

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 2010.

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.

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:		
- Owners of the Company	55,981	49,481
- Non-controlling interests	8,971	-
Net profit for the financial year	64,952	49,481

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 2009:

2nd interim dividend paid/credited into the entitled shareholders securities accounts on 13 April 2010:

- (i) tax-exempt cash dividend of 3.0 sen per share amounting to RM21,100,240; and
- (ii) 5,857,451 treasury shares distributed to the shareholders of Wah Seong Corporation Berhad ("WSC") 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 on 25 March 2010 as special tax-exempt share dividend.

In respect of financial year ended 31 December 2010:

- (a) On 25 August 2010, the Directors declared a first interim tax exempt cash dividend of 2.0 sen per share amounting to RM14,477,925, paid on 1 October 2010.
- (b) On 17 February 2011, the Directors declared a second interim tax exempt cash dividend of 2.5 sen per share amounting to RM18,421,927, paid on 1 April 2011.

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2010.

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 RM343,369,660.50 to RM361,970,910.50 by way of issuance of 37,202,500 new ordinary shares of RM0.50 each resulting from the conversion of 14,881,000 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 27 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

During the financial year, the Company purchased 415,000 of its issued share capital from the open market on Bursa Malaysia Securities Berhad for RM976,999. The average price paid for the shares purchased during the financial year was approximately RM2.35 per share.

On 13 April 2010, a total of 5,857,451 treasury shares were distributed to the shareholders on the basis of one (1) treasury share for every one hundred and twenty (120) existing Wah Seong Corporation Berhad ordinary shares of RM0.50 each held at the entitlement date on 25 March 2010 as special tax exempt share dividend.

As at 31 December 2010, the number of treasury shares held by the Company was 65,549 shares.

Details of the treasury shares are set out in Note 25 to the financial statements.

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

DIRECTORS' REPORT

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 Share ^{^^}				As at 31.12.2010
	As at 1.1.2010	Bought	ICULS conversion	dividends received	
<u>The Company</u>					
Robert Tan Chung Meng					
- direct interest	10,646,203	-	-	88,718	10,734,921
- deemed interest ^{t##}	219,098,175	-	37,200,000	2,013,316	258,311,491
Chan Cheu Leong					
- direct interest	17,895,466	75,000	-	149,128	18,119,594
- deemed interest ^{**}	40,929,326	50,000	-	341,074	41,320,400
Giancarlo Maccagno					
- direct interest	15,277,530	-	-	127,312	15,404,842
Pauline Tan Suat Ming					
- direct interest	2,069,880	-	-	17,248	2,087,128
- deemed interest ^{t#}	219,860,958	-	37,200,000	2,019,671	259,080,629
Jen (B) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin					
- direct interest	30,000	-	-	250	30,250

	Number of ordinary shares of Baht 100 each			As at 31.12.2010
	As at 1.1.2010	Acquired	Disposed	
<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 31.12.2010
	As at 1.1.2010	Acquired	Converted	
<u>The Company</u>				
Robert Tan Chung Meng				
- deemed interest [@]	35,228,789	-	(14,880,000)	20,348,789
Pauline Tan Suat Ming				
- deemed interest [@]	35,228,789	-	(14,880,000)	20,348,789

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

	Number of Warrants with an exercise price of RM3.17 per ordinary share			As at 31.12.2010
	As at 1.1.2010	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
Giancarlo Maccagno				
- direct interest	1,180,000	-	-	1,180,000
Pauline Tan Suat Ming				
- direct interest	365,273	-	-	365,273
- deemed interest [#]	54,523,376	-	-	54,523,376
Tan Sri Ab Rahman Bin Omar				
- direct interest	62,501	-	-	62,501

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 of 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. ("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 Wasco Coatings HK Limited (formerly known as PPSC (HK) Limited).

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

^{^^} Arising from the distribution by Wah Seong Corporation Berhad ("WSC") of a special tax-exempt share dividend on the basis of one (1) WSC treasury share for every one hundred and twenty (120) WSC ordinary shares of RM0.50 each held in WSC.

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown in Notes 39 and 47 to the financial statements) 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.

OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position 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.
- (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.

OTHER STATUTORY INFORMATION (CONTINUED)

- (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) 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 14 April 2011.

CHAN CHEU LEONG
DIRECTOR

HALIM BIN HAJI DIN
DIRECTOR

Kuala Lumpur