

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

Quarterly Report on Consolidated Results for the Third Quarter ended 30 September 2008

These figures have not been audited.

NOTES TO INTERIM FINANCIAL REPORT

1. Accounting policies and treatment

- a) The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The accounting policies used in the preparation of interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2007 save for the adoption of all the new/revised Financial Reporting Standards ("FRSs") issued by MASB that are relevant to its operations and effective for financial periods beginning on or after 1 July 2007 as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

The adoption of the abovementioned new/revised FRSs has not resulted in principal changes in accounting policies of the Group and does not have any material financial effect on the results of the Group for the current and prior financial years.

- b) In the previous quarter report, Petro Pipe Sabah Sdn Bhd has been accounted for as a subsidiary instead of an associated company by virtue of the Group having obtained management control of the board in the previous quarter. This change in accounting treatment is not expected to have any material effect on the consolidated earnings and net assets of the Group for the current quarter and year-to-date.

2. Qualification of Financial Statements

The audited financial statements of the preceding financial year were not subject to any qualification.

3. Seasonal or cyclical factors

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

4. Unusual items

There were no material items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence save for:

	Current quarter ended		Current period todate	
	30.9.2008	30.9.2007	30.9.2008	30.9.2007
	RM'000	RM'000	RM'000	RM'000
Operating profits include:				
Gain on disposal of property	5,738	-	18,194	-
Impairment of property, plant and equipment	(584)	-	11,646	-

5. Changes in estimates

There was 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

	Current quarter ended	Current period todate
	30.9.2008	30.9.2008
	No. of Shares	No. of Shares
Issuance of ordinary shares:		
Conversion of ICULS	17,168,380	17,205,880
Exercise of ESOS	197,161	8,499,210
Rights Issue with Warrants, Bonus issue and Settlement which was completed on 28 March 2008	-	202,051,511
	<u>17,365,541</u>	<u>227,756,601</u>

During the third quarter of 2008, a total of 1,317,100 (Year to-date: 2,941,400) ordinary shares of RM0.50 each were bought back and retained as treasury shares.

Apart from the above, there were no other issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial period-to-date.

7. Dividend

The Board of Directors declared a second interim dividend of 8% less 26% tax for the financial year ended 31 December 2007 which was paid on 23 April 2008.

The directors approved the first interim dividend of 4% (less 26% income tax) together with a special dividend of 2% (less 26% income tax) for the financial year ending 31 December 2008 which was paid on 10 October 2008.

8. Segment information

	Revenue		Profit Before Taxation	
	Period Ended 30 September 2008	2007	Period Ended 30 September 2008	2007
	RM'000	RM'000	RM'000	RM'000
Oil and Gas Division	1,096,535	890,010	98,261	81,714
Industrial Services Division	676,974	528,913	27,523	25,201
Others	4,135	5,035	(13,766)	(10,720)
	<u>1,777,644</u>	<u>1,423,958</u>	<u>112,018</u>	<u>96,195</u>
Inter-segment elimination	(13,188)	(5,347)	-	-
	<u>1,764,456</u>	<u>1,418,611</u>	<u>112,018</u>	<u>96,195</u>

* Comparative segment has been reclassified to conform with current year's presentation.

9. Valuation of property, plant and equipment

There were no changes to the valuation of property, plant and equipment during the current quarter and financial period to-date.

10. Event subsequent to the balance sheet date

Save as disclosed below and in Note 21, there were no material subsequent events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report:

- a) On 9 October 2008, the Company had announced that its wholly owned subsidiary, PMT Industries Sdn Bhd had incorporated a wholly owned subsidiary known as PMT Industries (Labuan) Ltd in the Federal Territory of Labuan, Malaysia with an authorised capital of JPY1,300,000.00 divided into 1,300,000 ordinary shares of JPY1.00 each and an initial issued and paid up capital of JPY1,000.00 (equivalent to RM34.71 based on the exchange rate of JPY100.00 to RM3.4709) only.
- b) On 24 October 2008, the Company has announced that its sub-subsiidiary, Wah Seong China Limited had completed its subscription of 65,000 ordinary shares of USD1.00 each representing a 65% equity stake in Ashburn Offshore Oil & Gas Equipment & Engineering Company Ltd, a company incorporated in the People's Republic of China, for a total cash consideration of USD65,000.00 (equivalent to RM232,050.00 based on the exchange rate of USD1.00 to RM3.570) only.

11. Changes in the composition of the Group

The changes in the composition of the Group during the third quarter are as follows: -

- a) On 29 May 2008, the Company had announced that its wholly-owned sub-subsiidiary, PMT Industries Sdn Bhd ("PMT") had entered into a Shares Sale Agreement with Dong Yuan Engineering Sdn Bhd ("DYESB") and Jutamas Riang Sdn Bhd and Chua Swee Hua, Chua Kok Chong, Chua Kok Tong and Chua Boon Kai to inter alia acquire 700,000 ordinary shares of RM1.00 each (representing 70% equity stake) in Energy Competitive Sdn Bhd from DYESB for a total consideration of RM6,650,000.00 only ("Propose Acquisition"). On 9 July 2008, PMT had received from approval letter from Foreign Investment Committee confirming that it has no objection to the Proposed Acquisition
- b) On 27 June 2008, on behalf of the Company, AmInvestment Bank Berhad, a member of the AmInvestment Bank Group had announce Wah Seong Industrial Holdings Sdn Bhd and Petro-Pipe Industries (M) Sdn Bhd (collectively referred to as "Vendors") had entered into the relevant shares sale agreements with Esteem Chapter Sdn Bhd and Wah Seong Ventures Sdn Bhd (collectively referred to as "Purchasers") to implement the Proposed Internal Restructuring. The Vendors and Purchasers are wholly-owned subsidiaries of the Company. The details of the Proposed Internal Restructuring are set out in Note 21 (ii) below.
- c) On 10 July 2008, the Company had announced that its wholly owned subsidiary, Wasco Energy Ltd ("WEL") had entered into a conditional Share Purchase Agreement ("SPA") with WDS Limited ("the Purchaser") to dispose of its 100% shareholding in WASC0 Energy Australia Pty Ltd ("WEA") for a Sale Price to be paid as follows:-
 - i) A cash payment amounting to AUD12.0 million ("Cash Amount") only as the minimum value for the sale, is payable to WEL on Completion of the SPA. On 8 August 2008, the Company had announced its completion;
 - ii) The balance payment (if any), computed at (EBITDA x 3.3) less the Cash Amount, will be paid in the form of newly issued shares in the Purchaser ("Consideration Shares") or cash or a combination of the cash or shares in the Purchaser at the option of the Purchaser after the final accounts for the EBITDAs have been finalized and agreed.
- d) On 11 September 2008, the Company had announced that its sub-subsiidiary, PPSC Industries Sdn Bhd acquired Kiara Harta Sdn Bhd, a company incorporated in Malaysia, for a purchase consideration of RM2.00 only.

11. Changes in the composition of the Group

- e) On 23 September 2008, the Company had announced that its wholly-owned sub-subsidiary, PMT Industries Sdn Bhd had duly completed the acquisition of 700,000 ordinary shares of RM1.00 each representing 70% equity interest in Energy Competitive Sdn Bhd from Dong Yuan Engineering Sdn Bhd for a cash consideration of RM6,650,000.00 only pursuant to the Agreement for Sale of Shares dated 29 May 2008.

The above change does not have any material effect on the consolidated earnings of the Group during the quarter under review.

12. Capital commitment

	30.9.2008
	RM '000
Approved and contracted for	92,547
Approved but not contracted for	62,829

13. Operating Lease Commitments

Total future minimum lease payments under operating leases are as follows:-

Operating lease commitments

	30.9.2008
	RM '000
Payable not later than one year	2,748
Payable later than one year and not later than five years	2,251
Payable later than five years	-
	<u>4,999</u>

The above is inclusive of: -

- a) a land held under Lot H.S.(D) 3831, P.T. 1627 in the Mukim of Kuantan, Pahang with Lembaga Pelabuhan Kuantan. The lease of property expires on 28 February 2011.

Other information required by Bursa Malaysia Listing Requirement

14. Review of performance of the Company and its principal subsidiary companies for the current quarter and financial period ended 30 September 2008

The Group's revenue for the 3rd quarter was RM652.2million compared with RM534.5 million achieved in the corresponding quarter in 2007, representing an increase of 22.0%. As for the profit before taxation, the group registered RM49.7 million compared with RM34.2million in the corresponding quarter in 2007, representing an increase of 45.4%. These improvements were the result of increases achieved by the specialized pipe coating and corrosion protection services, Agro Based Engineering and Building Materials businesses.

For the nine months period ended 30th September 2008, the revenue and profit before taxation achieved was RM1,764.5 million and RM112.0 million respectively, compared with RM1,418.6 million and RM96.2 million in the corresponding period in 2007, representing an increase of 24.4% and 16.4% respectively. These improvements were contributed by the Oil & Gas Division's Pipe Coating and the E & P Product and Services business and Industrial Services Division. Correspondingly, the profit after tax & minority interest increased by 11.1% to RM27.0 million from RM24.3 million in the 3rd quarter 2007.

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

The Group's profit before taxation in the third quarter was RM49.7million compared with RM29.1 million in the immediate preceding quarter. This was the result of a higher contribution from Oil and Gas Division's Pipe Coating business due to the timing on commencement of new projects, the majority of which is in the second half of the year.

16. Current period prospects

Current global economic outlook has deteriorated with several developed economies falling into recession. The Oil & Gas sector is not immune to such adverse economic conditions in view of declining crude oil prices due to collapsing aggregate demand. However, with the order book in hand, the Group anticipates that it would not be materially affected by the current economic slowdown.

Various pump-priming measures have been announced by the Government to stimulate the domestic economy. The Industrial Services Division envisages that this proactive action can provide a sustainable revenue base to its business units.

In view of the uncertain times and challenging business environment, the Group has implemented measures to improve productivity and cost efficiency as well as taken proactive steps to mitigate increasing default risks. Barring any unforeseen circumstances, the Group's overall performance for the year is expected to be satisfactory.

17. Taxation

Taxation comprises the following:

	Current quarter ended 30.9.2008 RM '000	Current period todate 30.9.2008 RM '000
Tax:-		
- Malaysia Tax Expense	3,950	11,052
- Foreign Tax Expense	11,750	6,583
	<u>15,700</u>	<u>17,635</u>

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

	Current quarter ended 30.9.2008 RM '000	Current period todate 30.9.2008 RM '000
Profit before taxation	49,727	112,017
Tax at the average applicable tax rate - 26%	12,929	29,124
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemption	(4,895)	(13,678)
Reversal of previously recognised deferred tax assets	10,325	-
Other expenses/income (net) - (non taxable) / not allowable	(2,659)	2,189
	2,771	(11,489)
Effective tax expense	15,700	17,635

18. Unquoted investment and properties

Save for the notes below and in Note 11, there were no other material acquisition and disposal of unquoted investment and / or properties by the Group during the current quarter and year to-date.

	Current quarter ended 30.9.2008 RM'000	Current period todate 30.9.2008 RM'000
Gain on disposal of properties	-	12,456

19. Purchase or disposal of quoted securities

(a) There were no purchase and sale of quoted securities for the current quarter ended 30 September 2008.

(b) Investment in quoted securities as at 30 September 2008 are as follows:

	RM'000
At cost	1,063
At carrying value / book value	199
At market value	153

20. Profit forecast

The Group did not issue any profit forecast for the current quarter.

21. Status of corporate proposals

Except for as disclosed in the following, there were no corporate proposals announced but not completed as at the date of this quarterly report:

- (i) On 22 December 2006, on behalf of the company, CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) had made announcement that the company / the subsidiaries (“Vendors”) had entered into the relevant sale and purchase agreements (“SPA”) with the subsidiaries (“Purchasers”) to implement the Proposed Internal Restructuring of WSC Group of Companies (“Proposed Internal Restructuring”).

The Proposed Internal Restructuring entails the transfer by the Vendors of their equity interest in companies to the Purchasers as summarized in the announcement thereof. The Proposed Internal Restructuring is to streamline and realign the businesses of WSC group into two distinct business groups i.e. oil and gas services group and industrial services group. Such internal restructuring is expected to allow seamless synergy extraction and greater operational efficiency within the respective groups.

The Proposed Internal Restructuring is conditional upon approvals being obtained, where applicable, from the following:

- a. the Securities Commission;
- b. Ministry of International Trade and Industry;
- c. Foreign Investment Committee;
- d. Bank Negara Malaysia; and
- e. Any other relevant parties and/or authorities.

The status of approvals from Securities Commission, Ministry of International Trade and Industry, Foreign Investment Committee and Bank Negara Malaysia were announced via announcement made from 4 February 2007 to 27 August 2008.

The Proposed Internal Restructuring is completed on 27 August 2008.

- (ii) On 27 June 2008, on behalf of the Company, AmInvestment Bank Berhad, a member of the AmInvestment Bank Group had announce Wah Seong Industrial Holdings Sdn Bhd and Petro-Pipe Industries (M) Sdn Bhd (collectively referred to as "Vendors") had entered into the relevant shares sale agreements with Esteem Chapter Sdn Bhd and Wah Seong Ventures Sdn Bhd (collectively referred to as "Purchasers") to implement the Proposed ISD Internal Restructuring. The Vendors and Purchasers are wholly-owned subsidiaries of the Company.

The Proposed ISD Internal Restructuring entails the transfer by the Vendors of their equity interest in companies to the Purchasers as summarized in the announcement thereof. The Proposed ISD Internal Restructuring is to streamline and realign the businesses of Industrial Services Division in WSC. Such internal restructuring is expected to allow greater operational efficiency within the Industrial Services Division.

The Proposed ISD Internal Restructuring is conditional upon approvals being obtained, where applicable, from the following:

- a. Ministry of International Trade and Industry;
- b. Foreign Investment Committee; and
- c. Any other relevant parties and/or authorities

The status of approvals from Ministry of International Trade and Industry, Foreign Investment Committee and Bank Negara Malaysia were announced via announcement made from 27 June 2008 to 15 October 2008.

Barring any unforeseen circumstances, the Proposed Internal Restructuring is expected to be completed by end of 2008.

22. Status of utilization of proceeds raised

The status of utilization of proceeds raised from the Rights Issue is prescribed as follows:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Timeframe	Deviation		Explanations
				RM'000	%	
Capital expenditure	187,000	136,913	2 years	N/A	N/A	N/A
Working capital	12,281	12,281	2 years	N/A	N/A	N/A
Estimated expenses	2,850	2,805	3 months	N/A	N/A	N/A
	<u>202,131</u>	<u>151,999</u>				

23. Group borrowings and debt securities

Group Borrowings	Secured RM '000	Unsecured RM '000	Total RM '000
Short term borrowings			
Bank overdraft	-	780	780
Bankers' acceptance	-	158,650	158,650
Revolving credit	-	239,510	239,510
Term loans	-	46,206	46,206
Hire purchase creditors	73	-	73
Sub-total	<u>73</u>	<u>445,146</u>	<u>445,219</u>
Long term borrowings			
Private Debt Securities	-	99,903	99,903
Term loans	196	122,106	122,302
Hire purchase creditors	57	-	57
Sub-total	<u>253</u>	<u>222,009</u>	<u>222,262</u>
Total Borrowings	<u><u>326</u></u>	<u><u>667,155</u></u>	<u><u>667,481</u></u>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	261,291
US Dollar	364,912
Pound sterling	38,284
Euro Dollar	2,994
	<u>667,481</u>

24. Off balance sheet financial instruments

Save as disclosed below, the Group does not have any other financial instruments with off balance sheet risk as at 21 November 2008.

The foreign currency exchange amount to be paid and contractual exchange rates of the Group's outstanding forward contracts are as follows:

	Foreign Currency	Amount to be paid / received (*) 000	Average contractual rates	Settlement	
				RM'000	SGD'000
Trade Receivables	USD	500	3.2300	1,615	N/A
Other Payables	USD	1,000	1.3800	N/A	1,380

(*) - in the respective foreign currency

25. Material litigation

Save as disclosed below, there were no material litigations pending since 18 August 2008 up to 21 November 2008.

(i) SUPREME COURT OF SOUTH AUSTRALIA CASE NO. 1400 OF 2007

On 29 October 2007, a claim for AUD3.5 million was served by Workcover Corporation of South Australia ("Plaintiff") on Delco Australia Pty Ltd ("Delco"), our subsidiary, for supplementary exit levy referred to as "balancing payment" under the Workers Rehabilitation and Compensation Act, 1986. This balancing payment was imposed on grounds that Delco had "ceased to be an Employer" when Delco filed a "No Employee" return under the WorkCover Scheme notwithstanding that Delco had been paying the monthly levy payments prior to this return.

The filing of the "No Employee" return was consequent of the company's rationalisation of its operations in Australia by concentrating its business entirely in Brisbane, Queensland instead of previously operating in both Adelaide, South Australia and Brisbane.

When the Plaintiff issued a tax invoice for the balancing payment, Delco sought a review by the WorkCover Levy Review Board of the cancellation of Delco's registration and imposition of the balancing payment.

Notwithstanding the review, the Plaintiff has proceeded to issue a summons for the above-mentioned claim. Delco's solicitors are of the view that the Plaintiff is not empowered to impose the balancing payment and contend that the calculation in any event for the balancing payment is excessive. Delco had on 4 December 2007 filed its defence against the claim and in defending the claim, Delco intends to engage a barrister who is also involved in an identical dispute with another (de-registered) employer ("Latter Dispute"). Delco's solicitors are of the opinion that the Latter Dispute is likely to proceed in the Supreme Court of South Australia and would provide a ruling on the legality of the balancing payment. At the proceedings held on 20 February 2008 in the Supreme Court, the Plaintiff and Delco had consented to stay proceedings pending the outcome of the Latter Dispute. The Plaintiff had also agreed not to claim interest, either pursuant to the legislation relating to the WorkCover or the Supreme Court Act during the period of the stay. No actual hearing date(s) have been fixed although the solicitor for the Latter Dispute expects that the proceedings will be heard by the full Supreme Court in late 2008 or early 2009.

26. Earnings per share (EPS)

Basic earnings per share

The basic earnings per share for the current quarter and current year to-date have been computed based on profit attributable to the equity holders of the Company of RM78.4 million and the weighted average number of ordinary shares of RM0.50 each in issue less shares bought back during the financial period, with adjustment on the potential ordinary shares that would be issued upon conversion of a mandatorily convertible instrument, ICULS, from the date the contract is entered into.:

	30.9.2008 Number of shares	
	Current quarter ended 30.9.2008	Current period todate 30.9.2008
Weighted average number of ordinary shares in issue and shares bought back adjusted with the potential ordinary shares of the mandatorily convertible instruments, ICULS ('000)		726,090
EPS - Basic (Sen)	3.72	10.80

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, ESOS.

In respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to profit for the period for the share options calculation.

	Number of shares	
	Current quarter ended 30.9.2008	Current period todate 30.9.2008
Weighted average number of ordinary shares in issue and shares bought back adjusted with the potential ordinary shares of the mandatorily convertible instruments, ICULS ('000)		726,090
Adjustment for bonus element assuming the full exercise of ESOS ('000)		228
		726,318
EPS - Diluted (Sen)	3.72	10.80

27. Contingent Liabilities

There were no contingent liabilities arising since the last annual balance sheet date.

By Order of the Board

**Woo Ying Pun
Lam Voon Kean
Company Secretaries**

Penang