

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

Quarterly Report on Consolidated Results for the First Quarter and period ended 31 March 2003.

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 2002, except for the adoption of the following new MASB standards:-

- a) MASB 25 "Income Taxes"
- b) MASB 27 "Borrowing Costs"
- c) MASB 28 "Discontinuing Operations"
- d) MASB 29 "Employee Benefits"

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2002.

2. Qualification of Financial Statements

The auditors' report of the preceding annual financial statements for the financial year ended 31 December 2002 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 that have a material effect in the current interim period.

6. Issuance and repayment of debt and equity securities

During the financial period ended 31 March 2003, a total of 2,868,000 ordinary shares of RM0.50 each were issued pursuant to the conversion of RM1,434,000 irredeemable convertible unsecured loan stock 2002/2012.

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 period-to-date.

7. Dividend

There was no dividend paid during the current quarter ended 31 March 2003.

The Board recommended a first and final dividend of 2.5% less income tax of 28% in respect of the financial year ended 31 December 2002, if approved by the shareholders at the Annual General Meeting, will be paid on 30 August 2003 to the shareholders whose names appear in the Record of Depositors of the Company at the close of business on 13 August 2003.

A depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the depositor's securities account before 4:00 p.m. on 13 August 2003 in respect of ordinary transfers/conversions; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

8. Segment Information

	Revenue	Profit/(Loss) Before Tax
	Period Ended 31st March	
	2003	2003
	RM'000	RM'000
Oil and Gas	137,162	13,056
Infrastructure	28,070	349
Industrial Engineering	12,250	1,415
Building material	58,629	1,480
Others	1,695	(896)
	<u>237,806</u>	<u>20,404</u>
Inter-segment elimination	(46,971)	-
	<u>190,835</u>	<u>20,404</u>

9. Property, plant and equipment

For the financial period ended 31 March 2003, the Group recorded a net profit of RM2,000 on disposal the following property:

- 1) 1 unit of apartment in Bandar Sri Permaisuri, Kuala Lumpur.

10. Events subsequent to the balance sheet date

Saved as disclosed below, 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:-

- a) On 01 April 2003, the company had formalized its Memorandum of Understanding by entering into a Joint Venture Agreement (JVA) with Mr Dong Shi Qian [Don] and nominated its wholly owned sub-subsidiary, Wah Seong International Pte Limited ["WSIPL"] to *inter alia*, establish and invest for a 80% equity stake in a Joint Venture company known as Wah Seong China Limited in Hong Kong [WSCL] for USD\$800,000 (equivalent to RM3,040,000 based on the exchange rate of RM3.80 to USD\$1.00).
- b) On 22 April 2003, the subsidiary, PPSC (HK) Limited, Hong Kong ["PPSC (HK)"] had formed and incorporated a Joint Venture Company known as PPSC International BV in the Netherlands ["PPSC INT"] with WKB Holdings (Goor Ltd ["WKB"]) for a 51% equity stake in PPSC INT for Euro 9,180.00 (equivalent to RM37,729.80 based on the exchange rate of RM4.11 to Euro 1.00).
- c) On 25 April 2003, the subsidiary, PMT Industries Sdn Bhd ["PMT"] had incorporated a wholly owned subsidiary known as PMT Industries (HK) Limited in Hong Kong ["PMTHK"] with an issued and paid up capital of HK\$100.00 (equivalent to RM48.03 based on the exchange rate of RM0.483 to HK\$1.00).

- d) On 13 May 2003, the company proposed to undertake the following proposals:-
- (i) Proposed establishment of an employee share option scheme ("ESOS") for employees and Executive Directors of Wah Seong Corporation Berhad ["WSC"] and its subsidiaries ["WSC Group"] who meet the criteria of eligibility of participation in the Proposed ESOS ("Proposed ESOS"); and
 - (ii) Pursuant to paragraph 10.09, Part E of Chapter 10 of Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements and paragraph 2.1 of Practice Note No.12/2001, proposed shareholders' ratification and proposed shareholders' mandate for the recurrent related party transactions of a revenue or trading nature which have been (since the listing of WSC on 9 July 2002) and/or to be entered into by the WSC Group with related parties in the ordinary course of business which are necessary for the WSC Group's day-to-day operations based on commercial terms which are not more favourable to the related parties than those generally available to the public ("Recurrent RPTs") ("Proposed Recurrent RPT Mandate").

11. Changes in the composition of the Group

- (A) The changes in the composition of the Group for the quarter / period to-date are as follows: -

On 13 February 2003, Wah Seong Industrial Holdings Sdn Bhd ("WSIH"), a wholly owned subsidiary of the Company, has further strengthened its equity interest in PETRO-PIPE INDUSTRIES (M) SDN BHD ("PPI"), a subsidiary of the Company by acquiring an additional 399,999 shares of RM1.00 each representing 0.926% of the issued and paid up capital of PPI for a total cash consideration of RM1,039,997.40 @ RM2.60 per share from Dato' Seri Khalid Ahmad who also a director of PPI.

12. Capital commitment

Capital commitments not provided for in the interim report:-

	RM '000
Approved and contracted for	3,596
Approved but not contracted for	-

13. Operating Lease Commitments

	RM '000
Payable not later than one year	412
Payable later than one year and not later than five years	1,987
Payable later than five years	1,669
	<u>4,068</u>

14. Related party transactions

On 13 February 2003, Wah Seong Industrial Holdings Sdn Bhd ("WSIH"), a wholly owned subsidiary of the Company, has further strengthened its equity interest in PETRO-PIPE INDUSTRIES (M) SDN BHD ("PPI"), a subsidiary of the Company by acquiring an additional 399,999 shares of RM1.00 each representing 0.926% of the issued and paid up capital of PPI for a total cash consideration of RM1,039,997.40 @ RM2.60 per share from Dato' Seri Khalid Ahmad who also a director of PPI.

Other information required by KLSE's Listing Requirement

15. Comparison with Preceding Year Corresponding Quarter's Results

No comparative information for the preceding year's corresponding quarter as the company was only listed in year 2002 and the inaugural quarterly report was only made in respect of 2nd Quarter 2002.

16. Comparison with the immediate Preceding Quarter's Results

Group revenue of RM190.8 million for the 1st quarter ended 31 March 2003 represented an increase of 14.0% over the RM 167.4 million registered in the preceding quarter ended 31 December 2002

Group profit before taxation of RM20.2 million for the 1st quarter ended 31 March 2003 was higher as compared with the preceding quarter ended 31 December 2002 by RM 12.9 million. The higher profit before taxation was due to higher revenue from Oil and Gas and Building Materials Divisions.

17. Current period prospect

As a result of the global turmoil that began in early 2003 resulting from the war in the Middle East and the outbreak of SARS (Severe Acute Respiratory Syndrome), the economies of the Asia Pacific Region remains uncertain. With this economic backdrop, it is expected that the remaining period for the year shall be challenging.

For the remaining period of year 2003, the group will continue to focus and strengthen its core business with greater emphasis in the Oil and Gas Division as we remain optimistic on the growth prospects in the global Oil and Gas industry. The other divisions are expected to contribute positively to the group's results. The Board expects the Group's performance in 2003 to be satisfactory.

18. Taxation

Taxation comprises the following:

	Current quarter ended RM '000	Current period to date RM '000
Income Tax:-		
- Company and subsidiary companies	5,552	5,552
- Associated companies	(110)	(110)
	5,442	5,442

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

	Current quarter ended RM '000	Current period to date RM '000
Profit before taxation	20,404	20,404
Tax expense as per statutory tax rate @28%	5,713	5,713
i) availability for unutilised tax losses and unabsorbed capital allowances	351	351
ii) profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption	(640)	(640)
iii) other non-deductible expenses	18	18
	(271)	(271)
Effective tax expenses	5,442	5,442

19. Unquoted investments and/ or properties

Other than those stated in the notes 9 & 11, there were no acquisition and disposal of unquoted investments and/ or properties.

20. Purchase or disposal of quoted securities

(a) Total purchase and sales of quoted securities for the current financial period ended 31 March 2003 are as follow:-

	Current Quarter RM'000	Current Period To Date RM'000
Purchases	4	4
Disposal	-	-
Gain on Disposal	-	-
Loss on Disposal	-	-
Written Off	-	-

(b) Investment in quoted securities as at 31 March 2003 are as follow:

	RM'000
At cost	12,532
At carrying value / book value	11,706
At market value	11,630

21. Status of corporate proposals

Saved as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement.

a) On 24th January 2003, the Company announced its proposed internal restructuring scheme in which the following share transfer will be take place.

i) Proposed Acquisition I

On 24 January 2003, Wah Seong Industrial Holdings Sdn Bhd ("WSIH") entered into a Shares Sale Agreement ("SSA") with the Company for the

purchase of 9,559,879 ordinary shares of RM1.00 each in Syn Tai Hung Corporation Sdn Bhd ("STHC") ("Sale Shares I") representing 27.61% of the issued and paid-up capital of STHC for a purchase consideration of RM11,471,855 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

The purchase consideration of RM11,471,855 was arrived at on a willing buyer willing seller basis after taking into consideration the company's cost of investment in STHC.

ii) Proposed Acquisition II

On 24 January 2003, WSIH entered into a SSA with Petro-Pipe Industries (M) Sdn Bhd ("PPI") for the purchase of 3,723,500 ordinary shares of RM1.00 each in STHC ("Sale Shares II") representing 10.75% of the issued and fully paid-up capital of STHC for a purchase consideration of RM5,957,600 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

The purchase consideration of RM5,957,600 was arrived at on a willing buyer willing seller basis after taking into consideration the audited consolidated net tangible assets of STHC as at 31 December 2001 and its earnings potential.

iii) Proposed Acquisition III

On 24 January 2003, WSIH entered into a SSA with Senandung Sistem Sdn Bhd ("SSSB") for the purchase of 6,788,076 ordinary shares of RM1.00 each in STHC ("Sale Shares III") representing 19.61% of the issued and fully paid-up capital of STHC for a purchase consideration of RM12,057,864 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

The purchase consideration of RM12,057,864 was arrived at on a willing buyer willing seller basis after taking into consideration SSSB's cost of investment in STHC.

Upon completion of the Proposed Acquisition I, II and III, WSIH's effective interest in STHC will be increased from 96.54% to 100.00% i.e. WSIH will become a wholly-owned subsidiary of the Company.

iv) Proposed Acquisition IV

On 24 January 2003, STHC entered into a SSA with SSSB for the purchase of 432,000 ordinary shares of RM1.00 each in Spirolite (M) Sdn Bhd ("Sale Shares IV") representing 8.35% of the issued and fully paid-up capital of SMSB for a purchase consideration of RM1,080,000 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Upon completion of the Proposed Acquisition IV, STHC's effective interest in SMSB will be increased from 40.16% to 48.51%.

The purchase consideration of RM1,080,000 was arrived at on a willing buyer willing seller basis after taking into consideration SSSB's cost of investment in SMSB.

v) Proposed Acquisition V

On 24 January 2003, WSIH entered into a SSA with STHC for the purchase of 5,090,690 ordinary shares of RM1.00 each in Jutasama Sdn Bhd ("Sale Shares V") representing 74.05% of the issued and fully paid-up capital of JSB for a purchase consideration of RM14,203,337 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Upon completion of the Proposed Acquisition V, WSIH's effective interest in JSB will be increased from 90.16% to 92.73%.

The purchase consideration of RM14,203,337 was arrived at on a willing buyer willing seller basis after taking into consideration STHC's cost of investment in JSB.

vi) Proposed Acquisition VI

On 24 January 2003, STHC entered into a SSA with Wah Seong International Pte Ltd ("WSI") for the purchase of one (1) ordinary share of USD1.00 each in WS International Ventures (BVI) ("WSIV") ("Sale Share VI") representing 100.00% of the issued and fully paid-up capital of WSIV for a purchase consideration of HKD8,937 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Upon completion of the Proposed Acquisition VI, WSIV will become a wholly-owned subsidiary of STHC.

The purchase consideration of HKD8,937 was arrived at on a willing buyer willing seller basis after taking into consideration WSI's cost of investment in WSIV.

vii) Proposed Acquisition VII

On 24 January 2003, STHC entered into a SSA with Tenaga Kembangan ("TKSE") for the purchase of 2,230,000 ordinary shares of RM1.00 each in Petro-Pipe Concrete Piles Sdn Bhd ("PPCP") ("Sale Shares VII") representing 14.87% of the issued and fully paid-up capital of PPCP for a purchase consideration of RM293,000 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Upon completion of the Proposed Acquisition VII, STHC's effective interest in PPCP will be increased from 85.13% to 100.00% i.e. PPCP will become a wholly-owned subsidiary of STHC.

The purchase consideration of RM293,000 was arrived at on a willing buyer willing seller basis after taking into consideration the unaudited net tangible assets of PPCP as at 31 December 2002 of RM293,000 and its unaudited profit after tax for the financial year ended 31 December 2002 of approximately RM1,500,000.

viii) Proposed Acquisition VIII

On 24 January 2003, PPSC Industrial Holdings Sdn Bhd ("PPSC-I") entered into a SSA with PPI, Hicom Holdings Berhad ("HHB"), Socotherm S.P.A ("SSPA") and Mr. Giancarlo Maccagno ("GM") for the purchase of 13,500,001 ordinary shares of RM1.00 each in PPSC Industries Sdn Bhd ("Sale Shares VIII") representing 100.00% of the issued and paid-up capital of PPSC for a purchase consideration of RM13,500,001 to be wholly satisfied by the issuance of 13,500,001 new ordinary shares of RM1.00 each in PPSC-I at par., the details of which are as follows: