

Statement on Internal Control

BOARD RESPONSIBILITY

The Board acknowledges their overall responsibility for the sound system of internal control of the Company and its subsidiaries (the "Group") and the review of its adequacy and integrity throughout the Group in order to safeguard the Group's assets and shareholders' investment.

In ensuring a sound system of internal control is being implemented, the Board relies upon the Audit Committee together with the support of the Group's Internal Audit Department (GIAD) to monitor and review the adequacy and integrity of the system of internal control.

Due to limitations that are inherent in any system of internal control, the system adopted by the Group is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The system of internal control can only provide reasonable but not absolute assurance against any material misstatement or loss.

KEY INTERNAL CONTROL PROCESS

Risk Management

The Board acknowledges that risk management is a key discipline within the system of internal control, to ensure that risks which may affect the Group's business objectives are identified and managed in a timely manner.

The Board, through the Risk Management Committee ("RMC") adopts an ongoing risk management process in identifying, documenting, evaluating, monitoring and managing significant risks. The Risk Management Policy provides a structured and focused approach in managing risks.

The RMC comprises key management personnel from across the Group, i.e. Technical Department, Contract Department, Finance & Accounts Department, Legal Department and Property Division. The RMC meets every two (2) months to review the risk assessment reports collated by the Risk Manager. Such risk assessment reports will then be escalated to the Management Committee for review at its periodic meetings. The Management Committee consists of Executive Directors, Heads of Department and other Senior Management personnel.

All risk assessment reports are distributed to the executive directors for their information.

Internal Audit Function

GIAD provides independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The GIAD carries out scheduled reviews on the state of internal control of the Group's business activities and key business processes based on the annual audit plan. GIAD adopts a risk-based approach when establishing its audit plan and executing the audit.

Audit Committee

The Audit Committee ("AC"), which is chaired by an independent non-executive director, receives reports from both internal and external auditors on a regular basis.

Reports prepared by GIAD on the status of the adequacy, efficiency and effectiveness of the system of internal control of the Group's business activities and key businesses are articulated in AC meetings on a periodic basis.

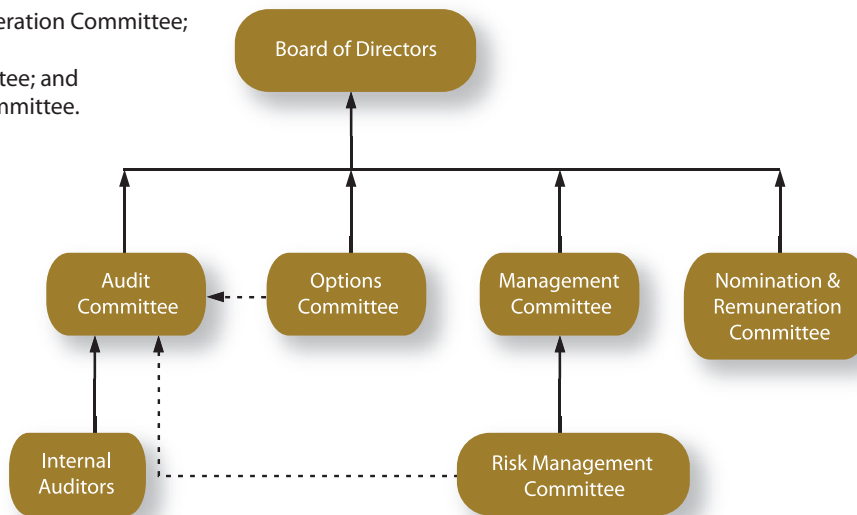
The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Any areas for improvement identified during the course of their audit are brought to the attention of the AC through management letters, or are articulated at AC meetings.

Statement On Internal Control (cont'd)

Other Key Elements

Apart from the above, other key elements of the Group's Internal Control System include the following:-

- Clearly defined operating structure, lines of responsibilities and delegated authority. Various Board and Management Committees have been established to assist the Board in discharging its duties. These includes the following:-
 - Audit Committee;
 - Nomination & Remuneration Committee;
 - Options Committee;
 - Management Committee; and
 - Risk Management Committee.



WCT Berhad Oversight Structure

- Policies, procedures and guidelines are documented to provide guidance to all levels of employees and are reviewed and updated as and when necessary.
- The ISO 9001:2000 and OHSAS 18001:2007 Management Systems, which are subject to regular reviews and improvement, continuously manage and control the quality requirements of the Group's products and services and also safety and health at work place.
- Comprehensive and adequate financial information, operational information and key business indicators are presented to the Management and the Board in a timely manner allowing them to review Group's performance.
- Proper guidelines for hiring and termination of staff, and annual performance system are in place. Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their job expectations.
- Regular visit to operating units and projects by Senior Management, Audit Committee members and Internal Auditors.
- In respect of any joint venture entered into by the Group, the Management of the joint venture (which comprises representatives from the Group and the joint venture partner) is responsible for overseeing the administration, operation and executive management of the joint venture. Financial and operational information of the joint venture is regularly provided to the Management of the Group.
- In respect of associate company, the Management of the Group has significant influence in the management of the associate company. Representative of the Group sits on the Board of the associate company and attends its Board meetings. Financial and operational information of the associate company is provided to the Management of the Group on periodic basis.

The Board confirms that the Group's existing system of internal control is adequate and effective and will continue to be reviewed and/or updated with changes in business environment. There were no significant internal control problem and no material losses were incurred during the financial year as a result of weaknesses in internal control.

Audit Committee Report

A. MEMBERSHIP

The Audit Committee comprises the following members:-

- Chairman : Cheah Hon Kuen
(Independent Non-Executive Director)
- Members : Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid
(Independent Non-Executive Director)
- Choo Tak Woh
(Independent Non-Executive Director)

B. TERMS OF REFERENCE

I. COMPOSITION

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements:-

- (1) the Committee must be composed of no fewer than three (3) members;
- (2) all the Committee members must be non-executive directors with a majority of them being independent directors; and
- (3) at least one (1) member of the Committee:-
 - (a) must be a member of the Malaysian Institute of Accountants; or
 - (b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience; and
 - (i) he must have passed the examinations specified in Part I and of the First Schedule of the Accountants Act 1967; or
 - (ii) he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (c) fulfils such other requirements as prescribed or approved by Bursa Securities.

The members of the Committee shall elect a Chairman from among themselves who shall be an independent director. No alternate director should be appointed as a member of the Committee.

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements of Bursa Securities pertaining to the composition of the audit committee, the Board of Directors shall within three months of that event fill the vacancy.

The terms of office and performance of the Committee and each of its members must be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

Audit Committee Report (cont'd)

II. MEETINGS

Frequency

Meetings shall be held not less than four (4) times a year, with additional meetings convened as and when necessary. Upon the request of the external auditor, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders.

In the interval between Audit Committee meetings, for exceptional matters requiring urgent decisions, Audit Committee approvals are sought via circular resolutions which are attached with sufficient information required for an informed decision.

Quorum

A quorum of the Committee shall be at least two (2) members and consist of a majority of independent directors.

Secretary

The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

Reporting Procedure

The minutes of each meeting shall be circulated to the Committee members and to all members of the Board.

Attendance

The Head of Corporate & Finance, the Head of Internal Audit and the representative of the external auditor (if required) shall normally attend the meetings. Other directors and employees may attend any particular meeting only at the Audit Committee's invitation, specific to the relevant meeting.

At least twice a year, the Committee shall meet with the external auditor without any executive Board members present. For the financial year ended 31 December 2008, a total of five (5) Audit Committee Meetings were held, details of the attendance of the members are as follows:-

Name	Number of meetings attended
Cheah Hon Kuen	5/5
Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid	5/5
Choo Tak Woh	5/5

III. RIGHTS AND AUTHORITY

- (1) The Audit Committee is authorised by the Board of Directors to investigate into any activities within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate on any request made by the Audit Committee.
- (2) The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- (3) The Audit Committee is empowered to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.
- (4) The Audit Committee has direct communication channels with the external auditor and person(s) carrying out the internal audit function or activity.

Audit Committee Report (cont'd)

IV. FUNCTIONS, DUTIES AND RESPONSIBILITIES

The functions, duties and responsibilities of the Audit Committee shall be:-

- (1) To recommend the nomination of person or persons as the external auditor, the audit fee and any questions of suitability for re-appointment, resignation or dismissal;
- (2) To review the following and report the same to the Board of Directors:-
 - (a) the quarterly results and year-end financial statements of the Group and the Company, focusing particularly on any changes in or implementation of major accounting policies and procedures, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with applicable approved accounting standards and other legal and regulatory requirements;
 - (b) the audit plan, with the external auditor, before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
 - (c) the external auditor's evaluation of the Group's system of internal controls;
 - (d) the external auditor's Report to the Audit Committee and management's response;
 - (e) the problems and reservations arising from any interim and final audit, and any matter the external auditor may wish to discuss (in the absence of management where necessary);
 - (f) the assistance given by employees of the Group to the external auditor;
 - (g) any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (3) To review the following in respect of the internal audit function:-
 - (a) the adequacy of the scope, functions, competency and resources of the internal audit functions, and that it has the necessary authority to carry out its works;
 - (b) the internal audit programme and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function;
 - (c) any appraisal or assessment of the performance of members of the internal audit function; and
 - (d) any appointment or termination of senior staff members of the internal audit function and to provide the opportunity for the resigning staff member to submit his reasons for resigning;
 - (e) the major findings of internal investigations and the management's response;
- (4) To promptly report to Bursa Securities on matters reported by it to the Board that have not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities;
- (5) To review and verify annually that options allocated and granted are in accordance with the approved allocation criteria; and
- (6) To undertake such other functions as may be authorised by the Board.

Audit Committee Report (cont'd)

C. SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2008, the Audit Committee:-

- (1) Reviewed the quarterly unaudited Financial Statements of the Group and recommended the same to the Board of Directors for approval and for release to Bursa Securities;
- (2) Reviewed the external auditors' report on their audit plan, scope of work and the audit procedures to be utilised in the annual audit;
- (3) Held two (2) discussions with the external auditors without the presence of management and executive directors;
- (4) Reviewed the annual financial statements together with the external auditors to ensure compliance with:-
 - (a) Provisions of the Companies Act, 1965;
 - (b) Listing Requirements of Bursa Securities;
 - (c) Applicable approved accounting standards in Malaysia; and
 - (d) Other legal and regulatory requirements;
- (5) Discussed with the internal auditors on their scope of work, adequacy of resources and co-ordination with the external auditors;
- (6) Deliberated on the significant audit findings and management responses in the internal audit reports and the follow-up action taken on the respective audit recommendations;
- (7) Reviewed twenty nine (29) internal audit reports covering existing local and overseas projects, toll concession operation and compliance with relevant laws and regulations; and
- (8) Discussed and approved twenty five (25) internal audits planned for the year 2009 covering existing local and overseas projects and key processes of the construction business;
- (9) Visited nine (9) on-going projects, both locally and in the Middle East, together with the Manager - Internal Audit;
- (10) Reviewed the related party transactions entered into by the Company and its subsidiaries;
- (11) Reviewed and verified that options allocated and granted during the year under the Company's Employees Share Option Scheme ("ESOS") were in accordance with the allocation criteria approved by the Options Committee and in compliance with the By-Laws of the ESOS.

D. INTERNAL AUDIT FUNCTION

The in-house Group Internal Audit Department ("GIA"), which reports directly to the Audit Committee, assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the organisation's management records, accounting policies and controls to the Audit Committee. The total cost incurred for the Group's internal audit function in respect of the financial year ended 31 December 2008 was approximately RM404,000/=.

A risk-based approach is used to ensure that the high risk activities in each auditable area are audited annually. Audits are prioritised according to an assessment of the potential risk exposures and are based on processes by which significant risks are identified, assessed and managed. Such audits also ensure instituted controls are appropriate and are effectively applied to achieve acceptable risks exposure.

Audit Committee Report (cont'd)

The scope of the internal audit function covers the review and evaluation of the risks exposure relating to the Group's governance, operations and information system as follows:-

- (a) Effectiveness and efficiency of operations;
- (b) Safeguarding of assets;
- (c) Reliability and integrity of financial and operational information;
- (d) Compliance with policies and procedures, laws, regulations and contracts; and
- (e) Recommend appropriate controls to overcome deficiencies and to enhance operations.

The GIA carries out its activities according to the audit plan approved by the Audit Committee. It also conducts follow-up reviews to monitor and ensure that audit recommendations are effectively implemented. The internal audit reports which include action plans as agreed with the operational level management, are circulated to Senior Management and tabled at the Audit Committee meetings.

E. ACTIVITIES OF THE INTERNAL AUDIT FUNCTION IN 2008

The GIA conducts regular reviews and appraisals to give assurance to the Board on the efficiency and effectiveness of the system of internal control. The GIA comprises four (4) staff including a Manager – Internal Audit, a Senior Executive and two (2) Junior Executives.

For the year 2008, reviews and appraisal conducted by GIA are based on the approved Internal Audit Plan which was developed based on risks associated with the business and activities carried out by the Group.

The main activities of the GIA include:-

- (1) Performing operational audit on the following areas:-
 - (a) On-going projects and other businesses of the Group.
 - (b) System administration and support service.
 - (c) Reviewing compliance with the policies, procedures and applicable laws and regulations.
- (2) In 2008, the GIA completed twenty nine (29) audits. Of these, twenty one (21) are planned audits while the remaining eight (8) are ad-hoc or unplanned audits. The types of audits undertaken are summarised below:-

Type of Audit	No. of Audits Conducted
On-going projects	14
Other business	4
System administration and support service	9
Investigation	2
	29

- (3) Undertaking investigation on any suspicion of fraud or operational failure reported within the Group.
- (4) Conducting follow-up on audit recommendations raised in each audit report to ensure that corrective and preventive action has been implemented accordingly by the auditee and provided updates on the status of such actions in internal audit report.
- (5) Visited nine (9) on-going projects (local and overseas) together with Audit Committee Members to discuss with Project Management team on matters and issues related to the project to enable the independent directors to have adequate information on the operations of each project.
- (6) During their visits to the overseas projects, the Independent Directors, accompanied by the Internal Auditor, also met with the respective external auditors in Abu Dhabi (BDO Patel), Bahrain (BDO Jawad Habib) and Qatar (Ernst & Young) to obtain their opinions on the overseas projects audited by them.