

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

Quarterly Report on Consolidated Results for the Third Quarter and nine months ended 30/9/2002.

The figures have not been audited.

NOTES TO INTERIM FINANCIAL REPORT

1. Accounting policies

The interim financial report has been prepared in accordance with MASB 26 Interim Financial Reporting and Appendix 9B of the Kuala Lumpur Stock Exchange (KLSE) Listing Requirements. The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2001.

2. Qualification of Financial Statements

The audited report of the preceding annual financial statements was not subjected to any qualification.

3. Seasonal or cyclical factors

The Group's operation is not significantly affected by seasonal or cyclical factors.

4. Unusual items

Other than those stated in the notes, there are no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

5. Changes in estimates

There is no significant change in estimates of amounts reported in prior interim periods of the current.

6. Property, plant and equipment

A total fair value adjustment of approximate RM14.2 million arising from the listing exercise have been incorporated into the accounts of the Group.

For the financial period ended 30 Sept 2002, the Group recorded a net profit of RM1.2 million on disposal the following lands and buildings:

- 1) 2 pieces of land located on Bukit Kemuning, Selangor
- 2) 1 units of apartment in Bandar Sri Premaisuri, Kuala Lumpur
- 3) 2 units of Industrial land and properties in Butterworth, Perai Utara, Pulau Pinang.

7. Changes in the composition of the Group

(A) The changes in the composition of the Group as a result of the listing exercise are as follows: -

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 15th 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 24th 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 14th 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 14th 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 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) 31,247,000 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 23rd 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.

(B) Other changes in the composition of the Group are stated as follow:

- i) On 23rd July 2002, Syn Tai Hung Trading Sdn Bhd, a subsidiary in which the Company effectively owns 96.54% divested 20% equity interest in STH Sri Bulatan Sdn Bhd (Formerly known as IPS Project Supply Sdn Bhd) .STH Sri Bulatan is to undertake the business supplying building material to a network of hardware products in peninsular Malaysia .Consequently, WSC's equity interest in STH Sri Bulatan Sdn Bhd will be reduced from 96.54% to 77.23%.
- ii) On 26 July 2002, PPSC (HK) Limited, a subsidiary in which the Company effectively owns 34.37% had entered into Sale and Purchase of Shares Agreement with Socotherm S.P.A pursuant to the Memorandum of Understanding entered into between both parties on 3 February 2002 to inter alia, acquire a 50% equity stake in Socotherm's corporate investment in Socotherm (Shashi) Pipe Coating Co . Ltd in China for USD 1.380 million (equivalent to RM 5.244 million based in the exchange rate of RM3.80 to USD 1.00).
Consequently, WSC's equity interest in Socotherm (Shashi) Pipe Coating Co. Ltd through PPSC (HK) Limited in Socotherm (Shashi) Pipe Coating Co . Ltd will increase from 0% to 17.19%.
- iii) On 31 July 2002, Wah Seong Industrial Holdings Sdn Bhd , a wholly owned subsidiary of the Company, has further strengthened its equity interest in Jutasama Sdn Bhd , a sub-subsiary of the Company by acquiring an additional 806,358 shares of RM1.00 each representing 11.73% of the issued and paid up of Jutasama Sdn Bhd for a total cash consideration of RM3,870,518 @ RM4.80 per share .

The effective degree control in Jutasama by WSC through, Wah Seong Industrial Holdings Sdn Bhd and Syn Tai Hung Corporation Sdn Bhd , will in aggregate be increased from 71.49% to 83.22%

(C) Effect of the acquisitions in 3A, 3B (ii) & (iii) had the following effect on the Group

	RM'000
Property , plant and equipment	156,934
Current Assets	379,713
Current Liabilities	(407,540)
Long term Liabilities	(13,877)
Net Assets acquired	<u>115,230</u>
Goodwill on acquisition	62,464
Total purchase consideration	<u>(177,694)</u>
Purchase consideration discharged by shares issued	85,120
Purchase consideration discharged by ICULS issued	82,250
Add: Cash and cash equivalent of subsidiary acquired	52,536
Cash inflow on acquisition	<u><u>42,212</u></u>

(D) Effect of the divestment in 3B (i) had the following effect on the Group

	RM'000
Net Assets disposed	267
Reserve on Consolidation written off	(95)
Gain on disposal of subsidiary	95
Total proceed from disposal- cash consideration	<u><u>267</u></u>

8. Exceptional items

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

	Current quarter RM'000	Year to date RM'000
Write back of provision in relation to collateral provided	-	12,342
Waiver of interest	64	62,737
Proposed waiver of debts under the proposed debt restructuring scheme	-	180,580
Restructuring exercise and listing expenses	277	(2,365)
	<u>341</u>	<u>253,294</u>

9. Extraordinary items

There were no extraordinary items for the current quarter and year to dated..

10. Dividend

No dividends are recommended for the current quarter.

11. Segment information

	Revenue	Profit/ (Loss) before tax
	2002	9 months ended
	RM'000	2002
		RM'000
Oil and Gas	281,315	40,417
Infrastructure	82,225	2,054
Industrial Engineering	27,321	4,772
Building material	164,737	5,518
Others	2,032	# 251,340
	<hr/> 557,630	304,101
Inter-segment elimination	(76,184)	-
	<hr/> <hr/> 481,447	<hr/> <hr/> 304,101

#Including RM253.3 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.

12. Contingent liabilities

As at 14th Nov 2002 , the Company had contingent liability in respect of a guarantee issued to a local bank amounting to RM12.0 million for banking facilities extended to a wholly owned subsidiary .

13. 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.

14. Event subsequent to the balance sheet date

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 information required by KLSE's Listing Requirement

15. 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 year to date amounted to RM 481.477 million and RM304.101 million respectively. The profit before tax of RM314.101 mil comprise as follows:

	RM('000)
Profit before tax from operations	50,807
Exceptional Items	<u>253,294</u>
	<u>304,101</u>

The net profit to date amount to RM6.286 mil and is arrived as follows:

	RM('000)
Net profit from operation (before pre-acquisition profit and minority interest)	42,819
Exceptional items	<u>253,294</u>
	296,113
Pre-acquisition profit	
-which included exceptional items of	(253,294)
-from operations (from 1.1.2002 to 21.5.2002)	(10,498)
Minority interest	<u>(26,035)</u>
Net profit to date (from 22.5.2002 to 30.9.2002)	<u>6,286</u>

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

No material changes in the profit before taxation for the current quarter as compared with the immediate preceding quarter

17. 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.

18. Variance on forecast profit and/or profit guarantee

Not Applicable.

19. Taxation

Taxation comprises the following:

Particulars	Current year quarter 30/6/2002 RM'000	Current year to date 30/9/2002 RM'000
Based on results for the quarter/year to date	1,791	8,434
Transfer to deferred taxation	(465)	(465)
Tax expense	<u>1,326</u>	<u>7,970</u>
Under/(Over) provision in respect of prior year	19	19
	<u>1,345</u>	<u>7,988</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.
- iv) Profit from certain overseas subsidiaries which are not subjected to tax or enjoy certain tax exemption.

20. Unquoted investments and/ or properties

Other than those stated in the notes 6 & 7, there were no acquisition and disposal of unquoted investments and/ or properties.

21. Purchase or disposal of quoted securities

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

	Current Quarter RM'000	Current Year to date RM'000	
Purchases	235	-	-
Disposal	-	487	487
Gain on Disposal	-	61	61
Loss on Disposal	-	(101)	(101)

- (b) Investment in quoted securities as at 30 September are as follow:

	RM'000
At cost	12,671
At carrying value/ book value	12,471
At market value	11,640

22. Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement

23. Group borrowings and debt securities

Group Borrowings	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
Bank overdraft	1,004	1,147	2,151
Bankers' acceptance	40,759	27,683	68,442
Revolving Credit	-	15,029	15,029
Term loans	1,595	-	1,595
Hire purchase creditors	39	-	39
Sub-total	43,397	43,859	87,256
Long term borrowings			
Term loans	34,269	4,042	38,311
Hire purchase creditors	95	-	95
Sub-total	34,364	4,042	38,406
Total Borrowings	77,761	47,901	125,662

The above Group borrowings are denominated in Ringgit Malaysia.

24. Off balance sheet financial instruments

The Group does not have any financial instruments with off balance sheet risk as at 14th Nov 2002

25. Material litigation

Save as disclosed below, there were no material litigations pending since 1 January 2002 up to 14th November 2002.

- (a) (i) Petro-Pipe Industries (M) Sdn Bhd (“PPI”) had on 9 May 2001 filed a Writ of Summons at the Penang High Court against Kingsar Sdn Bhd (“Kingsar”) for a principal sum of RM580,000 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, Judgement in Default of Appearance was entered against the said Kingsar on 8 June 2001. Subsequently, pursuant to an Application by Kingsar to set aside the Judgement in Default, the said Judgement 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 Judgement in Default, put forward a Counterclaim against PPI for the sum of RM1,356,014.

PPI’s solicitors are of the opinion that PPI should obtain Judgement against Kingsar for the sum of RM580,100 and also has an arguable defence to any counterclaim by Kingsar. Meantime, PPI and Kingsar have negotiated for an out-of-court settlement and the settlement agreement is now pending review by Kingsar’s solicitors and the same is expected to be finalized soon.

- (a) (ii) Petro-Pipe Industries (M) Sdn Bhd (“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 Court had heard the Winding Up Petition in part and simultaneously adjourned the Respondent’s three Notices of Motion for mention and fixed the continued Hearing of the Petition to 28 August 2002, and thereafter 2 September 2002 and 24 September 2002. The same is now fixed for continued hearing on 26 November 2002.

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

- (iii) Petro-Pipe Industries (M) Sdn Bhd (“PPI”) had on 24 August 2002 filed a Writ of Summons at the Penang High Court against Najatech Engineering & Plumbing Services Sdn Bhd (“Najatech”/“the First Defendant”) and Rosidah Binti Ismail and Md. Saad Bin Md Zin (“the Second” and “Third” Defendants as Guarantors) for the principal sum of RM1,495,995.17 and all interest accruing thereon being balance purchase price for goods sold and delivered at the orders or request of Najatech.

The First Defendant has shifted office and PPI's solicitors' have filed and is now awaiting extraction of the Summons in Chambers for an application to serve the Writ by way of substituted service against the First Defendant.

As against the Second and Third Defendants, PPI's solicitors have filed their application verifying that both the Second and Third Defendant's have failed to file and serve Statement of Defence within the specified time. As such, PPI's solicitors have been instructed to obtain the relevant Judgment in Default against the Second and Third Defendants and the matter is now awaiting the Court's response to fix a date for hearing.

PPI's solicitors are of the opinion that PPI should be able to obtain the relevant Judgments against the First, Second and Third Defendants.

- (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 advice 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. This matter is fixed for mention on 6 January 2003 pending the issuance of the ICULS.

Meantime, PPCP's solicitors have been informed by CTA and CYCAL's solicitors that:-

- i. save for the Securities Commission approval to the composite scheme of arrangement, the remainder of the relevant authorities have given their approval.
- ii. On 5 September 2002, Cygal received notice from the SC declining to approve Cygal's restructuring plans on the concern that the financial forecast and projections are overly dependent on projects and contracts to be secured in the future. This being within the nature of the construction industry and based on above positive developments, Cygal has decided to appeal for reconsideration.
- iii. In reply to the KLSE's query on 6 September 2002, Cygal announced that it has received a notice from the SC on 26 August 2002 and has met up with the SC to present its case on 2 September 2002.
- iv. On 15 October 2002, Cygal announced that the KLSE has approved an extension of time from 7 October 2002 to 30 November 2002 to enable Cygal to obtain all the necessary approvals from the regulatory authorities.
- v. As at 2 November 2002, Cygal announced that there has been no further development on the status of its restructuring plans.

- (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 RM1,406,258.84). The claim against Zap Piling (M) Sdn Bhd and Classic Landmark (M) Sdn Bhd are 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 Lean 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 24 Feb 2003 pending settlement of the same.

26. Earnings per share

Basic earnings per share

The basic earning per share for the quarter and year to date has been computed based on profit after taxation and minority interest of RM 3.5 million for the quarter and RM 6.3 million for year to date and the weighted average number of ordinary shares of RM0.50 each 146,360,738 calculated as follows:

Weighted average number of ordinary shares

	Number of shares
Issued ordinary shares at beginning of the period	4
Effect of shares issued in May 2002 and June 2002 and conversion of ICULS	146,360,734
Weighted average number of ordinary shares	146,360,738

Diluted earnings per share

The diluted per shares for the quarter and year to date has been computed based on profit after taxation and minority interest of RM 3.7 million for the quarter and RM 7.0 million for year to date after adjusting for interest saving on ICULS and the weighted average number of ordinary shares of RM0.50 each 231,803,179.

Profit after taxation and minority interest (Diluted)	Current Quarter	Year to date
	RM'000	RM'000
Profit after taxation and minority interest	3,520	6,286
After tax effect of notional interest savings	151	667
Profit after taxation and minority interest (Diluted)	<u>3,671</u>	<u>6,952</u>

Weighted average number of ordinary shares (Diluted)

	Number of shares
Weighted average number of ordinary shares	146,360,738
Effect of conversion of weighted average number of ICULS	85,442,441
Weighted average number of ordinary shares (diluted)	<u>231,803,179</u>

27. Comparative figures

The restatement of the comparative figures are as follow:

Income Statement for the period ended 30 June 2002

	Current year quarter		Current year to date	
	30/6/2002	30/6/2002	30/6/2002	30/6/2002
	As restated	As previously stated	As restated	As previously stated
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	287,832	287,832	287,832	287,832
Taxation	(6,643)	(6,643)	(6,643)	(6,643)
Pre-acquisition (profit)/loss,	(262,318)	(263,618)	(262,318)	(263,618)
Minority interests	(16,105)	(16,105)	(16,105)	(16,105)
Net profit for the period	<u>2,766</u>	<u>1,466</u>	<u>2,766</u>	<u>1,466</u>

By Order of the Board

Lam Voon Kean
Company Secretary

Penang
20 November 2002

