

C DIRECTORS' REPORT

The Directors have the pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to subsidiaries.

The principal activities of the Group consist of Specialised Pipe Coating and Corrosion Protection Services; EPC, Fabrication and Rental of Gas Compressors and Process Equipment; E&P Products and Services; Infrastructure and Building Materials; and Agro-based Engineering.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year attributable to:		
- Equity holders of the Company	121,322	42,748
- Minority interests	84,917	-
Net profit for the financial year	206,239	42,748

DIVIDENDS

The dividends paid or declared since the end of the previous financial year were as follows:

In respect of financial year ended 31 December 2008:

2nd interim dividend of 3.0 sen per share comprising:

- (i) gross dividend of 1.5 sen per share less 25% income tax; and
- (ii) tax exempt dividend of 1.5 sen per share;

amounting to RM17,608,421, paid on 28 April 2009.

In respect of financial year ended 31 December 2009:

- (a) 1st interim tax exempt dividend of 2.5 sen per share amounting to RM17,043,665, paid on 15 October 2009.
- (b) On 23 February 2010, the Directors declared the following 2nd interim dividend comprising:
 - (i) tax-exempt cash dividend of 3.0 sen per share; and
 - (ii) special tax-exempt share dividend to be distributed from the treasury shares of Wah Seong Corporation Berhad ("WSC") on the basis of one (1) WSC treasury share for every one hundred and twenty (120) existing WSC ordinary shares of RM0.50 each held at the entitlement date. Based on the share price of WSC shares of RM2.35 each on 31 December 2009, the value of the share dividend per WSC share is equivalent to an approximate gross cash dividend of 1.96 sen.

The entitlement date of the 2nd interim dividend was fixed as 25 March 2010 and the amount will be paid/credited into the entitled shareholders' securities accounts on 13 April 2010.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2009.



RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM328,499,992.00 to RM343,369,660.50 by way of issuance of 29,739,337 new ordinary shares of RM0.50 each resulting from the conversion of 11,895,735 3% Irredeemable Convertible Unsecured Loan Stocks 2002/2012 ("ICULS") at the rate of RM1.00 nominal amount of ICULS for two and a half fully paid ordinary shares of RM0.50 each in the Company, details of which are disclosed in Note 26 to the financial statements.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company except that the shares issued on conversion of ICULS ("New Shares") were not entitled to any dividend, rights, allotment and/or other distribution that were declared, made or paid prior to the date of allotment of the New Shares.

The Company did not issue any debentures during the financial year.

TREASURY SHARES

Details of the treasury shares are set out in Note 24 to the financial statements.

During the financial year, the treasury shares of the Company were increased from 4,793,900 to 5,508,000. The Company purchased 714,100 of its issued share capital from the open market on Bursa Malaysia Securities Berhad for RM1,485,527. The average price paid for the shares purchased during the financial year was approximately RM2.08 per share.

Subsequent to the financial year ended 31 December 2009, a total of 5,857,451 treasury shares were declared as share dividend by the Directors on 23 February 2010 to be distributed to the shareholders for the financial year ended 31 December 2009, on the basis of one (1) treasury share for every one hundred and twenty (120) existing WSC ordinary shares of RM0.50 each held at the entitlement date of 25 March 2010 (fractions of treasury shares to be disregarded).

DIRECTORS

The Directors in office since the date of the last report are:

Robert Tan Chung Meng
 Chan Cheu Leong
 Giancarlo Maccagno
 Halim Bin Haji Din
 Pauline Tan Suat Ming
 Tan Sri Dato' Dr. Lin See Yan
 Tan Sri Ab Rahman Bin Omar
 Jen (B) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin

In accordance with the Company's Articles of Association, Mr. Chan Cheu Leong and Mr. Giancarlo Maccagno shall retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Tan Sri Dato' Dr. Lin See Yan retires pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offers himself for re-appointment to hold office until the conclusion of the next Annual General Meeting of the Company.

C DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SHARES, ICULS AND WARRANTS

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act, 1965, none of the Directors who held office at the end of the financial year held any shares or had any interests in ICULS and/or Warrants in the Company and its related corporations during the financial year except as follows:

	Number of ordinary shares of RM0.50 each			
	As at 1.1.2009	Acquired/ ICULS Conversion	Disposed	As at 31.12.2009
<u>The Company</u>				
Robert Tan Chung Meng				
- direct interest	10,646,203	-	-	10,646,203
- deemed interest ^{###}	191,973,175	27,125,000	-	219,098,175
Chan Cheu Leong				
- direct interest	17,895,466	-	-	17,895,466
- deemed interest ^{**}	40,929,326	-	-	40,929,326
Pauline Tan Suat Ming				
- direct interest	2,069,880	-	-	2,069,880
- deemed interest [#]	192,753,958	27,179,000	(72,000)	219,860,958
Tan Sri Ab Rahman Bin Omar				
- direct interest	354,167	-	(354,167)	-
Giancarlo Maccagno				
- direct interest	15,257,530	20,000	-	15,277,530
Jen (B) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin				
- direct interest	-	30,000	-	30,000

	Number of ordinary shares of Baht 100 each			
	As at 1.1.2009	Acquired	Disposed	As at 31.12.2009
<u>Subsidiary</u>				
PPSC (Thailand) Limited				
Chan Cheu Leong				
- direct interest [^]	1	-	-	1
Giancarlo Maccagno				
- direct interest [^]	1	-	-	1

	Number of ICULS of RM1.00 each			
	As at 1.1.2009	Acquired	Converted	As at 31.12.2009
<u>The Company</u>				
Robert Tan Chung Meng				
- deemed interest [@]	46,078,789	-	(10,850,000)	35,228,789
Pauline Tan Suat Ming				
- deemed interest [@]	46,078,789	-	(10,850,000)	35,228,789

DIRECTORS' REPORT (CONTINUED)



DIRECTORS' INTERESTS IN SHARES, ICULS AND WARRANTS (CONTINUED)

	As at 1.1.2009	Number of Warrants		As at 31.12.2009
		Acquired	Disposed	
<u>The Company</u>				
Robert Tan Chung Meng				
- direct interest	1,878,743	-	-	1,878,743
- deemed interest ^{##}	54,207,824	-	-	54,207,824
Chan Cheu Leong				
- direct interest	3,185,450	-	-	3,185,450
- deemed interest [*]	7,638,174	-	-	7,638,174
Pauline Tan Suat Ming				
- direct interest	365,273	-	-	365,273
- deemed interest [#]	54,353,376	170,000	-	54,523,376
Tan Sri Ab Rahman Bin Omar				
- direct interest	62,501	-	-	62,501
Giancarlo Maccagno				
- direct interest	2,256,996	-	(1,076,996)	1,180,000

By virtue of their interests of more than 15% in the shares of the Company, Robert Tan Chung Meng and Pauline Tan Suat Ming are deemed to be interested in the shares in all the subsidiaries to the extent that the Company has an interest.

^{##} Deemed interest held through Wah Seong (Malaya) Trading Co. Sdn Bhd ("WST"), Wah Seong Enterprises Sdn Bhd ("WSE") and Tan Kim Yeow Sendirian Berhad ("TKYSB") pursuant to Section 6A of the Companies Act, 1965 ("Act").

^{*} Deemed interest held through Midvest Asia Sdn Bhd (formerly known as Midvest Holdings Sdn Bhd) ("MASB") pursuant to Section 6A of the Act.

^{**} Deemed interest held through MASB pursuant to Section 6A of the Act and include interests of his spouse and children.

[#] Deemed interest held through WST, WSE and TKYSB pursuant to Section 6A of the Act and include interests of her spouse and children.

[^] Held in trust for PPSC (HK) Limited.

[@] Deemed interest held through WST pursuant to Section 6A of the Act.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the financial statements or the fixed salary of a full-time employee of the Company and its subsidiaries) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

C DIRECTORS' REPORT (CONTINUED)

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
 - (ii) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading; or
 - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year other than those disclosed in Note 45 to the financial statements.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations as and when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) other than those disclosed in the financial statements, the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 12 April 2010.

CHAN CHEU LEONG
DIRECTOR

HALIM BIN HAJI DIN
DIRECTOR

Kuala Lumpur