

# WAH SEONG CORPORATION BERHAD (Company No: 495846-A)

Quarterly Report on Consolidated Results for the Quarter Ended 30/6/2002.

The figures have not been audited.

## NOTES TO THE QUARTERLY RESULTS

### 1. Accounting policies

The financial statements of the Group are prepared using the same accounting policies and methods of computation as those used in the preparation of the most recent annual financial statements.

### 2. Exceptional items

The exceptional items for the current quarter represents gain/(loss) arising from:

	<b>RM'000</b>
Write back of provision in relation to collateral provided	12,342
Waiver of interest	62,673
Proposed waiver of debts under the proposed debt restructuring scheme	180,580
Restructuring exercise and listing expenses	(2,642)
	<u>252,953</u>

### 3. Extraordinary items

There were no extraordinary items for the current quarter .

### 4. Taxation

Taxation comprises the following:

<b>Particulars</b>	<b>Current year quarter 30/6/2002 RM'000</b>	<b>Current year to date 31/12/2002 RM'000</b>
Based on results for the quarter/year	6,643	6,643
Transfer to deferred taxation	-	-
Tax expense	<u>6,643</u>	<u>6,643</u>
Under/(Over) provision in prior year	<u>-</u>	<u>-</u>
	<u>6,643</u>	<u>6,643</u>

The effective tax rate of the Group was lower than the statutory tax rate mainly due to the following:

- i) availability of unutilized tax losses and unabsorbed capital allowances;
- ii) different treatment of certain expenses for accounting and tax purposes; and
- iii) availability of reinvestment allowances claimed under Schedule 7A of the Income Tax Act, 1967.

## 5. Sale of unquoted investments and/or properties

For the financial period ended 30 June 2002, the Group recorded a net profit on disposal of land of RM1.17 million.

## 6. Purchase or disposal of quoted securities

(a) Total purchase and sales of quoted securities for the current financial period ended 30 June 2002 are as follow:-

	Current Quarter RM'000	Current Year to date RM'000
Purchases	-	-
Disposal	487	487
Gain on Disposal	162	162

(b) Investment in quoted securities as at 30 June 2002 are as follow:

	RM'000
At cost	12,435
At carrying value/ book value	12,235
At market value	12,273

## 7. Changes in the composition of the Group

Save as disclosed in Note 8 below. There was no change in the composition of the Group for the current quarter and financial year-to-date.

## 8. Status of corporate proposals

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Wah Seong Corporation Berhad ( WSC) on the Main Board of the KLSE, the Company undertook a restructuring scheme which involved the following:-

### (a) Debts Restructuring, Capital Reduction and Consolidation and Share Premium Reduction in Perdana Industri Holdings Berhad (PIHB)

- Divestment all the eight subsidiary companies of PIHB based on the management financial statements at 15th May 2002 at a consideration of RM1.00 for each subsidiary and the crystallisation of the corporate guarantees given to certain lenders of the divested subsidiary companies in accordance to the workout proposal and modified workout proposal dated 11 Feb 2000 and 23 August 2001 respectively.

The divestments were completed on 15<sup>th</sup> May 2002.

- The Debt Restructuring of PIHB which involved the settlement of debts owed to creditors amounting to RM284,759,409 were settled by the issue of 118,569,280 ordinary shares of RM0.50 each in WSC. A portion of the remaining debts was settled by the issue of redeemable preference shares in PIHB and the balance which include interest accrued of approximately RM62,673,000 was written off.
- The restructuring scheme was completed 24<sup>th</sup> May 2002 except for the issuance of redeemable preference shares in PIHB.

- Capital reduction of 35,873,133 ordinary shares of RM1 each to 35,873,133 ordinary shares of RM0.08 each and the entire share premium reduction of RM3,922,845. The total credit arising from the capital reduction and cancellation of share premium of RM36,926,127 were utilised to reduce the accumulated losses of PIHB. Following the reduction of capital, the existing issued and paid-up share capital of PIHB comprising 35,873,133 ordinary share of RM0.08 each were consolidated to 2,869,851 ordinary shares of RM1 each.

The capital reduction, share premium reduction and consolidation of share capital of PIHB were completed on 14<sup>th</sup> June 2002.

**(b) Share Swap**

- The consolidated shares in PIHB were exchanged with new WSC ordinary shares on the basis of 2 new WSC ordinary shares of RM0.50 each for every one consolidated share of PIHB.

The share swap was completed on 14<sup>th</sup> June 2002.

**(c) Acquisitions**

The Acquisitions involving a total purchase consideration of RM179.0 million were undertaken simultaneously and include the following:-

- (i) the acquisition of Wah Seong Industrial Holdings Sdn Bhd and its subsidiaries and associates Group for a total purchase consideration of RM164.5 million comprising the following:-
  - (a) the Wah Seong Industrial Holdings Sdn Bhd group of companies including an additional 13.01% equity interest in Petro-Pipe Industries (M) Sdn Bhd were acquired by WSC.; and
  - (b) the 27.61% equity interest in Syn Tai Hung Corporation Sdn Bhd not held by Petro-Pipe Industries (M) Sdn Bhd and Wah Seong Industrial Holdings Sdn Bhd were acquired by WSC.
- (ii) the acquisition of Industrial Property situated at Section 13 Industrial Area, Petaling Jaya for a net purchase consideration of RM14.5 million

The purchase consideration of RM179.0 million was satisfied as follows:-

- (a) 50% of the purchase consideration through the issuance of 179,000,002 new ordinary shares of RM0.50 each in WSC at par; and
- (b) the remaining purchase consideration through the issuance of RM89.5 million nominal value of 10-year 3% ICULS issued by WSC.

The above acquisitions were completed on 21 May 2002.

**(d) Restricted Offer for Sale**

To meet the public spread requirement, a Restricted offer of sale of 54,837,000 ordinary shares of RM0.50 each at an offer price of RM0.50 per share payable in full on application was implemented and comprised of as follows-

- (1) 31,247,00 ordinary shares of RM0.50 each by way of private placement;
- (2) 16,768,000 ordinary shares of RM0.50 each were available for application by shareholders of PIHB whose names appeared on the record of depositories at 5.00p.m on 23<sup>rd</sup> May 2002. Out of this allocation, 12,107,869 ordinary shares of RM0.50 each were subscribed by the shareholders of PIHB. The remaining 4,660,131 ordinary shares of RM0.50 each were underwritten by the managing underwriter.
- (3) 6,822,000 ordinary shares of RM0.50 each were subscribed in full by employees of WSC and its subsidiary companies , and

Restricted offer for sale of RM144,000 nominal value of Irredeemable Convertible Unsecured Loan Stock (“ICULS”) at an offer price of RM1.00 per ICULS by way of private placement.

#### (e) Listing and Quotation

The entire enlarged issued and fully paid-up share capital of WSC comprising 303,308,988 ordinary shares of RM0.50 each and RM89,499,999 nominal value of RM1.00 each of 2002-2012 10 year 3% irredeemable Convertible Unsecured Loan Stock were admitted to the official list of Kuala Lumpur Stock Exchange (“KLSE”). The date of successful listing of and quotation on the Main Board of KLSE was on 9 July 2002 and concurrently PIHB was delisted.

#### 9. Issuance and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current quarter and financial year-to-date.

#### 10. Group borrowings and debt securities

Group Borrowings	Secured RM'000	Unsecured RM'000	Total RM'000
<b>Short term borrowings</b>			
Bank overdraft	4,310	1,926	6,236
Bankers' acceptance	49,870	34,956	84,826
Revolving Credit	-	5,700	5,700
Term loans	2,246	-	2,246
Hire purchase creditors	39	-	39
<b>Sub-total</b>	56,465	42,582	99,047
<b>Long term borrowings</b>			
Term loans	16,415	9,947	26,362
Hire purchase creditors	108	-	108
<b>Sub-total</b>	16,523	9,947	26,470
<b>Total Borrowings</b>	72,988	52,529	125,517

The above Group borrowings are denominated in Ringgit Malaysia.

### 11. Contingent liabilities

The Group does not have any contingent liabilities as at 8<sup>th</sup> August 2002.

### 12. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 8<sup>th</sup> August 2002.

### 13. Material litigation

Save as disclosed below, there were no material litigations pending since 31 December 2001 up to 8<sup>th</sup> August 2002.

- (a) (i) Petro Pipe Industries (M) Sdn Bhd (“PPI”) had on the 9 May 2001 filed a Writ on Summons at the Penang High Court against Kingsar Sdn Bhd (“Kingsar”) for a principal sum of RM580,100 being the balance amount due in relation to the supply of pipes by PPI to Kingsar. As the said Kingsar had not entered Appearance within the stipulated period, Judgment in Default of Appearance was entered against the said Kingsar on the 8 June 2001. Subsequently, pursuant to an Application by Kingsar to set aside the Judgment in Default, the said Judgment in Default was set aside by the Court. PPI’s Solicitors have advised that an Application for Summary Judgement be filed against Kingsar. Kingsar’s Solicitors in the meanwhile are requesting that the matter be transferred to the Miri High Court as Kingsar has its place of business in Miri. Kingsar’s Solicitors have also, in their proposed Draft Defence and Counterclaim prepared in support of their Application to set aside the Judgment in Default, put forward a Counterclaim against PPI for the sum of RM1,356,014.

PPI’s Solicitors are in the opinion that PPI should obtain Judgment against Kingsar for the sum of RM580,100 and also has an arguable defence to any counterclaim by Kingsar.

- (a) (ii) PPI had on 10 May 2002 filed a Winding Up Petition (“Petition”) at the Kuala Lumpur High Court against Fieldwork Engineering Sdn Bhd (“Fieldwork”/“the Respondent”) for the principal sum of RM1,289,227.22 being balance purchase price for goods sold and delivered at the orders or request of Fieldwork.

The Respondent, through their solicitors, has served three Notices of Motion to *inter alia*, adjourn and apply for a stay of the Winding Up Petition on 2 August 2002. On 6 August 2002, the Respondent’s three Notices of Motion were adjourned for mention by the Court and the Petition was fixed for continued hearing to 28 August 2002.

PPI’s solicitors are of the opinion that PPI should be able to obtain the relevant Winding Up Order against Fieldwork.

- (b)(i) Petro-Pipe Concrete Piles Sdn Bhd (“PPCP”) had on 12 May 1998 filed a Writ of Summons At High Court at Kuala Lumpur against C.T.A. Realty Sdn Bhd (“CTA”), CTA for the principal sum of RM806,031.70 being the balance price for concrete piles supplied to CTA and Cygal Berhad (“CYCAL”) as guarantor for CTA. On the advise of PPCP’s solicitors, an application for final judgement to be entered summarily (“the Application”) against CTA and CYGAL was subsequently made on 10 June 1998. The Application was heard on 23 July 1998 wherein the same was adjourned to enable CTA and CYGAL to appeal against the preliminary ruling of the Court in favour of PPCP.

On 4 August 1998, CTA and CYGAL obtained a restraining order vide OS No. D4-24-330-98. The scheme of arrangement pursuant to Section 176 of the Companies Act 1965 (“the Scheme”) was sanctioned by the Court on 23 December 1999 and approved by the creditors ( inclusive of financial institutions) sometime in August

2001 wherein, CYGAL shall, among others, issue Irredeemable Unsecured Loan Stock ( "ICULS") to its creditors.

PPCP's solicitors have been informed by CTA and CYCAL's solicitors that save for the Securities Commission approval to the composite scheme of arrangement, the remainder of the relevant authorities have given their approval.

CTA and CYGAL's solicitors have further confirmed that the Securities Commission was making a formal announcement pertaining to the composite scheme before the end of August 2002.

- (b)(ii) PPCP's claim against Zap Piling (M) Sdn Bhd, Classic Landmark(M) Sdn Bhd , Chor Chong Lean and Ng Kok Seng ( " the Defendants") is for RM1,620,191.45 ( interest plus principal sum of RM 1,406,258.84). The claim against Zap Piling (M) Sdn Bhd and Classic Landmark (M) Sdn Bhd ate based on guarantee and indemnity dated 18 November 1994 are as Contractor and Developer respectively of a project whereby goods were sold and delivered to them by PPCP whereas, PPCP's claim against Chor Chong Leen and Ng Kok Seng.

There was a counterclaim filed by Classic Landmark (M) Sdn Bhd for alleged losses and damages with an unspecified liquidated sum. However, when the matter came up for hearing under Case Management by the Court on 12 March 2002, PPCP's solicitors, Messrs On Seng Dee Co, were informed by the solicitor for Zap Piling (M) Sdn Bhd that Classic Landmark (M) Sdn Bhd had already been wound up. Meantime, with respect to the claim against Zap Piling (M) Sdn Bhd, Chor Chong Lean and Ng Kok Seng, the court has advised the parties to try to settle this matter. According to the PPCP's solicitors, there is no basis for Classic Landmark's counter claim against PPCP should be able to obtain judgement against the remaining Defendants.

There is no material changes since the last hearing date except that the next hearing date for Case Management has been fixed by the Court on 3 October 2002 pending settlement of the same.

#### 14. Segmental reporting

<u>For the current quarter</u>	<b>Revenue RM'000</b>	<b>Profit before income tax RM'000</b>	<b>Assets employed RM'000</b>
<b>Oil &amp; Gas</b>	135,384	27,560	194,477
<b>Infrastructure</b>	46,333	1,076	163,346
<b>Industrial Engineering</b>	16,964	3,811	45,478
<b>Building Materials</b>	106,227	3,739	109,810
<b>Others</b>	737	*251,646	75,332
<b>Total</b>	305,645	287,832	588,443

\* Including RM253.0 million which comprise of the net surplus arising from write back of provision in relation to collateral provided, waiver of interest, waiver of debts under the debts restructuring scheme, realisation of losses upon liquidation of Perdana Industri Holdings Berhad's subsidiary companies and restructuring exercise and listing expenses.

#### 15. Material changes in the profit before taxation for the current quarter as compared with the immediate preceding quarter

Not applicable as this is the first reporting quarter for the Group.

**16. Review of performance of the Company and its principal subsidiary companies for the current quarter and financial year-to-date**

The revenue and profit before tax of the Group for the current quarter amounted to RM305.6 million and RM287.8 million respectively. This profit before tax includes exceptional items of RM252,953,000 (please refer Note 2 above). Excluding exceptional items, the profit before tax amounted to RM34.9million. Profit after tax (before pre-acquisition profit and exceptional items) amounted to RM12.1 million

**17. Subsequent event**

There were no material subsequent event since the end of the current quarter until the date which is not earlier than 7 days from the date of issuance of this quarterly report other than the successful listing of and quotation on the Main Board of KLSE on 9 July 2002.

**18. Seasonality and cyclicity of operations**

The Group's operations are not significantly affected by seasonal and cyclical factors.

**19. Current year prospect**

Barring any unforeseen circumstances, the Directors anticipate that the performance of the Group for the financial year ending 31 December 2002 will remain satisfactory.

**20. Variance on forecast profit and/or profit guarantee**

Not Applicable.

**21. Dividend**

No dividends are recommended for the current quarter.

By Order of the Board

Lam Voon Kean  
Joint Secretary

Penang

15 August 2002