

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

**Quarterly Report on Consolidated Results for the First Quarter ended 31 March 2009**

These figures have not been audited.

**NOTES TO INTERIM FINANCIAL REPORT**

**1. Accounting policies and treatment**

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 2008. 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 2008.

The accounting policies used in the preparation of the interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2008.

**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.

**5. Changes in estimates**

There were no significant changes in estimates of amounts reported in prior interim periods that have a material effect in the current interim period.

**6. Debt and equity securities**

	<b>Current quarter ended 31.3.2009 No. of Shares</b>	<b>Current period to-date 31.3.2009 No. of Shares</b>
Issuance of ordinary shares:		
Conversion of ICULS	15,000,000	15,000,000
Bonus shares arising from conversion of ICULS	3,750,000	3,750,000
	<u>18,750,000</u>	<u>18,750,000</u>

During the first quarter of 2009, a total of 159,000 (Year to-date: 159,000) 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 directors declared a second interim dividend of 3.0 sen per share comprising:-

- a. gross dividend of 1.5 sen per share less 25% income tax; and
- b. tax exempt dividend of 1.5 sen per share

in respect of the financial year ended 31 December 2008 which was paid on 28 April 2009.

## 8. Segment information

	Revenue		Profit Before Taxation	
	Period Ended 31 March		Period Ended 31 March	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Oil and Gas Division	319,838	303,898	46,439	25,977
Industrial Services Division	158,304	208,333	6,799	8,391
Others	1,443	1,191	1,788	(1,187)
	<u>479,585</u>	<u>513,422</u>	<u>55,026</u>	<u>33,181</u>
Inter-segment elimination	(42,964)	(2,895)	-	-
	<u>436,621</u>	<u>510,527</u>	<u>55,026</u>	<u>33,181</u>

## 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

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.

## 11. Changes in the composition of the Group

On 24 March 2009, the Company had announced that its wholly owned subsidiary, Wasco E&P Services had completed its investment/subsorption of 80 ordinary shares of USD1.00 each representing a 80 % equity stake in Wasco China International Limited, a company incorporated in British Virgin Islands, for a total cash consideration of USD80 (equivalent to RM292.20 based on the exchange rate of USD1.00 to RM3.6525)

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

## 12. Capital commitment

Capital commitments not provided for in the interim report:-

	Period Ended
	31.3.2009
	RM '000
Approved and contracted for	<u>17,629</u>
Approved but not contracted for	<u>31,444</u>

### 13. Operating Lease Commitments

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

	<b>31.3.2009</b>
	<b>RM '000</b>
Payable not later than one year	3,391
Payable later than one year and not later than five years	<u>2,573</u>
	<u>5,964</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 31 March 2009

The Group's revenue was RM436.6 million compared with RM510.5 million for the corresponding first quarter in 2008, representing a decrease of 14.5%. The decline was a result of lower turnover from the Engineering, E & P Product & Services and Infrastructure/Building Materials businesses.

Notwithstanding the decrease in revenue, the Group recorded a significant improvement in profit before tax of RM55.0 million compared with RM33.1 million in the corresponding first quarter in 2008, representing an increase of 65.8%. The increase was mainly contributed by more buoyant Pipe Coating business and stringent cost management.

#### 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 for the first quarter was RM55.0 million compared with RM40.9 million in the immediate preceding quarter. This increase was due to strong improvement in the Pipe Coating business.

#### 16. Current period prospects

Recent economic and financial indicators may point to increased possibility of the global recession stabilizing within the next 12 – 18 months. The current financial year is expected to remain challenging and may impact the industries the Group operates. Generally, the recovery of the crude oil price from the lows of around US\$33 per barrel in December 2008 to current level of above US\$60 per barrel is viewed positively. This is likely to brighten the outlook for oil & gas industry as more energy infrastructure projects would be implemented or reactivated in the future. Furthermore, recent recovery in other commodities also has some stabilising effect on this outlook. Nevertheless, the Group will remain vigilant and continue to focus on operational efficiencies and effective cost control, evaluating risks more stringently and alignment of the Group's strategies in order to remain competitive.

Industrial Services Division is expected to perform satisfactorily in view of higher economic activities generated from the significant government stimulus packages being implemented in the country and in the region, resulting in higher regional infrastructure developments.

## 17. Taxation

Taxation comprises the following:

	Current quarter ended 31.03.2009 RM '000	Current period to-date 31.03.2009 RM '000
Tax:-		
- Malaysia Tax Expense	4,567	4,567
- Foreign Tax Expense	1,822	1,822
	<u>6,389</u>	<u>6,389</u>

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

	RM '000	RM '000
Profit before taxation	<u>55,026</u>	<u>55,026</u>
Tax at the average applicable tax rate - 25%	13,757	13,757
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemption	(13,029)	(13,029)
Other expenses/income - net non allowable	5,661	5,661
	<u>(7,368)</u>	<u>(7,368)</u>
Tax expense	<u>6,389</u>	<u>6,389</u>

## 18. Unquoted investment and properties

There were no material disposal of unquoted investment and / or properties by the Group during the current quarter and period to-date.

## 19. Purchase or disposal of quoted securities

(a) There were no purchase or sale of quoted securities in the current quarter ended 31 March 2009.

(b) Investment in quoted securities as at 31 March 2009 were as follows:

	RM'000
At cost	14,021
At carrying value / book value	13,083
At market value	20,853

## 20. Profit forecast

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

## 21. Status of corporate proposals

There were no corporate proposals announced and not completed as at the date of this quarterly report.

## 22. Status of utilization of proceeds raised

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

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Timeframe	Deviation		Explanations
				RM'000	%	
Capital expenditure	187,000	187,000	2 years	N/A	N/A	N/A
Working capital	12,281	12,327	2 years	(46)	0.375	N/A
Estimated expenses	2,850	2,804	3 months	46	1.61	N/A
	<u>202,131</u>	<u>202,131</u>				

## 23. Group borrowings and debt securities

	Secured RM '000	Unsecured RM '000	Total RM '000
<b>Short term borrowings</b>			
Bank overdraft	-	167	167
Bankers' acceptance	-	207,981	207,981
Revolving credit	1,406	48,788	50,194
Private Debt Securities	-	50,000	50,000
Term loans	30,072	60,910	90,982
Hire purchase creditors	11	-	11
<b>Sub-total</b>	<b>31,489</b>	<b>367,846</b>	<b>399,335</b>
<b>Long term borrowings</b>			
Private Debt Securities	-	49,951	49,951
Term loans	67,139	145,830	212,969
Hire purchase creditors	53	-	53
<b>Sub-total</b>	<b>67,192</b>	<b>195,781</b>	<b>262,973</b>
<b>Total Group Borrowings</b>	<b>98,681</b>	<b>563,627</b>	<b>662,308</b>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	441,962
US Dollar	216,713
Pound	3,633
	<u>662,308</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 22 May 2009.

### (i) Interest Rate Swap

Type	Notional Amount	Effective Period
USD Interest Rate Swap	USD19.70m	30 October 2008 to 29 July 2011

Any differential paid or received on the interest rate swap contract is recognized as a component of finance cost over the period of the contract.

(ii) Forward Contract

The foreign currency exchange amount to be settled and average contractual exchange rate of the Group's outstanding forward contracts are as follows:-

	<b>Foreign Currency</b>	<b>Amount to be settled 000</b>	<b>Average contractual rate</b>	<b>Amount to be received RM'000</b>
Trade Receivables	USD	10,000	3.6390	36,390

**25. Material litigation**

Save as disclosed below, there were no material litigations pending since 25 February 2009 up to 22 May 2009.

(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 WSIPL Australia Pty Ltd (formerly known as Delco Australia Pty Ltd) ("WSIPLA"), a subsidiary, for supplementary exit levy referred to as "balancing payment" under the Workers Rehabilitation and Compensation Act, 1986. This balancing payment was imposed on the grounds that WSIPLA had "ceased to be an Employer" when WSIPLA filed a "No Employee" return under the WorkCover Scheme notwithstanding that WSIPLA had been paying the monthly levy payments prior to this return.

The filing of the "No Employee" return was a 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, WSIPLA sought a review by the WorkCover Levy Review Board of the cancellation of WSIPLA's registration and imposition of the balancing payment.

Notwithstanding the review, the Plaintiff has proceeded to issue a summon for the above-mentioned claim. WSIPLA'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. WSIPLA had on 4 December 2007 filed its defence against the claim and in defending the claim, WSIPLA intended to engage a barrister who was also involved in an identical dispute with another (de-registered) employer ("Latter Dispute"). WSIPLA's solicitors were 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 WSIPLA had consented to stay of 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. The Latter Dispute was listed for hearing on 9 April 2009. However the parties to the Latter Dispute have reached an out-of-court settlement. This matter is now pending further advice from WSIPLA's solicitors on the impact of the settlement of the Latter Dispute and the next course of action for WSIPLA.

(ii) HIGH COURT OF JUSTICE QUEEN'S BENCH DIVISION,  
TECHNOLOGY AND CONSTRUCTION COURT OF ENGLAND  
CLAIM NO HT-08-254

On 8 December 2008, Gas Services International Limited ("GSI"), a subsidiary of the Group was served with a Particulars of Claim by Weatherford UK Limited ("Weatherford").

The claim is for an alleged breach of contract by GSI for the provision of 28 booster compressor ("Boosters") to Weatherford aggregating to Euro2.41 million and other additional losses remaining to be assessed. The alleged breaches include failure to deliver the Boosters on time for testing and commissioning, non-compliance with relevant standards, specification and fitness for purpose and failure to meet obligations relating to commissioning and on site support. On 23 January 2009, GSI had filed a Defence and Counterclaim amounting to USD5.14 million denying all the allegations of breach of contract and losses claimed by Weatherford and for Weatherford's failure to make settlement towards outstanding payments and for additional costs incurred arising from changes, variations and/or additional works and requirements. The matter is fixed for trial in January 2010.

The management and Directors are confident of a favorable outcome of this matter. The ultimate outcome however cannot be presently determined.

(iii) ARBITRATION - INTERNATIONAL CHAMBER OF COMMERCE  
CASE NO. 15978/JEM

On 17 December 2008, Socotherm S.p.A. ("Claimant") commenced a Request for Arbitration against the Company and its indirect wholly-owned subsidiary, Wasco Coatings Limited ("WCL").

The Claimant and WCL are shareholders of PPSC Industrial Holdings Sdn Bhd ("PPSCIH"), an investment holding company where the Claimant holds 32.52% and WCL holds 67.48% in the total paid-up capital of PPSCIH. PPSCIH in turn holds 78.00% in the paid-up capital of PPSC Industries Sdn Bhd ("PPSC"), a company principally involved in the coating of pipes for the oil and gas industry.

The Claimant alleges that the transfer of 25,508,858 shares in PPSCIH ("PPSCIH Shares") from the Company to WCL, as part of an internal restructuring, is in breach of the joint venture agreement dated 16 December 1991 and supplemental agreement dated 14 July 1997 ("said Agreements") and that the Company and WCL have breached certain territorial limits provisions under the said Agreements in England, Holland, Switzerland, Denmark, Israel, Trinidad, Nigeria and Saudi Arabia.

The Claimant is seeking for an order for the PPSCIH Shares to be transferred back from WCL to the Company with immediate effect and damages to be assessed by the Arbitral Tribunal for the breach of the territorial limits provisions under the said Agreements.

On 12 February 2009, the Company and WCL filed the Answer to the Request for Arbitration denying all allegations of breach by the Claimant and seeking the Arbitral Tribunal to disallow the Claimant's claim in whole.

The matter is awaiting the provisional timetable for the conduct of the arbitration proceedings to be drawn up with the Arbitral Tribunal. The management and Directors are confident of a favorable outcome of this matter. The ultimate outcome however cannot be presently determined.

(iv) **ARBITRATION - INTERNATIONAL CHAMBER OF COMMERCE, PARIS**  
**CASE No.16139/CYK**

On 24 February 2009, the Company's indirect subsidiary, PPSC Industries Sdn Bhd ("Claimant") commenced a Request for Arbitration against Socotherm S.p.A. ("Respondent").

The Claimant is a 78.00% owned subsidiary of PPSC Industrial Holdings Sdn Bhd ("PPSCIH"), which in turn is a subsidiary of Wasco Coatings Limited ("WCL"). WCL is an indirect wholly owned subsidiary of the Company held via Wasco Energy Ltd. Both WCL and the Respondent are the shareholders of PPSCIH, an investment holding company where the Respondent holds 32.52% and WCL holds 67.48% in the total paid-up capital of PPSCIH.

The Claimant alleged that the Respondent has breached certain territorial limits provisions under the Joint Venture Agreement dated 16 December 1991 and Supplemental Agreement ("SA") dated 14 July 1997 arising from its activities in the Extended Territories (defined in the SA) which directly competes with the Claimant's activities in the Extended Territories in particular Vietnam, India, Australia, Indonesia and China.

On 19 May 2009, the Respondent filed its answer and counterclaim to the Claimant's Request. The Claimant will file its reply to the Respondent within 30 days from 19 May 2009. The management and Directors are confident of a favorable outcome of this matter. The ultimate outcome however cannot be presently determined.

**26. Earnings per share (EPS)**

**Basic earnings per share**

The basic earnings per share for the current quarter and current period to-date have been computed based on profit attributable to the equity holders of the Company of RM 25.72 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 all outstanding Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), from the date the contract is entered into:

	<b>Current quarter ended 31.3.2009</b>	<b>Current period to-date 31.3.2009 Number of shares</b>
Weighted average number of ordinary shares in issue less shares bought back with the adjustment on potential ordinary shares that would be issued upon conversion of all outstanding ICULS ('000)	756,505	756,505
	<b>Current quarter ended 31.3.2009</b>	<b>Current period todate 31.3.2009</b>
EPS - Basic (Sen)	3.40	3.40

**Diluted earnings per share**

The Warrants 2008/2013 are anti-dilutive and hence the calculation of diluted earnings per share for the financial period does not assume the exercise of the warrants 2008/2013.



**27. Contingent Liabilities**

Other than the potential contingent liability that may arise in respect of the matter disclosed in Note 25 (ii) above, there were no contingent liabilities arising since the last annual audited balance sheet date.

**By Order of the Board**

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

**Penang**