



## MANAGING DIRECTOR/ GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

Dear Shareholders,

Wah Seong Corporation Berhad ("the Company") recorded positive results in the financial year ended 31 December 2009, in spite of the tailing effects of the global recession. It is my pleasure to present my annual review of the performance of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2009.



### Overall Financial Review

Wah Seong Corporation Berhad recorded a net profit of RM121.32 million, an improvement of 4.95% from RM115.60 million in the previous year. Despite the slight improvement in net profit, the Group registered a significant increase of 54.82% in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) to RM340.35 million from RM219.84 million achieved in 2008, contributing to a substantial increase in the overall Group's cash reserve and a significant reduction in net gearing level as at 31 December 2009. This was achieved even though revenue declined by 16.67% to RM1.95 billion from RM2.34 billion in 2008. The decrease was mainly due to lower turnover in the engineering and infrastructure/building materials businesses, the effect of disposal of pipeline contracting business in 2008 and also softer commodity prices during the year.

Segmentally, Pipe Coating and Pipe Manufacturing divisions contributed RM161.31 million and RM99.35 million respectively to the Group's EBITDA and RM341.25 million and RM496.68 million respectively to the Group's revenue. Whilst the Engineering division's revenue contribution was RM319.92 million and due to government stimulus policies, the Trading division achieved revenues of RM395.47 million. Renewable Energy, a new segment created from existing business generated revenue of RM225.03 million.

I am pleased to report that the overall financial position of the Group remained strong throughout the year. Total assets increased to RM2,206.74 million from RM2,129.59 million registered in 2008 whilst shareholders' funds grew 11.94% to RM885.62 million from RM791.17 million as at 31 December 2008. These improvements essentially reflect the results of management's sound and prudent financial management and its commitment to good corporate governance in enhancing long term shareholders' value.

Our order book currently stands at RM1.4 billion, of which RM770 million (55%) is contributed by the Pipe Coating division. The Engineering division which contributed RM238

million or 17% of the total order book, had experienced a slight setback in 2009 due to the freezing or deferment of many oil and gas infrastructure investments during the year. These adverse market conditions were generally experienced by the industry at large. However, with improving global economic prospects and steady recovery in crude oil and energy prices, we have seen a marked increase in the request for bids and awards in recent months and this is expected to have a positive impact for us in the later part of 2010.

### Corporate Strategy

Through prudent financial management and a continuing focus on cost efficiencies, the Group had been able to emerge from the 2008/09 global financial and economic turbulence stronger and with a healthier balance sheet. With improved fundamentals and renewed confidence, we are now ready to embark on a faster growth trajectory, both internally and via Mergers and Acquisitions (M&As) in our core businesses.

We are particularly pleased with our timely investment in coating facilities at our Kuantan plant in 2007/08, which had enabled us to secure several major deepwater pipe coating contracts including Turkmenistan Block 1 Gas Development by Petronas Carigali, Gumusut-Kakap Deepwater Project by Shell & Petronas Carigali and most recently, the USD 162.86 million Gorgon contract. As oil and gas reserves diminish, the future of deepwater oil and gas exploration and production becomes immensely promising. Our global presence, especially in the corrosion protection and pipe coating sector, is fast gaining ground and recognition due to our strong technical and production capabilities as well as an excellent track record. During the year, we were successful in acquiring the 32.52% minority stake held by Socotherm SpA in our pipe coating business in Malaysia for a total consideration of €15.50 million (approximately RM81.36 million). We intend to focus more resources to further expand in this sector where we are gaining global competitiveness.

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Global demand for energy will always be increasing due to a rapidly growing population and higher urbanisation rates especially in the developing economies. In line with this trend, we will be expanding our renewable energy business in PMT through a more proactive growth strategy. In order to sustain a steady and higher dividend policy in the long run, we will be actively pursuing business and investment opportunities in the energy infrastructure sector with recurring income.

In every successful corporation, its key investments are always its people. People management capabilities and talent retention are major reasons our Group has its success today. We invest in the personal and professional development of our people relentlessly. Motivating and bringing out the best in all our employees are an important KPI for all managers in our performance-driven organisation. We will continue to focus on and commit to leadership development, talent management and succession planning at all levels.

### Corporate Governance

We are deeply committed in ensuring that the highest standards of corporate governance are being adhered to throughout the Group.

We view sound corporate governance as a fundamental responsibility to further enhance shareholders' long-term value. Our Group has developed, and is continually strengthening a set of policies and management systems that are aimed at creating a strong culture of transparency and accountability. Our policies laid out in the Principles of Business Conduct are strictly enforced and disseminated clearly to employees, contractors and vendors, partners and associates so that each individual has a complete understanding of the Group's expectations.

There are three committees established to oversee the operational and strategic needs of the Group. They are Group Finance Committee, Business Units Executive Committee and, most recently a formalised Risk Management Committee.

The main purpose of the establishment of the Risk Management Committee is to assist the Board of Directors to discharge their responsibilities in relation to the Group's corporate governance and risk management structure. We believe effective risk management is at the heart of good corporate governance and integral to the achievement of the Group's business objectives.

### Branding Wasco Energy

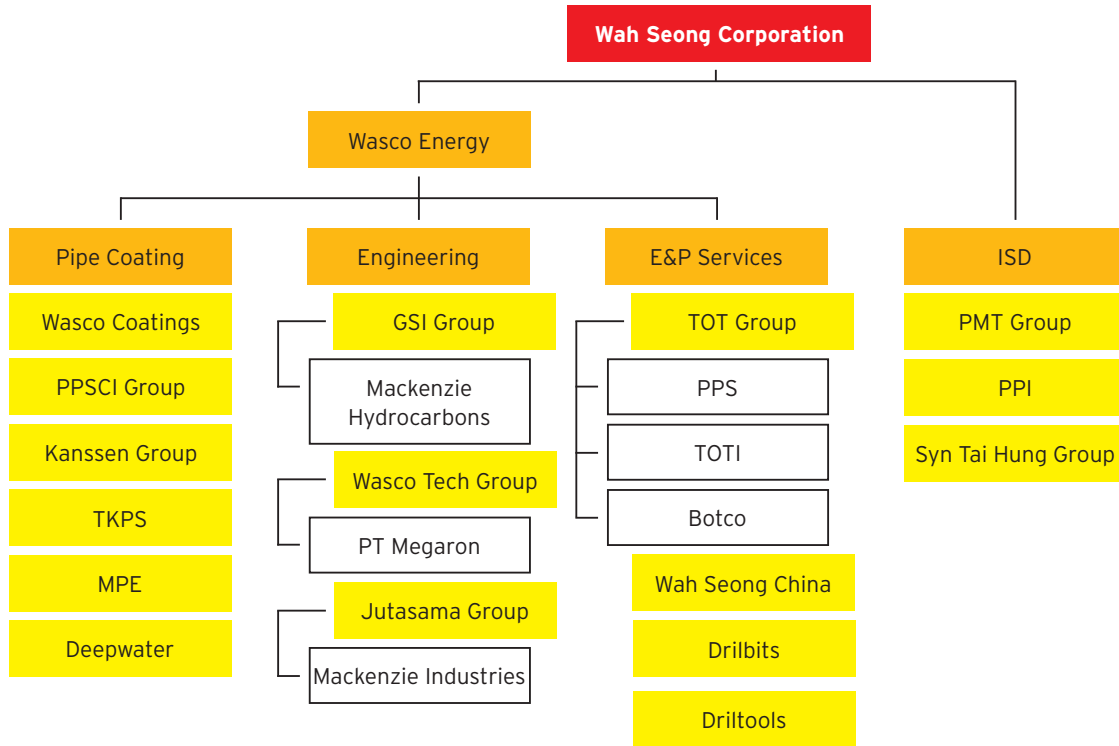
In alignment with our long term strategy of growth and transformation, the Group has also invested in the repositioning and re-branding of its wholly owned subsidiary, Wasco Energy Group to prepare itself for global expansion. Brand strategy planning was initiated in early 2009. Focus groups, surveys and many brainstorming sessions guided us towards the consolidation of our business divisions and the streamlining of our distinguished but fragmented brand equity into one major unified brand platform - that is the Wasco Energy Group brand.

As part of this initiative, the Group had also taken the opportunity to streamline its business management structure.

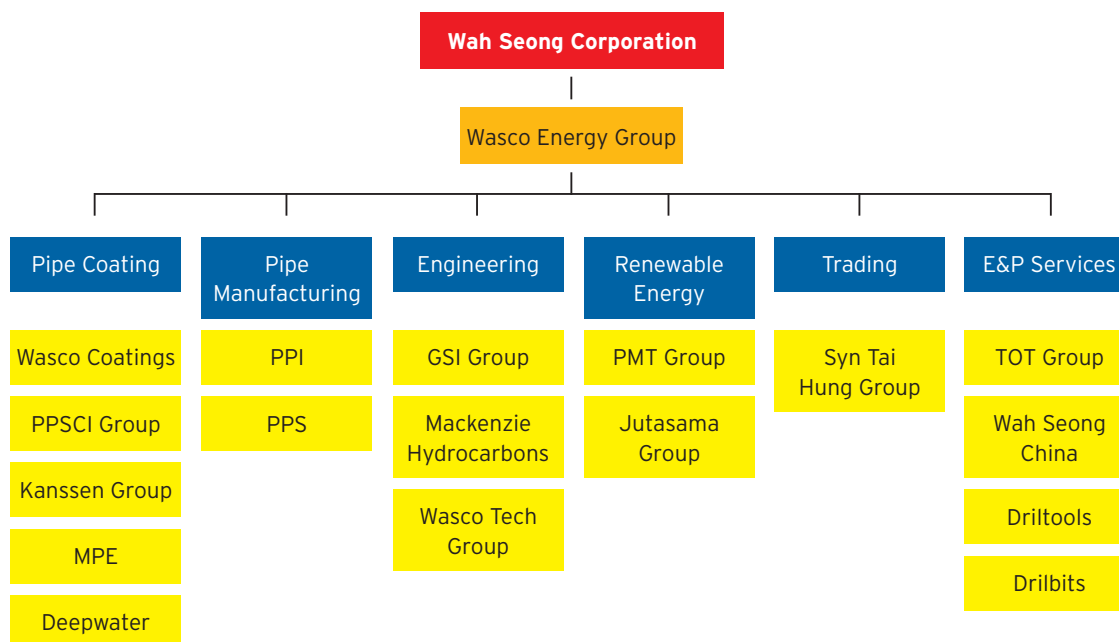
Traditionally, Wasco Energy spearheads the group's oil & gas services division. Drilled down, its key business units are (1) Specialised Pipe Coating and Corrosion Protection Services, (2) EPC, Fabrication and Rental of Gas Compressors and Process Equipment and (3) E&P Products and Services.

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The Group's other businesses comprising (1) Infrastructure/ Building Materials and (2) Agro-based Engineering were under the Industrial Services Division ("ISD").



As a result of the restructuring of the Group, Wasco Energy will now spearhead 6 divisions comprising Pipe Coating, Pipe Manufacturing, Engineering, Renewable Energy, Trading, and E&P Services. This exciting move will open up more opportunity for achieving greater synergies and focus within each business division.



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As one brand and one consolidated enterprise, we aim to be a globally integrated energy infrastructure group with one shared vision, mission and one set of globally relevant values. Wasco Energy's brand promise, 'partnerships and commitment', will initiate our mark for the upcoming decade, guided by sound core values and clear corporate philosophies.

### Human Resources

At the heart of the Group's re-branding effort is its inextricable link to our values and guiding principles. After much internal reflection and dialogue, our entrenched MPT values (Meritocracy with humanity, Professionalism and transparency, Teamwork minus politics) have been given a facelift and now endure in a form which we believe is current and relevant to where the business is heading.

These are:

- We are passionate about what we do
- We deliver our commitments to customers
- We hold ourselves and each other to the highest standards of professionalism, accountability, integrity and transparency
- We are a caring and responsible organisation
- We work together to create an open, friendly and safe workplace
- Performance, merit and equal opportunity are the cornerstone of our rewards philosophy
- We are intolerant to waste

Only sustainable profit and growth will perpetuate our business and enable all of the above

The Group will continue to invest in and nurture a dynamic, vibrant and performance oriented workforce and a working environment that is conducive to making all our values come alive.

At a systems level, the Group is still focusing its Human Resources efforts on alignment and integration. We see our integrated performance management system as the heart of our Group talent management program.

With the evolution of this system within the Group, we have been able to design programs aimed at developing specific management and leadership competencies across the organisation. We have also been able to make the link between performance, development and compensation a much more transparent one within the Group.

### Outlook for the year 2010

With an improved global economic outlook and strong recovery in crude oil and energy prices, there has been an increase in request for bids and contracts awarded in recent months. Gas infrastructure projects that were in planning stages earlier are now being activated. The pipe coating, engineering, and E & P services divisions are expected to benefit from these projects.

The pipe manufacturing, renewable energy and trading divisions can also expect to benefit from projects generated by government stimulus packages and from the continuous recovery of the Malaysian and regional economies in 2010.

The group's continuing focus on operational efficiencies, prudent financial management, rationalisation and cost control, as well as greater emphasis on risk management are producing positive results. Barring unforeseen circumstances, we expect favourable improvements in the Group's fundamentals and performance in 2010 and beyond.



### Acknowledgement

Finally, I would like to express my utmost gratitude to the management and employees of the Group for their tireless efforts and commitment to the Group throughout the year.

I would also like to sincerely thank the Board of Directors for their inestimable guidance and direction, and to all shareholders, clients, partners, suppliers, bankers, government authorities and other business associates for their steadfast support and cooperation.

### Chan Cheu Leong

Managing Director / Group Chief Executive Officer