amount not exceeding RM300,000/- to be divided amongst the Directors in such manner as they may determine for the financial year ended 31 January 2002 and for each financial year thereafter. The total Directors' fees for the financial year ended 31 December 2008 was RM268,000 at the Company level. The Board will seek shareholders' approval when there is a need to revise the said aggregate amount.

## Disclosure

The Board has considered disclosure of details of the remuneration of each Director. The Board is of the view that the transparency and accountability aspects of corporate governance as applicable to Directors' Remuneration are appropriately served by the "band disclosure" as required by the Listing Requirements of Bursa Securities.

- (1) Aggregate remuneration of Directors of the Company comprising remuneration received and/or receivable from the Company and/or subsidiaries during the financial year are as follows:-

	Directors' Fees (RM)	Salaries & Other Emoluments (RM)	Benefits-in-kind & Perquisites (RM)	EPF (RM)	Total (RM)
Executive Directors	135,567	3,327,833	348,258	399,348	4,211,006
Non-Executive Directors	195,433	130,667	35,562	14,424	376,086
Total	331,000	3,458,500	383,820	413,772	4,587,092

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- (2) The number of Directors of the Company whose total remuneration received and/or receivable from the Company and/or subsidiaries during the financial year falls within the following bands:-

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Up to RM50,000	–	2
RM100,001 to RM150,000	–	1
RM400,001 to RM450,000	1	–
RM450,001 to RM500,000	2	–
RM500,001 to RM550,000	1	–
RM550,001 to RM600,000	1	–
RM700,001 to RM750,000	1	–
RM950,001 to RM1,000,000	1	–
<b>Total</b>	<b>7*</b>	<b>3</b>

\* Includes Mr Chua Siow Leng, who retired as Executive Director on 1 August 2008.

## DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme ("MAP") organised by Bursa Malaysia Securities Berhad. The Directors will continue to undergo other appropriate training programmes to further enhance their professionalism and knowledge as directors of a public listed company.

During the year, the following four (4) in-house seminars were organised for the Directors and senior management:-

- (A) Global Management and Leadership Skills;
- (B) Blue Ocean Strategy;
- (C) Improving Board Directors' Performance, Leadership and Governance; and
- (D) Global Factors Impacting Malaysian Export Competitiveness.

The Directors' attendance is as follows:-

Directors	Seminars			
	(A)	(B)	(C)	(D)
1 Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid *	–	√	√	√
2 Taing Kim Hwa	–	√	√	√
3 Goh Chin Liong	√	√	–	–
4 Wong Sewe Wing	√	√	–	–
5 Choe Kai Keong	√	√	–	√
6 Liang Kai Chong	√	√	–	–
7 Loh Siew Choh	√	–	√	√
8 Cheah Hon Kuen *	√	√	–	√
9 Choo Tak Woh *	√	√	√	√

\* Denotes a member of the Audit Committee

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## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

### Dialogue between the Company and Investors

The Group values and strongly believes in the importance of good communication with shareholders, potential investors and the public. This is to ensure that all shareholders, both institutional and individual investors, have full access to the information disclosed by the Company. It does this through the Annual Report, Annual General Meeting, the Company's website ([www.wct.com.my](http://www.wct.com.my)) and timely release of all corporate announcements and financial results, thus providing shareholders and the investing public with an overview of the Group's performance and operations. All enquiries made are dealt with as promptly as practicable.

The Annual Report remains the Company's main source of information for investors while the website, which has a dedicated investor relations section, is intended to provide comprehensive information about the Group to a wider segment of the investing public.

Another important channel of communication with shareholders, investors and the general investment community, both locally and internationally, is the Group's investor relations activities. The Company conducts regular briefings with financial analysts and fund managers from time to time as a means of maintaining and improving investor relationship. At least four (4) analyst briefings are held each year, usually to coincide with the release of the Group's quarterly financial results to explain the results achieved and the Group's strategic business plans with the aim of fostering better understanding of the Group's objectives. A press conference is normally held after the Annual General Meeting or any Extraordinary General Meeting of the Company.

In these exchanges, presentations based on permissible disclosures are made to explain the Group's performance and major development programmes. Price-sensitive information that may be regarded as undisclosed material information about the Group is, however, not disclosed until after the prescribed announcement to Bursa Securities has been made.

### Investors Service

The Group's website ([www.wct.com.my](http://www.wct.com.my)) has a section dedicated to investor relations and provides up-to-date information on the Group's business and operations. Presentations made to analysts and fund managers are posted on this section of the website.

Further enquiries may be directed to Mr Kenny Wong who reports to the Executive Director, Mr Loh Siew Choh, on all investor related matters:-

Mr Kenny Wong  
Assistant Manager – Corporate & Finance  
Tel: +603 7805 2266  
Email: [kenny.wong@wct.com.my](mailto:kenny.wong@wct.com.my)

### Investor Relations Activities in 2008

Below is a summary of the investor relations activities undertaken in the financial year 2008:-

	Total
Meetings with investors, analysts and fund managers	46
Investors briefings	4
Press conferences / interviews	3
Regional investors road shows / conferences	8

### The Annual General Meeting

The Company has over the years used the Annual General Meeting as a forum of communication with its shareholders. The Board encourages participation from shareholders by having a question and answer session during the Annual General Meeting whereby the Directors are available to discuss aspects of the Group's performance and its business activities. Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting and where appropriate, the Chairman will declare the number of proxy votes received, both for and against each separate resolution.

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## ACCOUNTABILITY AND AUDIT

### Financial Reporting

The Board continually strives to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, quarterly announcements of results to shareholders as well as the Chairman's statement and review of operations in the annual report.

In preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards that the Board considers to be applicable have been followed if required.

The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Statement of Directors' Responsibility in Relation to the Financial Statements

The Directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of each financial year and of their results and their cash flows for that year then ended.

The Directors consider that in preparing the financial statements,

- the Group and the Company have used appropriate accounting policies and are consistently applied;
- reasonable and prudent judgements and estimates were made; and
- all applicable approved accounting standards in Malaysia have been followed.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure that the Financial Statements comply with the Companies Act 1965.

The Directors have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

### Internal Control

Information on the Group's internal control system during the year is presented in the Statement on Internal Control set out in this Annual Report.

### Relationship with Auditors

Through the Audit Committee, the Group has established a transparent and appropriate relationship with the Group's auditors, both external and internal in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The role of the Audit Committee in relation to the external auditors can be found in the Audit Committee Report set out in this Annual Report.

(This Statement on Corporate Governance has been approved by the Board of Directors via a resolution dated 28 April 2009).