

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

**Quarterly Report on Consolidated Results for the Third Quarter ended 30 September 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 Bursa Securities Main Market Listing Requirements.

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 30 September 2009 No. of Shares</b>	<b>Current Period to-date 30 September 2009 No. of Shares</b>
Issuance of ordinary shares:		
Conversion of ICULS	8,791,470	23,791,470
Bonus shares arising from conversion of ICULS	2,197,867	5,947,867
	<u>10,989,337</u>	<u>29,739,337</u>

During the third quarter of 2009 the Company did not repurchase any of its issued ordinary shares from the open market (Period to-date: 199,000). As at 30 September 2009, the number of shares bought back, all of which are held as treasury shares, totalling 4,992,900 shares and none of them were sold or cancelled during the financial period.

Apart from the above and repayment of RM50 million Islamic Notes during the current quarter, 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 approved the first interim dividend of 2.5 sen per share Malaysian tax exempt (2008: first interim dividend of 2 sen less 26% income tax and special dividend of 1 sen less 26% income tax) in respect of the financial year ending 31 December 2009 which was paid on 15 October 2009.

## 8. Segment information

	Revenue		Profit Before Taxation	
	Period Ended 30 September		Period Ended 30 September	
	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000
Oil and Gas Division	967,341	1,096,535	160,603	98,261
Industrial Services Division	535,241	676,974	24,217	27,523
Others	4,198	4,135	(9,187)	(13,766)
	1,506,780	1,777,644	175,633	112,018
Inter-segment elimination	(11,542)	(13,188)	-	-
	<u>1,495,238</u>	<u>1,764,456</u>	<u>175,633</u>	<u>112,018</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 other than the completion of the 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) on 28 October 2009. As a result, PPSCIH is now a wholly-owned indirect subsidiary of the Company.

## 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 :-

On 20 August 2009, the Company's wholly-owned subsidiary, Wasco Engineering Group Limited completed the subscription of 70,000 ordinary shares of RM1.00 each representing a 70% equity stake in Gas Services International (M) Sdn Bhd, for a total cash consideration of RM70,000.00 only.

On 28 September 2009, the Company announced the completion of the striking off of its sub-subsidiary, Sichuan Kanssen (Yadong) Coating Services Co. Ltd.

On 9 November 2009, the Company announced the completion of the striking off of its sub-subsidiaries, Ao Jie International Ltd, Asian Dragon Services Limited, Blue Water Overseas Corporation Inc., Good Advance International Limited and Kanswin Limited respectively.

**12. Capital commitment**

**Capital commitments not provided for in the interim report:-**

	<b>Period Ended 30 September 2009</b>
	<b>RM'000</b>
Approved and contracted for	<u>10,386</u>
Approved but not contracted for	<u>18,786</u>

**13. Operating Lease Commitments**

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

	<b>Period Ended 30 September 2009</b>
	<b>RM '000</b>
Payable not later than one year	2,572
Payable later than one year and not later than five years	<u>2,542</u>
	<u>5,114</u>

The above is inclusive of: -

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

**Other information required by Bursa Securities Main Market Listing Requirements**

**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 third quarter and nine months period ended 30 September 2009 were RM506.8 million and RM1,495.2 million respectively, compared with RM652.2 million and RM1,764.5 million in the corresponding periods in 2008, representing a decrease of 22.2% and 15.2% respectively. The decline was mainly due to a lower turnover in the Engineering and Infrastructure/Building Material businesses as well as the impact of the 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 third quarter and nine months period ended 30 September 2009 were RM65.3 million and RM175.6 million respectively, compared with RM49.7 million and RM112.0 million in the corresponding periods in 2008, representing an increase of 31.3% and 56.7% respectively. The increase was mainly contributed by the 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**

The pre- tax profit in the third quarter was RM65.3 million compared with RM55.3 million in the preceding quarter. This was achieved mainly through the contribution of the Specialised Pipe Coating and Corrosion Protection Services business.

## 16. Current period prospects

Recent economic and financial indicators continue to point towards an increased possibility of global recession stabilizing. Generally, the recovery of crude oil price from lows of around USD33 per barrel in December 2008 to the current level of above USD75 per barrel is positive for the outlook of the oil and 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.

Barring any unforeseen circumstances, the Group's overall performance for the year is expected to be positive.

## 17. Taxation

Taxation comprises the following:

	Current Quarter ended 30 September 2009 RM '000	Current Period to-date 30 September 2009 RM '000
Tax:-		
- Malaysia Tax Expense	3,696	15,783
- Foreign Tax Expense	1,581	3,780
	<u>5,277</u>	<u>19,563</u>

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

	Current Quarter ended 30 September 2009 RM '000	Current Period to-date 30 September 2009 RM '000
Profit before taxation	<u>65,338</u>	<u>175,633</u>
Tax at the average applicable tax rate - 25%	16,335	43,908
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemptions/incentives	(7,109)	(29,523)
Other expenses/income - net (not taxable)/non allowable	(3,949)	5,178
	<u>(11,058)</u>	<u>(24,345)</u>
Tax expense	<u>5,277</u>	<u>19,563</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 during the current quarter ended 30 September 2009. The sale of quoted securities for the period ended 30 September 2009 are as follows:-

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

- (b) Investment in quoted securities as at 30 September 2009 are as follows:

	<b>RM'000</b>
At cost	1,063
At carrying value / book value	142
At market value	167

**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 was no corporate proposal announced but not completed at the date of this quarterly report:

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</b> <b>RM '000</b>	<b>Unsecured</b> <b>RM '000</b>	<b>Total</b> <b>RM '000</b>
<b>Short term borrowings</b>			
Bank overdraft	-	347	347
Bankers' acceptance	-	100,902	100,902
Revolving credit	1,395	102,199	103,594
Term loans	90,000	56,903	146,903
Hire purchase creditors	45	-	45
<b>Sub-total</b>	<b>91,440</b>	<b>260,351</b>	<b>351,791</b>
<b>Long term borrowings</b>			
Term loans	15,316	178,975	194,291
Hire purchase creditors	78	-	78
<b>Sub-total</b>	<b>15,394</b>	<b>178,975</b>	<b>194,369</b>
<b>Total Group Borrowings</b>	<b>106,834</b>	<b>439,326</b>	<b>546,160</b>

The group borrowings are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	299,068
US Dollar	239,042
Pound	8,050
	<u>546,160</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 12 November 2009.

### (i) Interest Rate Swap

<b>Type</b>	<b>Notional Amount</b>	<b>Effective Period</b>
USD Interest Rate Swap	USD15.50 million	30 October 2008 to 29 July 2011

Any differential paid or received on the interest rate swap contract is recognised 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>RM'000 equivalent</b>
Trade Receivables	USD	2,000	3.3925	6,785

### (iii) Interest Rate Cap

<b>Type</b>	<b>Notional Amount</b>	<b>Effective Period</b>
USD Interest Rate Cap	USD20,170,000	29 January 2010 to 31 October 2012

The interest rate option entered on 5<sup>th</sup> November 2009 is recorded at fair value which is equal to the premium paid.

## 24. Material litigation

Save as disclosed below, there were no material litigations pending since 22 August 2009 up to 12 November 2009.

- (i) 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 approximately Euro7.166 million. 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 approximately USD5.58 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.

- (ii) 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 now fixed for hearing in early July 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, 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 (ii) above. The matter is now fixed for hearing in early July 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 RM31.0million and RM86.5million respectively divided by the weighted average number of ordinary shares of RM0.50 each in issue less shares bought back during the financial period, with adjustment for the potential ordinary shares that would be issued upon conversion of all outstanding Irredeemable Convertible Unsecured Loan Stocks ("ICULS"), from the date the contract was entered into:

	<b>No. of Shares</b>	
	<b>Current Quarter ended 30 September 2009</b>	<b>Current Period to-date 30 September 2009</b>
Weighted average number of ordinary shares in issue less shares bought back with the adjustment for potential ordinary shares that would be issued upon conversion of all outstanding ICULS ('000)	<u>774,887</u>	<u>755,621</u>
	<b>Current Quarter ended 30 September 2009</b>	<b>Current Period to-date 30 September 2009</b>
EPS - Basic (Sen)	<u>4.00</u>	<u>11.45</u>

**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 (i) 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**