

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

**Quarterly Report on Consolidated Results for the Second Quarter ended 30 June 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 other than sale of quoted securities as disclosed in Note 19 (a).

**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 30 June 2009 No. of Shares</b>	<b>Current Period to-date 30 June 2009 No. of Shares</b>
Issuance of ordinary shares:		
Conversion of ICULS	-	15,000,000
Bonus shares arising from conversion of ICULS	-	3,750,000
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	-	18,750,000

During the second quarter of 2009, a total of 40,000 (Period to-date: 199,000) 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. Dividends

### Dividend Paid

The directors declared a second interim dividend in respect of financial year ended 31 December 2008 of 3.0 sen per share which was paid on 28 April 2009 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.

### Proposed Dividend

The directors approved the first interim dividend of 2.5 sen per share Malaysian tax exempt in respect of the financial year ending 31 December 2009. The entitlement date was fixed on 5 October 2009 and to be payable on 15 October 2009.

For the previous corresponding period, the first interim gross dividend of 4% less income tax at 26%, together with a special gross dividend of 2% less income tax at 26% in respect of financial year ending 31 December 2008 was paid.

## 8. Segment information

	Revenue		Profit Before Taxation	
	Period Ended 30 June		Period Ended 30 June	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Oil and Gas Division	654,298	641,625	100,689	46,125
Industrial Services Division	339,996	475,372	15,435	18,753
Others	4,508	2,560	(2,982)	(2,587)
	<u>998,802</u>	<u>1,119,557</u>	<u>113,142</u>	<u>62,291</u>
Inter-segment elimination	(10,343)	(7,325)	(2,847)	-
	<u><u>988,459</u></u>	<u><u>1,112,232</u></u>	<u><u>110,295</u></u>	<u><u>62,291</u></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

Other than as disclosed in Note 21 (a), 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

There were no changes in the composition of the Group during the quarter under review except for the following :-

Subscription Agreement and Share Sale Agreements to Acquire 95% Equity Stake in PT Megaron Semesta by Wasco Technologies Pte Ltd, a 70% Owned Indirect Subsidiary Company of the Company

On 20 April 2009, the Company announced that PT Megaron Semesta ("PT Megaron") had obtained the approval from the Badan Koordinasi Penanaman Modal of Indonesia vide their letter dated 15 April 2009 (Reference No. 444/III/PMA/2009) [which was received by the Company's lawyers on 17 April 2009] in respect of the change of equity structure in the issued and paid-up capital of PT Megaron.

With the said approval granted, the total 95% equity stake acquired by Wasco Technologies Pte Ltd in PT Megaron is deemed completed.

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:-

	<b>Period Ended 30 June 2009 RM '000</b>
Approved and contracted for	<u>15,503</u>
Approved but not contracted for	<u>17,051</u>

## 13. Operating Lease Commitments

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

	<b>30 June 2009 RM '000</b>
Payable not later than one year	3,805
Payable later than one year and not later than five years	<u>3,093</u>
	<u>6,898</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 June 2009

The Group's revenue for the second quarter and six months period ended 30 June 2009 was RM551.8 million and RM988.5 million respectively, compared with RM601.7 million and RM1,112.2 million in the corresponding periods in 2008, representing a decrease of 8.3% and 11.1% respectively. The decline was mainly due to a lower turnover in the Engineering and Infrastructure/Building Material businesses as well as the impact of disposal of pipeline contracting business that was completed in the third quarter of 2008.

Notwithstanding the decrease in revenue, the Group continued to record significant improvement in profit before taxation. The profit before taxation for the second quarter and six months period ended 30 June 2009 was RM55.3 million and RM110.3 million respectively, compared with RM29.1 million and RM62.3 million in the corresponding periods in 2008, representing an increase of 90.0% and 77.0% respectively. The increase was mainly contributed by Specialised Pipe Coating and Corrosion Protection Services business.

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

There were no material changes in the Group's pre-tax profit between the first and second quarter. The pre-tax profit in the second quarter was RM55.3 million compared with RM55.0 million in the preceding quarter. This consistency was achieved mainly through the contribution of Specialised Pipe Coating and Corrosion Protection Services business.

## 16. Current period prospects

Recent economic and financial indicators continue to point towards a likelihood of global recession stabilizing within the next 12 months. The current financial year is still expected to remain challenging and continue impacting the industries the Group operates. Generally, the recovery of crude oil price from lows of around USD33 per barrel in December 2008 to the current level of around USD70 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 near future. This likely improvement will have a positive impact on the Group.

Industrial Services Division is expected to perform satisfactorily as it will benefit from the higher economic activities generated from significant government stimulus packages being implemented in the country and in the region.

Under this environment, the Group will continue to remain vigilant and focus on operational efficiencies and effective cost control.

## 17. Taxation

Taxation comprises the following:

	Current Quarter ended 30 June 2009 RM'000	Current Period to-date 30 June 2009 RM'000
Tax-		
- Malaysia Tax Expense	7,520	12,087
- Foreign Tax Expense	377	2,199
	<u>7,897</u>	<u>14,286</u>

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

	Current Quarter ended 30 June 2009 RM'000	Current Period to-date 30 June 2009 RM'000
Profit before taxation	<u>55,269</u>	<u>110,295</u>
Tax at the average applicable tax rate - 25%	13,817	27,574
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemption	(9,385)	(22,414)
Other expenses/income - net non allowable	3,465	9,126
	<u>(5,920)</u>	<u>(13,288)</u>
Tax expense	<u>7,897</u>	<u>14,286</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) The sale of quoted securities in the current quarter ended 30 June 2009 is as follows:-.

	<b>RM'000</b>
Disposal	27,414
Gain on Disposal	14,457

(b) Investment in quoted securities as at 30 June 2009 were as follows:

	<b>RM'000</b>
At cost	1,063
At carrying value / book value	126
At market value	138

## 20. Profit forecast

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

## 21. Status of corporate proposals

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

- a) On 4 August 2009, the Company announced the proposed acquisition of 32.52% equity interest in PPSC Industrial Holdings Sdn Bhd ('PPSCIH') from Socotherm S.p.A, the minority shareholders of PPSCIH by Wasco Coatings Limited (a wholly owned indirect subsidiary of the Company). There has been no change to the status of this proposal since the date of the announcement; and
- b) On 4 August 2009, the Company announced the proposed internal restructuring involving Syn Tai Hung Corporation Sdn Bhd and Syn Tai Hung Trading Sdn Bhd (both wholly own indirect subsidiaries of the Company). There has been no change to the status of this internal restructuring since the date of the announcement.

## 22. Group borrowings and debt securities

	<b>Secured RM '000</b>	<b>Unsecured RM '000</b>	<b>Total RM '000</b>
<b>Short term borrowings</b>			
Bank overdraft	8,907	6	8,913
Bankers' acceptance	-	164,954	164,954
Revolving credit	1,770	93,965	95,735
Private Debt Securities	-	50,000	50,000
Term loans	60,000	55,015	115,015
Hire purchase creditors	51		51
<b>Sub-total</b>	<b>70,728</b>	<b>363,940</b>	<b>434,668</b>
<b>Long term borrowings</b>			
Private Debt Securities	-	49,951	49,951
Term loans	44,592	141,179	185,771
Hire purchase creditors	82	-	82
<b>Sub-total</b>	<b>44,674</b>	<b>191,130</b>	<b>235,804</b>
<b>Total Group Borrowings</b>	<b>115,402</b>	<b>555,070</b>	<b>670,472</b>

The group borrowings are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	438,936
US Dollar	218,962
Pound	12,574
	<u>670,472</u>

### 23. 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 August 2009.

#### (i) Interest Rate Swap

<b>Type</b>	<b>Notional Amount</b>	<b>Effective Period</b>
USD Interest Rate Swap	USD17.60m	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	3.5498	35,498

### 24. Material litigation

Save as disclosed below, there were no material litigations pending since 23 May 2009 up to 21 August 2009.

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

In 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 of the Group, for supplementary exit levy referred to as "balancing payment" under the Workers Rehabilitation and Compensation Act, 1986.

On 11 August 2009, without any admission to liability, the Plaintiff and WSIPLA have agreed to settle the dispute on the "balancing payment", by the Plaintiff adjusting the "balancing payment" to a final sum of AUD192,522.00 (inclusive of GST). The Plaintiff has filed a Notice of Discontinuance of its claim with no order as to costs.

(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% of 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 limit 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 fixed for hearing in early March 2010. 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% of the total paid-up capital of PPSCIH.

The Claimant alleged that the Respondent has breached certain territorial limit 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 has filed its reply to the Respondent.

This arbitration has been consolidated with the arbitration referred to in Note 24 (iii) above. The matter is fixed for hearing in early March 2010. The management and Directors are confident of a favorable outcome of this matter. The ultimate outcome however cannot be presently determined.

## 25. 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 RM29.7 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:

	No. of Shares	
	Current Quarter ended 30 June 2009	Current Period to-date 30 June 2009
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)	774,881	766,246
	Current Quarter ended 30 June 2009	Current Period to-date 30 June 2009
EPS - Basic (Sen)	3.84	7.24

### 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.



**26. Contingent Liabilities**

Other than the potential contingent liability that may arise in respect of the matter disclosed in Note 24 (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**