

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
 Stock name : WASEONG
 Financial Period Ended : 30 September 2020
 Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 September 2020 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 September 2019 Unaudited RM'000	Current Period To-date Ended 30 September 2020 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 Unaudited RM'000
Gross revenue	453,299	644,492	1,023,154	2,085,666
Cost of sales	(385,235)	(577,777)	(913,393)	(1,852,271)
Gross profit	68,064	66,715	109,761	233,395
Other operating income	1,786	7,302	36,012	20,586
Selling and distribution expenses	(7,248)	(9,621)	(23,667)	(23,931)
Administrative and general expenses	(283,453)	(42,769)	(380,640)	(130,859)
Other (losses)/gains - net	(1,157)	122	352	69
Finance costs	(10,259)	(11,277)	(34,725)	(39,501)
Share of results of associates and joint ventures	(3,149)	6,115	(16,277)	9,634
(Loss)/Profit before tax	(235,416)	16,587	(309,184)	69,393
Taxation	(24,351)	(2,916)	(31,190)	(22,625)
Net (loss)/profit for the financial period	(259,767)	13,671	(340,374)	46,768
Net (loss)/profit attributable to:				
- Owners of the Company	(255,826)	15,286	(329,888)	54,729
- Non-controlling interests	(3,941)	(1,615)	(10,486)	(7,961)
	(259,767)	13,671	(340,374)	46,768
Earnings per share				
- Basic earnings per share (sen)	(33.04)	1.98	(42.68)	7.10
- Diluted earnings per share (sen)	(33.04)	1.98	(42.68)	7.10

(The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019)

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
 Stock name : WASEONG
 Financial Period Ended : 30 September 2020
 Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 September 2020 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 September 2019 Unaudited RM'000	Current Period To-date Ended 30 September 2020 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 Unaudited RM'000
Net (loss)/profit for the financial period	(259,767)	13,671	(340,374)	46,768
Other comprehensive income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Share of other comprehensive income/(expense) of an associate, net of tax	524	(1,201)	846	(67)
Foreign currency translation differences for foreign operations	(3,034)	(2,352)	7,882	2,308
	<u>(2,510)</u>	<u>(3,553)</u>	<u>8,728</u>	<u>2,241</u>
Total comprehensive (expense)/income for the financial period	(262,277)	10,118	(331,646)	49,009
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	(258,389)	11,686	(321,176)	56,850
- Non-controlling interests	(3,888)	(1,568)	(10,470)	(7,841)
	<u>(262,277)</u>	<u>10,118</u>	<u>(331,646)</u>	<u>49,009</u>

(The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019)

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September 2020 Unaudited RM'000	As at 31 December 2019 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	434,423	672,852
Right-of-use assets	305,231	314,428
Investment properties	9,349	9,340
Goodwill and other intangible assets	146,016	144,014
Deferred tax assets	34,252	52,567
Investment in associates	213,527	207,827
Investment in joint ventures	92,183	111,627
Finance lease receivables	-	5,474
Contract assets	86,910	88,738
Investment in equity instruments	3	6
	<u>1,321,894</u>	<u>1,606,873</u>
Current Assets		
Inventories	233,566	267,078
Contract assets	167,168	119,373
Trade and other receivables	389,631	439,848
Amounts owing by associates	17,299	20,386
Amounts owing by joint ventures	30,166	47,803
Finance lease receivables	8,472	12,352
Tax recoverable	3,202	3,071
Derivative financial assets	367	1,101
Time deposits	65,545	52,765
Cash and bank balances	148,852	94,700
	<u>1,064,268</u>	<u>1,058,477</u>
TOTAL ASSETS	<u>2,386,162</u>	<u>2,665,350</u>
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	547,690	547,690
Treasury shares	(624)	(4,779)
Exchange translation reserves	4,255	(4,595)
Retained profits	104,505	441,630
Equity attributable to owners of the Company	<u>655,826</u>	<u>979,946</u>
Non-controlling interests	50,779	61,252
TOTAL EQUITY	<u>706,605</u>	<u>1,041,198</u>

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	As at 30 September 2020 Unaudited RM'000	As at 31 December 2019 Audited RM'000
LIABILITIES		
Non-Current and Deferred Liabilities		
Deferred tax liabilities	12,722	11,915
Lease liabilities	219,286	220,717
Trade and other payables	8,329	7,674
Loans and borrowings	175,098	217,959
	<u>415,435</u>	<u>458,265</u>
Current Liabilities		
Lease liabilities	12,882	14,047
Contract liabilities	94,226	62,916
Trade and other payables	350,050	291,746
Provision for warranties	9,830	9,061
Amounts owing to associates	-	33
Amounts owing to joint ventures	7,782	5,546
Loans and borrowings	735,416	730,136
Dividend payable	22,066	21,904
Current tax liabilities	31,118	28,638
Derivative financial liabilities	752	1,860
	<u>1,264,122</u>	<u>1,165,887</u>
TOTAL LIABILITIES	<u>1,679,557</u>	<u>1,624,152</u>
TOTAL EQUITY AND LIABILITIES	<u>2,386,162</u>	<u>2,665,350</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019)

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Retained profits RM'000			
At 1 January 2020	547,690	(4,779)	(4,595)	441,630	979,946	61,252	1,041,198
Net loss for the financial period	-	-	-	(329,888)	(329,888)	(10,486)	(340,374)
Other comprehensive income for the financial period	-	-	8,712	-	8,712	16	8,728
Total comprehensive income/(expense) for the financial period	-	-	8,712	(329,888)	(321,176)	(10,470)	(331,646)
Cash dividends paid to owners of the Company	-	-	-	(3,082)	(3,082)	-	(3,082)
Share dividends distributed to owners of the Company	-	4,155	-	(4,155)	-	-	-
Disposal of a subsidiary	-	-	138	-	138	(3)	135
Total contributions by and distribution to owners	-	4,155	138	(7,237)	(2,944)	(3)	(2,947)
At 30 September 2020	547,690	(624)	4,255	104,505	655,826	50,779	706,605

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Retained profits RM'000			
At 1 January 2019	547,690	(4,779)	(4,679)	417,494	955,726	81,118	1,036,844
Net profit/(loss) for the financial period	-	-	-	54,729	54,729	(7,961)	46,768
Other comprehensive income for the financial period	-	-	2,121	-	2,121	120	2,241
Total comprehensive income/(expense) for the financial period	-	-	2,121	54,729	56,850	(7,841)	49,009
Dividend paid/payable to non-controlling interests	-	-	-	-	-	(480)	(480)
Total contributions by and distribution to owners	-	-	-	-	-	(480)	(480)
Liquidation of a subsidiary	-	-	-	-	-	(373)	(373)
Issuance of new shares to non-controlling interests of an existing subsidiary	-	-	-	-	-	490	490
Total changes in ownership interest in subsidiaries that did not result in a loss of control	-	-	-	-	-	117	117
At 30 September 2019	547,690	(4,779)	(2,558)	472,223	1,012,576	72,914	1,085,490

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019)

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period To-date Ended 30 September 2020 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 Unaudited RM'000
Cash flows from operating activities		
(Loss)/Profit before tax	(309,184)	69,393
Adjustments for non-operating items:		
Depreciation and amortisation	81,632	123,124
Other non-cash items	229,248	(10,984)
Interest expense	34,725	39,501
Interest income	(3,202)	(3,990)
Operating profit before changes in working capital	33,219	217,044
Changes in working capital:		
Net changes in current assets	19,336	9,557
Net changes in current liabilities	71,836	(19,198)
Cash generated from operations	124,391	207,403
Interest received	3,202	3,990
Interest paid	(34,725)	(39,501)
Tax refund/(paid)	1,086	(10,027)
Net cash generated from operating activities	93,954	161,865
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,045)	(50,776)
Purchase of investment properties	(117)	-
Proceeds from disposal of property, plant and equipment	54,047	10,058
Proceeds from disposal of investment properties	14,105	-
Transfer to deposits and short term investment	(475)	(5,266)
Dividends received from an associate	1,731	-
Net amount from associates	165	80
Net amount to joint ventures	(1,868)	(756)
Net cash outflow from disposal of a subsidiary	(9)	-
Net cash generated from/(used in) investing activities	41,534	(46,660)
Cash flows from financing activities		
Drawdown of other bank borrowings	272,069	867,024
Repayments of other bank borrowings	(290,356)	(835,330)
Drawdown of term loans	5,390	174,788
Repayment of term loans	(43,888)	(104,706)
Drawdown of fixed rate notes	-	19,549
Repayment of fixed rate notes	-	(9,011)
Utilisation of advances from customer	-	(288,126)
Principal elements of lease payments	(9,901)	(9,479)
Proceeds from non-controlling interests on issuance of new shares by an existing subsidiary	-	490
Dividend paid to non-controlling interests	(3,082)	(480)
Net cash used in financing activities	(69,768)	(185,281)
Net changes in cash and cash equivalents	65,720	(70,076)
Currency translation differences	737	(794)
Cash and cash equivalents at beginning of the financial period	124,172	215,259
Cash and cash equivalents at end of the financial period	190,629	144,389

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Stock name : **WASEONG**
Financial Period Ended : **30 September 2020**
Quarter : **3**

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Current Period To-date Ended 30 September 2020 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 Unaudited RM'000
Cash and cash equivalents at the end of the financial period comprise of the following:		
Time deposits	65,545	56,839
Cash and bank balances	148,852	110,293
Subtotal	<u>214,397</u>	<u>167,132</u>
Less:		
Short term investments	(642)	-
Time deposits with maturity more than 3 months	<u>(23,126)</u>	<u>(22,743)</u>
	<u>190,629</u>	<u>144,389</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2019)

Company name : **WAH SEONG CORPORATION BERHAD**
 (Registration No.: 199901020946 (495846-A))
Stock name : **WASEONG**
Financial Period Ended : **30 September 2020**
Quarter : **3**

NOTES TO INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial statements are in compliance with IAS 34 “Interim Financial Reporting”.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. 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 financial year ended 31 December 2019.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2019, except for the adoption of the following Amendments to MFRS beginning 1 January 2020:

Amendments to MFRS 3, MFRS 101, MFRS 108, MFRS 110, MFRS 134 and MFRS 137	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 3	Definition of a Business

The adoption of the revised standards and amendments that are applicable from the financial year beginning on 1 January 2020 is not expected to result in any material impact on the financial position and results of the Group.

The following MFRS and Amendments to MFRS have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective to the Group:

Effective from financial year beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9	Annual Improvements to MFRS Standards 2018–2020
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

Effective from financial year beginning on or after 1 January 2023

Amendments to MFRS 101	Classifications of Liabilities as Current or Non-current
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(Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

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 affected by seasonal or cyclical factors.

4. Unusual items

During the quarter under review, the results of the Group were affected by one-off adjustments amounting to RM265.2 million arising from current market or economic conditions. These adjustments comprises of:

- a) Impairment of assets amounting to RM215.7 million;
- b) Provisions and cost related to shutdown of certain locations of RM33.3 million;
- c) Reversal of deferred tax assets of RM16.2 million

Excluding the above one-off adjustments, the Group would have made a profit after tax and minority interest of RM9.4 million for the current quarter despite the Group operating in a challenging environment.

Save for the above adjustments and information disclosed elsewhere in this financial report, there were no other material items affecting assets, liabilities, equity, net income, or cash flows for the financial period/year that were unusual due to their nature, size, or incidence.

5. Changes in estimates

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

6. Debt and equity securities

During the third quarter of 2020, the Company did not purchase any of its issued ordinary shares from the open market (period to-date: Nil). The Company held a total of 577,054 treasury shares as at 30 September 2020.

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 ended 30 September 2020.

7. Dividends

The Directors did not declare any dividend in the current/corresponding prior financial periods.

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

8. Segment information

RESULTS	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Financial period ended 30 September 2020</u>					
Revenue	418,089	258,764	212,801	135,617	1,025,271
Less: Inter segment revenue	(1,818)	-	-	(299)	(2,117)
External revenue	<u>416,271</u>	<u>258,764</u>	<u>212,801</u>	<u>135,318</u>	<u>1,023,154</u>
Segment (losses)/profits	(281,945)	17,280	(1,701)	335	(266,031)
Share of results of associates	6,924	-	24	(3)	6,945
Share of results of joint ventures	(24,006)	877	-	(93)	(23,222)
	<u>(299,027)</u>	<u>18,157</u>	<u>(1,677)</u>	<u>239</u>	<u>(282,308)</u>
Unallocated expenses relating to financing activities					(11,812)
Unallocated corporate expenses					(15,064)
Loss before tax					<u>(309,184)</u>
TOTAL ASSETS					
<u>As at 30 September 2020</u>					
Segment assets	1,248,397	427,196	221,073	91,481	1,988,147
Investment in associates	213,283	-	244	-	213,527
Investment in joint ventures	68,857	6,173	-	17,153	92,183
	<u>1,530,537</u>	<u>433,369</u>	<u>221,317</u>	<u>108,634</u>	<u>2,293,857</u>
Unallocated corporate assets					34,252
- Deferred tax assets					3,202
- Tax recoverable					29,116
- Cash and cash equivalents					642
- Short term investment					25,093
- Others					
Total assets					<u>2,386,162</u>

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2020</u>					
Depreciation of:					
- Property, plant and equipment	57,901	3,772	1,782	1,273	64,728
- Investment properties	-	-	2	75	77
- Right-of-use assets	14,526	-	1,351	950	16,827
Additions of:					
- Property, plant and equipment	9,800	12,535	2,576	1,134	26,045
Impairment loss/(reversal of impairment loss) on:					
- Property, plant and equipment	165,160	-	-	-	165,160
- Receivables	9,764	714	3,348	11,280	25,106
- Inventories	6,191	713	11	-	6,915
- Amount owing by joint ventures	23,716	-	-	-	23,716
Interest income	(1,924)	(415)	(738)	(125)	(3,202)
Interest expense					
- Loans and borrowings	6,938	5,423	2,023	333	14,717
- Lease liabilities	7,945	-	131	120	8,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
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OTHER INFORMATION

Financial period ended 30 September 2020

Revenue comprise of:

- Revenue from contracts with customers	400,747	258,764	211,686	133,255	1,004,452
- Revenue from other sources	15,524	-	1,115	2,063	18,702
	<u>416,271</u>	<u>258,764</u>	<u>212,801</u>	<u>135,318</u>	<u>1,023,154</u>

Revenue from contracts with customers is represented by:

Timing of revenue recognition

- Over time	277,676	157,849	-	103,434	538,959
- At a point in time	123,071	100,915	211,686	29,821	465,493
	<u>400,747</u>	<u>258,764</u>	<u>211,686</u>	<u>133,255</u>	<u>1,004,452</u>

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
RESULTS					
<u>Financial period ended 30 September 2019</u>					
Revenue	1,317,874	286,945	326,877	154,586	2,086,282
Less: Inter segment revenue	(313)	-	-	(303)	(616)
External revenue	<u>1,317,561</u>	<u>286,945</u>	<u>326,877</u>	<u>154,283</u>	<u>2,085,666</u>
Segment profits	59,650	19,600	2,245	1,350	82,845
Share of results of associates	19,076	-	-	(4)	19,072
Share of results of joint ventures	(10,046)	1,158	-	(550)	(9,438)
	<u>68,680</u>	<u>20,758</u>	<u>2,245</u>	<u>796</u>	<u>92,479</u>
Unallocated expenses relating to financing activities					(14,787)
Unallocated corporate expenses					(8,299)
Profit before tax					<u><u>69,393</u></u>
TOTAL ASSETS					
<u>As at 30 September 2019</u>					
Segment assets	1,606,373	435,098	244,053	69,083	2,354,607
Investment in associates	204,462	-	165	-	204,627
Investment in joint ventures	111,323	4,889	-	18,228	134,440
	<u>1,922,158</u>	<u>439,987</u>	<u>244,218</u>	<u>87,311</u>	<u>2,693,674</u>
Unallocated corporate assets					
- Deferred tax assets					51,021
- Tax recoverable					10,920
- Cash and cash equivalents					8,791
- Others					37,835
Total assets					<u><u>2,802,241</u></u>

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 Stock name : WASEONG
 Financial Period Ended : 30 September 2020
 Quarter : 3

8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2019</u>					
Depreciation of:					
- Property, plant and equipment	101,786	3,585	1,555	909	107,835
- Investment properties	-	-	2	90	92
- Right-of-use assets	13,904	-	-	297	14,201
Amortisation of:					
- Prepaid lease payments	381	-	615	-	996
Additions of:					
- Property, plant and equipment	32,214	13,911	3,616	1,035	50,776
Impairment loss/(reversal of impairment loss) on:					
- Property, plant and equipment	647	-	-	-	647
- Receivables	(2,409)	(871)	-	-	(3,280)
- Inventories	(709)	(2,288)	(105)	-	(3,102)
Interest income	(2,139)	(682)	(1,038)	(131)	(3,990)
Interest expense					
- Loans and borrowings	9,191	5,975	2,625	339	18,130
- Lease liabilities	6,537	-	-	47	6,584
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Company name : WAH SEONG CORPORATION BERHAD (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2019</u>					
Revenue comprise of:					
- Revenue from contracts with customers	1,303,144	286,945	326,147	153,592	2,069,828
- Revenue from other sources	14,417	-	730	691	15,838
	<u>1,317,561</u>	<u>286,945</u>	<u>326,877</u>	<u>154,283</u>	<u>2,085,666</u>
Revenue from contracts with customers is represented by:					
Timing of revenue recognition					
- Over time	1,062,975	167,351	-	120,522	1,350,848
- At a point in time	240,169	119,594	326,147	33,070	718,980
	<u>1,303,144</u>	<u>286,945</u>	<u>326,147</u>	<u>153,592</u>	<u>2,069,828</u>

Company name : WAH SEONG CORPORATION BERHAD
(Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

9. Events after the reporting period

There were no material events subsequent to the financial period ended 30 September 2020.

10. Effects of changes in the composition of the Group during the current quarter

There were no changes in the composition of the Group during the current quarter and period to-date ended 30 September 2020, except for the following:

- (a) **A. DISPOSAL OF 100% EQUITY INTEREST IN VI ENERGY LTD (FORMERLY KNOWN AS PMT ENERGY (LABUAN) LTD) TO OKHNA ING VEASNA BY JUTASAMA SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**
B. DEEMED TERMINATION OF THE POWER PURCHASE AGREEMENT ENTERED INTO BETWEEN P.M.T.I. ENERGY (CAMBODIA) CO., LTD., AN INDIRECT SUBSIDIARY OF THE COMPANY (“PMTIEC”) AND ELECTRICITÉ DU CAMBODGE
C. DEEMED TERMINATION OF THE POWER PURCHASE AGREEMENT ENTERED INTO BETWEEN PMTIEC AND BAITANG (KAMPUCHEA) PLC.

The Company’s direct wholly-owned subsidiary namely Jutasama Sdn Bhd (“**JSB**”) had on 30 July 2020 entered into a Share Sale Agreement (“**SSA**”) with Okhna Ing Veasna (“**Ing Veasna**”) for the disposal of the entire 1,000 ordinary shares representing 100% of the equity interest in VI Energy Ltd (formerly known as PMT Energy (Labuan) Ltd) (“**VI Energy**”), for a total cash consideration of USD1,000 only (“**Disposal of VI Energy Shares**”).

Pursuant to the Company’s earlier announcements, P.M.T.I Energy (Cambodia) Co., Ltd. (“**PMTIEC**”), a subsidiary of VI Energy had entered into Power Purchase Agreements with Electricité Du Cambodge (“**EDC**”) and Baitang (Kampuchea) Plc (“**Baitang**”) on 5 September 2014 and 5 December 2014 respectively.

With the Disposal of VI Energy Shares, the Company shall ceased to be involved in the said power plant business accordingly.

The Disposal of VI Energy Shares would result in VI Energy and its subsidiaries namely PMTIEC and PMT Energy Sdn Bhd (“**PMTE**”) ceasing to be indirect subsidiaries of JSB and the Company accordingly.

Information of JSB, Ing Veasna, VI Energy, PMTIEC, PMTE, EDC and Baitang were disclosed in Note 9(a) of WSC’s Quarterly Report on Consolidated Results for the Second Quarter Ended 30 June 2020 duly announced on 27 August 2020.

The Sale Consideration is based on the paid up share capital of VI Energy.

The rationale for the Disposal of VI Energy Shares is to streamline, realign and rationalise the business activities within the WSC Group.

The Disposal of VI Energy Shares will not impact any of the percentage ratios of WSC pursuant to Paragraph 10.02(g) of the Listing Requirements of Bursa Securities.

None of the directors, major shareholders of WSC and/or persons connected to them have any interest, direct or indirect, in the Disposal of VI Energy Shares.

Company name : WAH SEONG CORPORATION BERHAD
(Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

10. Effects of changes in the composition of the Group during the current quarter (continued)

(b) **PROPOSED DISPOSAL OF 70% ORDINARY SHAREHOLDINGS IN SPIROLITE (M) SENDIRIAN BERHAD TO LESSO MALAYSIA HOLDINGS SDN BHD BY SYN TAI HUNG TRADING SDN BHD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY**

The Company had on 13 August 2020 announced that Syn Tai Hung Trading Sdn Bhd [Registration No. 199501004616 (333811-U)] (“**STHT**”), an indirect wholly-owned subsidiary of the Company, had on 13 August 2020 entered into a Share Purchase Agreement (“**SPA**”) with Lesso Malaysia Holdings Sdn Bhd [Registration No. 202001005647 (1361967-T)] (“**LMHSB**”) for the disposal of 3,622,990 ordinary shares of Spirolite (M) Sendirian Berhad [Registration No. 197401004289 (21438-U)] (“**SPRL**”), representing 70% of the ordinary shareholdings in SPRL (“**Sale Shares**”) for a total cash sale consideration of RM30,369,000 (“**Sale Consideration**”) subject to the terms and conditions in the SPA (hereinafter referred to as “**Proposed Disposal**”). The Company had subsequently on 17 August 2020 announced additional information in relation to the Proposed Disposal.

Information on STHT, LMHSB, SPRL and its subsidiary were announced on 13 August 2020 and 17 August 2020 respectively.

The Sale Consideration for the Proposed Disposal was arrived based on:

- (a) the representations, warranties and indemnities from and by the Vendor contained in the SPA;
- (b) the Net Assets of SPRL as at the audited financial statement for the financial year ended 31 December 2019;
- (c) the revaluation reserve of the properties owned by SPRL; and
- (d) goodwill of SPRL.

The proceeds arising from the Proposed Disposal will be utilised in the following manner:

- i. reinvestment for acquisition in other pipe manufacturing assets and production expansion purposes;
- ii. to partly repay the borrowings with the financial institutions; and
- iii. the balance for working capital.

The rationale for the Proposed Disposal is to collaborate with LMHSB who is the current market leader that possess state of the art technology in the pipeline manufacturing business and wide international network which is capable of elevating the business to the next level. The Proposed Disposal also signifies divestment of non-core businesses within the WSC Group and to streamline the Group’s business operations.

Landserve Sdn Bhd is appointed as the independent valuer for the valuation of the land & building of SPRL.

The Proposed Disposal will not have any effect on the share capital and substantial shareholdings of WSC as the Sale Consideration will be satisfied entirely by way of cash, and will result in a one-off gain on disposal of approximately RM12.7 million. The Proposed Disposal is not expected to have any significant improvement in the net assets per share or any significant impact on the net gearing ratio of WSC. However, the earnings per share will be increased by approximately 1.65 sen.

The Proposed Disposal is subject to the approval being obtained from the Malaysian Industrial Development Authority (“**MIDA**”) or the Ministry of International Trade and Industry (“**MITI**”) of Malaysia for the sale of all of the Sale Shares by STHT to LMHSB, without conditions or restrictions, or the waiver of the requirement of such approval, whichever is applicable. MITI had via its letter dated 13 October 2020 approved the Proposed Disposal.

Company name : WAH SEONG CORPORATION BERHAD
(Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

10. Effects of changes in the composition of the Group during the current quarter (continued)

The Company had on 19 October 2020 announced that both parties have agreed for the SPA to become unconditional on 19 October 2020.

None of the directors, major shareholders and/or persons connected to them have any interest, direct or indirect, in the Proposed Disposal. Furthermore, the sole Director of LMHSB, namely Mr. Chong Kok Lim does not hold any shares in WSC or China Lesso Group.

Pursuant to Paragraph 10.06 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposed Disposal is 7.79%, based on the latest audited financial statements of WSC for the financial year ended 31 December 2019. The highest percentage ratio computation based on the proposed disposal of 100% ordinary shareholdings in SPRL, taking into account the Put Option is 11.13%.

11. Significant events during the reporting period

There were no significant events during the current quarter and period to-date ended 30 September 2020.

12. Status of corporate proposals

There were no corporate proposals announced but not completed as at the reporting date.

13. Capital commitments

Capital commitments not provided for in the interim report:

	As at 30 September 2020 RM'000
Approved and contracted for	<u>854</u>

Company name : WAH SEONG CORPORATION BERHAD
(Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

Other information required by Bursa Malaysia Securities Berhad Main Market Listing Requirements

14. Review of performance of operating segments for the current quarter and financial period ended 30 September 2020

Oil & Gas Segment

The Oil & Gas Segment's external revenue for the third quarter and the financial period ended 30 September 2020 were RM221.7 million and RM416.3 million respectively, compared with RM360.8 million and RM1.3 billion in the corresponding periods in 2019. The segment registered a loss before tax of RM236.5 million and RM299.0 million respectively, compared with profit before tax of RM17.2 million and RM68.7 million in the corresponding periods in 2019.

The segment recognised one-off adjustment of RM237.8 million in the current quarter, comprising of impairment of RM165.2 million for property, plant and equipment, RM18.2 million for amount owing by joint venture, RM9.5 million for trade and other receivables and RM6.2 million for inventories as well as share of impairment losses on vessels from a joint venture of RM5.4 million and RM33.3 million for provisions and cost related to shutdown of certain locations. Excluding these one-off adjustments, the segment would have registered a profit before tax of RM1.3 million for the quarter and loss before tax of RM61.2 million for the financial period ended 30 September 2020.

The completion of Nord Stream 2 project and the general slowdown in the market in which the segment operates, has resulted in a significant drop in revenue and results in the current quarter and financial period ended 30 September 2020.

Renewable Energy Segment

The Renewable Energy Segment's external revenue for the third quarter and financial period ended 30 September 2020 were RM98.6 million and RM258.8 million respectively, compared with RM111.6 million and RM286.9 million in the corresponding periods in 2019. In the same period, profit before tax were RM10.5 million and RM18.2 million, compared with profit before tax of RM5.4 million and RM20.7 million in the corresponding periods in 2019.

Slowdown in the palm oil sector has impacted the businesses of boiler and steam turbine and resulting in lower revenue.

The current quarter profit before tax is higher as compared to last year corresponding period was due mainly to higher contribution from the process equipment fabrication and no single large project costs overrun as per last year. However, Renewable Energy Segment registered lower profit before tax for the financial period ended 30 September 2020 as compared to last year was due mainly to lower revenue from the boiler and steam turbine businesses.

Industrial Trading & Services Segment

The Industrial Trading & Services Segment's external revenue for the third quarter and financial period ended 30 September 2020 were RM89.0 million and RM212.8 million respectively, compared with RM113.6 million and RM326.9 million in the corresponding periods in 2019. In the same period, the segment recorded a profit before tax of RM2.3 million and loss before tax RM1.7 million, compared with profit before tax of RM2.1 million and RM2.2 million in the corresponding periods in 2019.

Slowdown in construction industry as a result of pandemic and movement control order has resulted in lower external revenue in current quarter and financial period ended 30 September 2020.

The segment maintains its profit before tax for the current quarter as compared to last year same quarter. However, lower revenue from building materials trading and higher provisions for expected credit loss resulted in loss before tax for the current financial period ended 30 September 2020.

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

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

The Group recorded a loss before taxation of RM235.4 million in the current quarter, compared with a loss before taxation of RM30.5 million in the previous quarter. The decrease is the result of one-off adjustments recognised in the current quarter as set out in Note 4.

16. Prospects

The Group's current order book has increased by RM229.8 million to RM1.1 billion, comprising RM807.8 million in the Oil & Gas segment, RM259.0 million in the Renewable Energy segment, and RM42.1 million in the Industrial Trading & Services segment.

The unfavourable political and economic climate has continued to persist. Its outlook is unlikely to improve anytime soon. In the meantime, the Group is taking advantage of the situation to re-examine its business set-up and restructure where needed, and to streamline its systems and processes in order to be better placed to meet any improvement in global and domestic demand when they return.

17. (Loss)/Profit before tax

(Loss)/Profit before tax is stated after charging/(crediting) the following items:	Current Quarter Ended 30 September 2020 RM'000	Preceding Year Corresponding Quarter Ended 30 September 2019 RM'000	Current Period To-date Ended 30 September 2020 RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 RM'000
Interest income	(1,039)	(1,506)	(3,202)	(3,990)
Depreciation and amortisation	25,759	32,399	81,632	123,124
Impairment loss/(reversal) on receivables - net	21,265	569	25,106	(3,280)
Impairment loss and write-off/(reversal) of inventories - net	6,356	(720)	6,915	(3,102)
Impairment loss on property, plant and equipment	165,160	3	165,160	647
Impairment loss on amount owing by joint ventures	18,189	-	23,716	-
Net foreign exchange loss/(gain)	96	158	(5,459)	(456)
Gain on disposal of property, plant and equipment	(178)	(4)	(7,796)	(19)

Save as disclosed above and in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

18. Taxation

Taxation comprises the following:

	Current Quarter Ended 30 September 2020 RM'000	Period To-date Ended 30 September 2020 RM'000
Tax expense		
- Malaysian tax	10,160	12,355
- Foreign tax	14,191	18,835
	<u>24,351</u>	<u>31,190</u>

The effective tax rate of the Group varies from the statutory tax rate due to the following:

	Current Quarter Ended 30 September 2020 RM'000	Period To-date Ended 30 September 2020 RM'000
Loss before tax	<u>(235,416)</u>	<u>(309,184)</u>
Tax expense at the statutory tax rate – 24%	(56,500)	(74,204)
Other tax adjustments	80,825	106,026
Overprovision in prior financial year	26	(632)
	<u>80,851</u>	<u>105,394</u>
Taxation	<u>24,351</u>	<u>31,190</u>

19. Profit forecast

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

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

20. Group's borrowings and debt securities

	As at 30 September 2020 RM'000
<u>Unsecured</u>	
Short term borrowings	
Revolving credits	507,115
Trade financing	124,443
Term loans	84,183
Fixed rate notes	19,675
	<u>735,416</u>
Long term borrowings	
Term loans	175,098
Total borrowings	<u>910,514</u>

The Group's borrowings are denominated in the following currencies:

United States Dollar	665,368
Ringgit Malaysia	194,913
Australian Dollar	25,454
Euro Dollar	20,034
Singapore Dollar	3,911
British Pound	834
	<u>910,514</u>

21. Fair value of financial instruments

The fair value gains and losses arising from fair value changes in financial assets and liabilities during the current quarter and financial period ended 30 September 2020 are as follows:

	Current Quarter Ended 30 September 2020 RM'000	Preceding Year Corresponding Quarter Ended 30 September 2019 RM'000	Current Period To-date Ended 30 September 2020 RM'000	Preceding Corresponding Period To-date Ended 30 September 2019 RM'000
Balance as at				
- 1 January	-	-	(753)	152
- 1 July	771	98	-	
Fair value (loss)/gain recognised in:				
- profit or loss	(1,157)	122	352	69
Effect of changes in exchange rate	4	(4)	19	(5)
Balance as at 30 September	<u>(382)</u>	<u>216</u>	<u>(382)</u>	<u>216</u>

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

21. Fair value of financial instruments (continued)

	As at 30 September 2020 RM'000	As at 30 September 2019 RM'000
Represented by:		
Investment in equity instruments carried at fair value	3	6
Derivative financial assets	367	584
Derivative financial liabilities	(752)	(374)
	(382)	216

Fair value hierarchy

The table below summarises all financial instruments carried at fair value as at end of the financial period, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>30 September 2020</u>				
<u>Financial assets</u>				
Investment in equity instruments	3	-	-	3
Derivative financial assets	-	367	-	367
<u>Financial liabilities</u>				
Derivative financial liabilities	-	(752)	-	(752)
	-	(752)	-	(752)

Valuation techniques used to derive Level 2 fair values

The Level 2 fair values represent an estimated valuation derived from market quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions.

There were no changes in valuation techniques during the financial period.

22. Material litigation

There were no material litigations pending as at this reporting date.

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2020
Quarter : 3

23. Earnings per share (EPS)

Basic and diluted earnings per share

The basic and diluted earnings per share have been computed based on net profit attributable to the owners of the Company for the current financial quarter/period divided by the weighted average number of ordinary shares after adjusting for movements in treasury shares in the same financial quarter/period:

	Current Quarter Ended 30 September 2020	Preceding Year Corresponding Quarter Ended 30 September 2019	Current Period To-date Ended 30 September 2020	Preceding Corresponding Period To-date Ended 30 September 2019
Net (loss)/profit attributable to the owners of the Company (RM'000)	<u>(255,826)</u>	<u>15,286</u>	<u>(329,888)</u>	<u>54,729</u>
Weighted average number of ordinary shares in issue after adjusting for movements in treasury shares (No. of Shares ('000))	<u>774,311</u>	<u>770,461</u>	<u>772,934</u>	<u>770,461</u>
Basic/diluted earnings per share (sen)	<u>(33.04)</u>	<u>1.98</u>	<u>(42.68)</u>	<u>7.10</u>

24. Contingent liabilities

There were no contingent liabilities arising since the last annual audited statement of financial position.

25. Authorisation for issue

This Quarterly Report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed at the Board of Directors' Meeting held on 24 November 2020.