

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)
 Stock name : WASEONG
 Financial Period Ended : 31 December 2019
 Quarter : 4

Quarterly Report on Consolidated Results for the Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31 December 2019 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 31 December 2018 Unaudited RM'000	Financial Year Ended 31 December 2019 Unaudited RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 Audited RM'000
Gross revenue	429,250	706,369	2,514,916	2,961,131
Cost of sales	(354,587)	(628,088)	(2,206,858)	(2,625,280)
Gross profit	74,663	78,281	308,058	335,851
Other operating income	15,942	13,437	36,528	57,952
Selling and distribution expenses	(8,458)	(6,365)	(32,389)	(27,314)
Administrative and general expenses	(116,457)	(63,143)	(247,316)	(202,215)
Other (losses)/gains - net	(965)	892	(896)	44
Finance costs	(15,151)	(10,170)	(54,652)	(38,940)
Share of results of associates and joint ventures	(13,405)	(7,917)	(3,771)	(18,290)
(Loss)/Profit before tax	(63,831)	5,015	5,562	107,088
Taxation	30,630	(15,950)	8,005	(47,226)
Net (loss)/profit for the financial period/year	(33,201)	(10,935)	13,567	59,862
Net (loss)/profit attributable to:				
- Owners of the Company	(30,593)	(9,977)	24,136	64,797
- Non-controlling interests	(2,608)	(958)	(10,569)	(4,935)
	(33,201)	(10,935)	13,567	59,862
Earnings per share				
- Basic earnings per share (sen)	(3.97)	(1.29)	3.13	8.39
- Diluted earnings per share (sen)	(3.97)	(1.29)	3.13	8.39

(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 2018)

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 31 December 2019 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 31 December 2018 Unaudited RM'000	Financial Year Ended 31 December 2019 Unaudited RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 Audited RM'000
Net (loss)/profit for the financial period/year	(33,201)	(10,935)	13,567	59,862
Other comprehensive (expense)/income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Available-for-sale financial assets				
- Fair value gain	-	2	-	-
Share of other comprehensive (expense)/income of an associate, net of tax	(103)	8	(170)	696
Foreign currency translation differences for foreign operations	(2,032)	(3,292)	276	1,412
	(2,135)	(3,282)	106	2,108
Total comprehensive (expense)/income for the financial period/year	(35,336)	(14,217)	13,673	61,970
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	(32,630)	(13,464)	24,220	66,338
- Non-controlling interests	(2,706)	(753)	(10,547)	(4,368)
	(35,336)	(14,217)	13,673	61,970

(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 2018)

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2019 Unaudited RM'000	As at 31 December 2018 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	672,852	831,587
Prepaid lease payments	87,934	89,256
Investment properties	9,340	16,621
Right-of-use assets	226,500	-
Investment in associates	207,827	182,029
Investment in joint ventures	111,627	126,368
Finance lease receivables	5,474	18,042
Contract assets	88,738	-
Investment in equity instruments	6	6
Goodwill and other intangible assets	144,014	145,404
Deferred tax assets	52,567	43,344
	<u>1,606,879</u>	<u>1,452,657</u>
Current Assets		
Inventories	267,078	324,666
Contract assets	112,354	95,869
Trade and other receivables	446,861	560,707
Amounts owing by associates	20,386	11,617
Amounts owing by joint ventures	47,803	55,471
Finance lease receivables	12,352	14,380
Tax recoverable	3,071	15,479
Derivative financial assets	1,101	146
Time deposits	52,765	76,373
Cash and bank balances	94,700	156,363
	<u>1,058,471</u>	<u>1,311,071</u>
Assets classified as held for sale	<u>-</u>	<u>2,207</u>
TOTAL ASSETS	<u>2,665,350</u>	<u>2,765,935</u>
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	547,690	547,690
Treasury shares	(4,779)	(4,779)
Exchange translation reserves	(4,595)	(4,679)
Retained profits	441,630	417,494
Equity attributable to owners of the Company	<u>979,946</u>	<u>955,726</u>
Non-controlling interests	61,252	81,118
TOTAL EQUITY	<u>1,041,198</u>	<u>1,036,844</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	As at 31 December 2019 Unaudited RM'000	As at 31 December 2018 Audited RM'000
LIABILITIES		
Non-Current and Deferred Liabilities		
Lease liabilities	220,717	-
Loans and borrowings	216,959	129,410
Deferred tax liabilities	11,915	13,804
Trade and other payables	7,674	6,294
	<u>457,265</u>	<u>149,508</u>
Current Liabilities		
Contract liabilities	62,916	52,792
Trade and other payables	291,746	726,350
Lease liabilities	14,047	-
Provision for warranties	9,061	8,895
Amounts owing to associates	33	-
Amounts owing to joint ventures	5,546	3,959
Loans and borrowings	731,136	718,215
Dividend payable	21,904	14,004
Current tax liabilities	28,638	55,368
Derivative financial liabilities	1,860	-
	<u>1,166,887</u>	<u>1,579,583</u>
TOTAL LIABILITIES	<u>1,624,152</u>	<u>1,729,091</u>
TOTAL EQUITY AND LIABILITIES	<u>2,665,350</u>	<u>2,765,935</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 2018)

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Quarterly Report on Consolidated Results for the Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----					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	Total 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 year	-	-	-	24,136	24,136	(10,569)	13,567
Other comprehensive income for the financial year	-	-	84	-	84	22	106
Total comprehensive income for the financial year	-	-	84	24,136	24,220	(10,547)	13,673
Dividend paid/payable to non-controlling interests	-	-	-	-	-	(10,881)	(10,881)
Total contributions by and distribution to owners	-	-	-	-	-	(10,881)	(10,881)
Liquidation of a subsidiary	-	-	-	-	-	(374)	(374)
Issuance of new shares to non-controlling interests of an existing subsidiary	-	-	-	-	-	1,690	1,690
Incorporation of a new subsidiary	-	-	-	-	-	247	247
Acquisition of shares in existing subsidiary from non-controlling interests	-	-	-	-	-	(1)	(1)
Total changes in ownership interest in subsidiaries that did not result in a loss of control	-	-	-	-	-	1,562	1,562
At 31 December 2019	547,690	(4,779)	(4,595)	441,630	979,946	61,252	1,041,198

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have been audited

	----- Attributable to owners of the Company -----							
	Share capital RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 January 2018								
- as previously stated	547,690	(2,331)	(6,220)	6	355,016	894,161	96,211	990,372
- effects of adoption of MFRS 9	-	-	-	(6)	(2,319)	(2,325)	-	(2,325)
- as restated	547,690	(2,331)	(6,220)	-	352,697	891,836	96,211	988,047
Net profit/(loss) for the financial year	-	-	-	-	64,797	64,797	(4,935)	59,862
Other comprehensive income for the financial year	-	-	1,541	-	-	1,541	567	2,108
Total comprehensive income/(expense) for the financial year	-	-	1,541	-	64,797	66,338	(4,368)	61,970
Shares purchased (including transaction costs)	-	(2,448)	-	-	-	(2,448)	-	(2,448)
Dividend paid/payable to non-controlling interests	-	-	-	-	-	-	(10,725)	(10,725)
Total contributions by and distributions to owners	-	(2,448)	-	-	-	(2,448)	(10,725)	(13,173)
Total transactions with owners	-	(2,448)	-	-	-	(2,448)	(10,725)	(13,173)
At 31 December 2018	547,690	(4,779)	(4,679)	-	417,494	955,726	81,118	1,036,844

(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 2018)

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Quarterly Report on Consolidated Results for the Fourth Quarter Ended 31 December 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Financial Year Ended 31 December 2019 Unaudited RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 Audited RM'000
Cash flows from operating activities		
Profit before tax	5,562	107,088
Adjustments for non-operating items:		
Depreciation and amortisation	153,589	189,765
Other non-cash items	57,249	11,692
Interest expense	54,652	38,940
Interest income	(4,992)	(6,687)
Operating profit before changes in working capital	266,060	340,798
Changes in working capital:		
Net changes in current assets	2,684	(12,517)
Net changes in current liabilities	2,791	(85,143)
Cash generated from operations	271,535	243,138
Interest received	4,992	6,687
Interest paid	(54,652)	(38,940)
Tax paid	(10,178)	(13,994)
Net cash generated from operating activities	211,697	196,891
Cash flows from investing activities		
Purchase of property, plant and equipment	(62,282)	(98,207)
Purchase of investment properties	-	(7,216)
Purchase of intangible assets	-	(11)
Proceeds from disposal of property, plant and equipment	32,063	65,433
Proceeds from disposal of prepaid lease payments	-	87,110
Proceeds from disposal of assets held for sale	-	46,286
Proceeds from disposal of an associate	-	440
Transfer (to)/from deposits and short term investment	(5,816)	56,421
Dividends received from an associate	1,735	257
Dividends received from joint venture	21	4,312
Net amount from/(to) associates	703	(793)
Net amount from joint ventures	1,182	1,545
Net cash (used in)/generated from investing activities	(32,394)	155,577
Cash flows from financing activities		
Purchase of treasury shares	-	(2,448)
Drawdown of other bank borrowings	1,252,488	1,271,640
Repayments of other bank borrowings	(1,209,203)	(1,399,674)
Drawdown of term loans	210,190	124,217
Repayment of term loans	(153,562)	(110,677)
Drawdown of fixed rate notes	19,583	2,071
Repayment of fixed rate notes	(9,027)	(23,083)
Utilisation of advances from customer	(357,464)	(213,937)
Proceeds from non-controlling interests on issuance of new shares by an existing subsidiary	1,690	-
Dividend paid to non-controlling interests	(10,881)	(10,178)
Principal elements of lease payments	(12,138)	-
Net cash used in financing activities	(268,324)	(362,069)
Net changes in cash and cash equivalents	(89,021)	(9,601)
Currency translation differences	(2,065)	(2,250)
Cash and cash equivalents at beginning of the financial year	215,259	227,110
Cash and cash equivalents at end of the financial year	124,173	215,259

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Financial Year Ended 31 December 2019 Unaudited RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 Unaudited RM'000
Cash and cash equivalents at the end of the financial year comprise of the following:		
Time deposits	52,765	76,373
Cash and bank balances	94,700	156,363
Subtotal	147,465	232,736
Less:		
Time deposits with maturity more than 3 months	(22,669)	(16,868)
Short term investments	(623)	(609)
	124,173	215,259

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2018)

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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 2018. 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 2018.

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 2018, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS beginning 1 January 2019:

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Annual Improvements to MFRSs 2015 – 2017 Cycle	Amendments to MFRSs contained in the document entitled Annual Improvements to MFRSs 2015 – 2017 Cycle
IC Interpretation 23	Uncertainty over Income Tax Treatments

The adoption of the revised standards and amendments that are applicable from the financial year beginning on 1 January 2019 is not expected to result in any material impact on the financial position and results of the Group except for MFRS 16.

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 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
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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 the following adjustments:

- a) Impairment losses of RM34.7 million recognised in respect of leasehold buildings and plant and machineries that were idle at the moment due to lack of projects in the oil and gas market;
- b) Share of impairment losses on vessels from a joint venture of RM18.0 million; and
- c) Impairment losses on other receivables of RM13.5 million

Excluding the above adjustments, the Group's profit attributable to owners of the Company for the fourth quarter and the financial year ended 31 December 2019 would have been RM35.6 million and RM90.3 million respectively.

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 fourth quarter of 2019, 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 4,426,938 treasury shares as at 31 December 2019.

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/year ended 31 December 2019.

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7. Dividends

On 18 February 2020, the Directors declared a first interim dividend in respect of financial year ending 31 December 2020 of 1.00 sen per share comprising:-

Cash dividend per share	(a)	0.40 sen single tier
Share dividend per share	(b)	Special single tier share dividend on the basis of 1:200
- Entitlement date	-	12 March 2020
- Closing share price as at 31 December	-	RM1.20
- Equivalent value of gross share dividend based on the closing share price	-	0.60 sen per share
Date payable and to be credited		8 April 2020

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8. Segment information

	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Others RM'000	Total RM'000
RESULTS					
<u>Financial year ended 31 December 2019</u>					
Revenue	1,489,366	399,550	426,123	203,364	2,518,403
Less: Inter segment revenue	(3,085)	-	-	(402)	(3,487)
External revenue	<u>1,486,281</u>	<u>399,550</u>	<u>426,123</u>	<u>202,962</u>	<u>2,514,916</u>
Segment profits	15,619	23,962	(2,133)	9,693	47,141
Share of results of associates	27,105	-	56	(5)	27,156
Share of results of joint ventures	(31,790)	1,565	-	(702)	(30,927)
	<u>10,934</u>	<u>25,527</u>	<u>(2,077)</u>	<u>8,986</u>	<u>43,370</u>
Unallocated expenses relating to financing activities					(19,880)
Unallocated corporate expenses					(17,928)
Profit before tax					<u>5,562</u>
TOTAL ASSETS					
<u>As at 31 December 2019</u>					
Segment assets	1,473,305	450,822	254,587	72,169	2,250,883
Investment in associates	207,607	-	220	-	207,827
Investment in joint ventures	88,723	5,296	-	17,608	111,627
	<u>1,769,635</u>	<u>456,118</u>	<u>254,807</u>	<u>89,777</u>	<u>2,570,337</u>
Unallocated corporate assets					52,567
- Deferred tax assets					3,071
- Tax recoverable					7,986
- Cash and cash equivalents					623
- Short term investment					30,766
- Others					
Total assets					<u>2,665,350</u>

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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 year ended 31 December 2019</u>					
Depreciation of:					
- Property, plant and equipment	123,457	4,724	2,120	1,333	131,634
- Investment properties	-	-	3	135	138
- Right-of-use assets	19,000	-	916	573	20,489
Amortisation of:					
- Prepaid lease payments	508	-	820	-	1,328
Additions of:					
- Property, plant and equipment	36,723	18,527	5,556	1,476	62,282
Impairment loss/(reversal of impairment loss) on:					
- Property, plant and equipment	34,684	-	-	-	34,684
- Receivables	(16)	(10)	4,923	13,505	18,402
- Amount owing by a joint venture	2,200	-	-	-	2,200
- Inventories	(164)	(3,183)	(131)	-	(3,478)
Interest income	(2,657)	(870)	(1,320)	(145)	(4,992)
Interest expense					
- Loans and borrowings	11,045	8,088	3,437	450	23,020
- Lease liabilities	11,474	-	192	86	11,752
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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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 year ended 31 December 2019</u>					
Revenue comprise of:					
- Revenue from contracts with customers	1,466,752	399,550	425,216	202,649	2,494,167
- Revenue from other sources	19,529	-	907	313	20,749
	<u>1,486,281</u>	<u>399,550</u>	<u>426,123</u>	<u>202,962</u>	<u>2,514,916</u>
Revenue from contracts with customers is represented by:					
Timing of revenue recognition					
- Over time	1,180,092	192,124	-	165,637	1,537,853
- At a point in time	286,660	207,426	425,216	37,012	956,314
	<u>1,466,752</u>	<u>399,550</u>	<u>425,216</u>	<u>202,649</u>	<u>2,494,167</u>

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8. Segment information (continued)

	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Others RM'000	Total RM'000
RESULTS					
<u>Financial year ended 31 December 2018</u>					
Revenue	1,981,234	335,845	481,679	165,505	2,964,263
Less: Inter segment revenue	(2,711)	-	-	(421)	(3,132)
External revenue	1,978,523	335,845	481,679	165,084	2,961,131
Segment profits	132,420	29,231	7,279	(5,722)	163,208
Share of results of associates	1,448	-	(208)	(70)	1,170
Share of results of joint ventures	(21,719)	1,506	-	753	(19,460)
	112,149	30,737	7,071	(5,039)	144,918
Unallocated expenses relating to financing activities					(20,253)
Unallocated corporate expenses					(17,577)
Profit before tax					107,088
TOTAL ASSETS					
<u>As at 31 December 2018</u>					
Segment assets	1,597,998	411,187	257,920	72,258	2,339,363
Investment in associates	181,864	-	165	-	182,029
Investment in joint ventures	104,107	3,731	-	18,530	126,368
	1,883,969	414,918	258,085	90,788	2,647,760
Assets held for sale					2,207
Unallocated corporate assets					
- Deferred tax assets					43,344
- Tax recoverable					15,479
- Cash and cash equivalents					18,566
- Short term investment					609
- Others					37,970
Total assets					2,765,935

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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 year ended 31 December 2018</u>					
Depreciation of:					
- Property, plant and equipment	180,206	4,676	1,886	1,323	188,091
- Investment properties	-	-	4	342	346
Amortisation of:					
- Prepaid lease payments	508	-	820	-	1,328
Additions of:					
- Property, plant and equipment	91,141	5,265	353	1,448	98,207
- Investment properties	-	-	-	7,216	7,216
(Reversal of)/Impairment loss on:					
- Property, plant and equipment	(4,904)	-	48	-	(4,856)
- Inventories	2,120	481	(586)	-	2,015
Interest income	(4,582)	(791)	(949)	(365)	(6,687)
Interest expense	11,580	2,521	3,284	1,302	18,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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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 year ended 31 December 2018</u>					
Revenue comprise of:					
- Revenue from contracts with customers	1,913,107	335,845	480,549	165,058	2,894,559
- Revenue from other sources	65,416	-	1,130	26	66,572
	<u>1,978,523</u>	<u>335,845</u>	<u>481,679</u>	<u>165,084</u>	<u>2,961,131</u>
Revenue from contracts with customers is represented by:					
Timing of revenue recognition					
- Over time	1,817,406	180,759	-	26,277	2,024,442
- At a point in time	95,701	155,086	480,549	138,781	870,117
	<u>1,913,107</u>	<u>335,845</u>	<u>480,549</u>	<u>165,058</u>	<u>2,894,559</u>

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9. Events after the reporting period

There were no material events subsequent to the financial year ended 31 December 2019.

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 year-to-date ended 31 December 2019, except for the following:

(a) **SHARE TRANSFER AGREEMENT ENTERED INTO BETWEEN PAP ENERGY LIMITED AND WASCO COATINGS EUROPE B.V., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY FOR THE DISPOSAL OF 70% EQUITY INTEREST IN WASCO-PAP SERVICES GHANA LIMITED**

The Company's indirect wholly-owned subsidiary namely Wasco Coatings Europe B.V. (Company No. 08134516) ("WCEu") had on 22 November 2019 entered into a Share Transfer Agreement ("STA") with PAP Energy Limited (Company No. CS627272015) ("PAP Energy"), a company incorporated in The Republic of Ghana and having its registered office address at Plot Number 41, East Airport, Accra, in the Greater Accra Region of The Republic of Ghana for the disposal of 770,000 ordinary shares in the issued and paid-up share capital of Wasco-PAP Services Ghana Limited (Company Registration No. CS754112015) ("WPSG"), representing 70% equity interest in WPSG for a total cash consideration of Euro One Thousand (EUR1,000) only ("Disposal of WPSG Shares").

Information of WCEu

WCEu was incorporated on 15 July 2005 as DMT Facilitair B.V. in the Netherlands and having its registered address at Wijnkamp 3, 7471 CA Goor, The Netherlands. The change of name from DMT Facilitair B.V. to WCEu was effected on 19 June 2008. WCEu is principally involved in the provision of pipe coating and related services to the Oil and Gas industry. WCEu is an indirect wholly-owned subsidiary of the Company.

Information of PAP Energy

PAP Energy is a company incorporated in The Republic of Ghana and having its registered office address at Plot Number 41, East Airport, Accra, in the Greater Accra Region of The Republic of Ghana.

Information of WPSG

WPSG was incorporated on 14 December 2015 under the Companies Act, 1963 (Act 179) of The Republic of Ghana and having its address at No. 3, Airport Residential Area, Senchi Loop, Accra, in the Greater Accra Region of The Republic of Ghana. WPSG is principally involved in the provision of services for Oil and Gas sector. WPSG is a 70%-owned subsidiary of WCEu.

The Sale Consideration is based on the reimbursement for the initial registration fee of WPSG.

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

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

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

(b) INCORPORATION OF WASCO COATINGS MIDDLE EAST QFZ LLC BY THE COMPANY'S INDIRECT WHOLLY-OWNED SUBSIDIARY NAMELY WASCO COATINGS LIMITED

The Company's indirect wholly-owned subsidiary namely Wasco Coatings Limited (Company No. 798147) ("WCL") and Medgulf Construction Company W.L.L. (Company No. 12574) ("Medgulf") had on 28 November 2019 incorporated a subsidiary company, namely Wasco Coatings Middle East QFZ LLC ("WC Middle East") for the purpose of carrying out the provision of anti-corrosion and concrete weight coating of pipelines to the oil and gas industry.

WC Middle East was incorporated with an initial issued share capital of Qatari Riyal Two Hundred Thousand (QR200,000) divided into 2,000 shares of QR100 each.

Parties	Percentage (%)	No. of Shares	Par Value
WCL	60.00	1,200 shares	QR100
Medgulf	40.00	800 shares	QR100

Information of WCL

WCL was incorporated on 15 May 2002 as Well Wind Holdings Limited ("WWH") pursuant to the Companies Ordinance of Hong Kong and having its registered address at 11th Floor, Dah Sing Life Building, 99 Des Voeux Road Central, Hong Kong. The change of name from WWH to WCL was effected on 5 January 2007. WCL is principally involved in investment holding and provision of pipe coating services in relation to the oil and gas industry. WCL is an indirect wholly-owned subsidiary of the Company.

Information of Medgulf

Medgulf, a subsidiary of Ensrv Group was incorporated in Qatar in 1975 and having its registered address at Al Manara Building, 1st Floor, Building No. 128, B Ring Road, Zone 15, Doha, State of Qatar. Medgulf is a leading Qatari contractor involved in the procurement, construction and installation of major civil & infrastructure, industrial and pipeline/ oil & gas projects.

None of the Directors, major shareholders and persons connected with the Directors and major shareholders of the Company has any interest, whether direct or indirect in the above new incorporation.

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

(c) MEMBERS' VOLUNTARY LIQUIDATION OF WASCO ENERGY DE MEXICO S.A. DE C.V., AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

The Company had on 9 December 2019 announced that Wasco Energy De Mexico S.A. DE C.V. ("WE De Mexico"), an indirect wholly-owned subsidiary of the Company, had appointed Mr. Federico de Palacio Ruiz Cabañas of Agustín Manuel Chávez No. 1-001, Col. Centro de Ciudad Santa Fe, 01210 México City as the Liquidator of WE De Mexico to voluntary liquidate and dissolve WE De Mexico in accordance with the rules and regulations of the General Corporations Law of Mexico further to the General Extraordinary Shareholders' Meeting of WE De Mexico held on 22 October 2019. The minutes of the General Extraordinary Shareholders' Meeting was submitted to the Public Registry of Commerce of Mexico and notarized by a Notary Public through a Public Deed No. 15791 dated 25 November 2019 ("Public Deed"). The Public Deed and all supporting documents pertaining to the Members' Voluntary Liquidation of WE De Mexico were received by the Company on 9 December 2019.

WE De Mexico was incorporated on 26 February 2016 with its total issued and paid-up share capital of Fifty Thousand Mexican Pesos (\$50,000) comprising 50,000 shares of One Mexican Peso (\$1.00) each. WE De Mexico was principally involved in the provision of pipe coatings services to the oil and gas industry. The shareholders of WE De Mexico are Wasco Coatings Limited and Wasco Coatings HK Limited, both being the indirect wholly-owned subsidiaries of the Company with equity interests in WE De Mexico of 99.99% and 0.01% respectively.

(d) MEMBERS' VOLUNTARY WINDING UP OF E-GREEN TECHNOLOGY SDN BHD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY

Further to the announcement made on 21 December 2015, the Company had on 31 December 2019, announced that E-Green Technology Sdn Bhd ("EGTSB"), an indirect wholly-owned subsidiary of the Company, had held its final meeting for the Members' Voluntary Winding Up and EGTSB was fully dissolved.

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11. Significant events during the reporting period

There were no significant events during the current quarter and financial year ended 31 December 2019, except for the following:

SHAREHOLDERS AGREEMENT BETWEEN WASCO COATINGS LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY AND MEDGULF CONSTRUCTION COMPANY W.L.L

The Company had on 16 October 2019 announced that Wasco Coatings Limited (Company No. 798147) ("WCL"), an indirect wholly-owned subsidiary of the Company had entered into a Shareholders Agreement ("SA") with Medgulf Construction Company W.L.L. ("Medgulf") ("collectively referred to as the "Parties"), for the purpose of combining their capabilities and expertise in the provision of anti-corrosion and concrete weight coating of pipelines to the oil and gas industry ("Business") through a proposed new company ("New Company").

The proposed New Company would be incorporated in the Qatar Free Zone Area under the Free Zone Companies Regulations 2018.

The intended name of the New Company would be Wasco Medgulf Coatings QFZ LLC or such other name as may be available and approved by the Parties and authorities in Qatar Free Zone Area.

The initial issued share capital of the New Company would be Qatari Riyal Two Hundred Thousand (QR200,000) only divided into 2,000 shares of QR100 each and shall be held in the proportions of 60% and 40% by WCL and Medgulf respectively.

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 31 December 2019 RM'000
Approved and contracted for	<u>1,138</u>

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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 year ended 31 December 2019

Oil & Gas Segment

The Oil & Gas Segment's external revenue for the fourth quarter and financial year ended 31 December 2019 were RM168.7 million and RM1.5 billion, compared with RM453.0 million and RM2.0 billion in the corresponding periods in 2018. The segment had loss before tax of RM57.7 million and profit before tax of RM10.9 million respectively, compared with profit before tax of RM13.3 million and RM112.1 million in the corresponding periods in 2018.

The recognition of RM34.7 million in impairment losses on leasehold buildings and plant and machineries and share of impairment losses on vessels from a joint venture of RM18.0 million had resulted in the decreases noted in the current quarter, as compared with the corresponding period in 2018. The above impairments together with the reduction in revenue due to completion of a major project that has been on-going since late 2016, contributed to the decrease noted in the results for the financial year ended 31 December 2019 as compared to the corresponding period in 2018.

Renewable Energy Segment

The Renewable Energy Segment's external revenue for the fourth quarter and financial year ended 31 December 2019 were RM112.6 million and RM399.6 million, compared with RM100.0 million and RM335.8 million in the corresponding periods in 2018. In the same period, profit before tax were RM4.8 million and RM25.5 million, compared with RM7.3 million and RM30.7 million in the corresponding periods in 2018.

For the current quarter and year to date compared with the corresponding periods in 2018, the increase in revenue was attributable to significant increased activities in the process equipment fabrication businesses, with higher number of projects secured and executed.

However, the lower profit before tax for the current quarter and year to date, compared with the corresponding periods in 2018, was impacted by losses in the boiler business.

Industrial Trading & Services Segment

The Industrial Trading & Services Segment's external revenue for the fourth quarter and financial year ended 31 December 2019 were RM99.2 million and RM426.1 million, compared with RM111.0 million and RM481.7 million in the corresponding periods in 2018. In the same period, the segment recorded a loss before tax of RM4.3 million and RM2.1 million, compared with loss before tax of RM2.9 million and profit before tax of RM7.1 million in the corresponding periods in 2018.

For the current quarter compared with the corresponding quarter in 2018, the increase in revenue from the HDPE pipes business was offset by lower revenue from the building materials business and construction equipment business. For the current year to date, all business units in the division suffered a decline in revenue due to the general slowdown in the construction sector.

Compared with the corresponding quarter and year to date in 2018, the higher loss before tax was contributed by the building materials business due to the impairment loss on receivables, despite better results from HDPE pipes business.

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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 RM63.8 million in the current quarter, compared with a profit before taxation RM16.6 million in the previous quarter. The result for the current quarter was affected by recognition of impairment losses of RM34.7 million on leasehold buildings and plant and machineries, share of impairment losses of RM18.0 million on vessels from a joint venture, and impairment losses on other receivables of RM13.5 million. This, together with the decrease in revenue due to completion of a major project that has been on-going since late 2016, contributed to the weaker result in the current quarter.

16. Prospects

The Group's current order book of RM929.6 million comprises RM576.7 million in Oil & Gas segment, RM309.3 million in the Renewable Energy segment, and RM43.6 million in the Industrial Trading & Services segment. The Group is bidding/tendering for a number of jobs globally which are anticipated to be awarded over the coming months. The Group is confident that it will secure some of these jobs which will have a positive contribution to the Group in the financial year ending 2020.

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17. (Loss)/Profit before tax

	Current Quarter Ended 31 December 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 December 2018 RM'000	Financial Year Ended 31 December 2019 RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 RM'000
(Loss)/Profit before tax is stated after charging/(crediting) the following items:				
Interest income	(1,002)	(862)	(4,992)	(6,687)
Depreciation and amortisation	30,465	48,226	153,589	189,765
Impairment loss on receivables - net	21,682	3,697	18,402	3,771
(Reversal)/Impairment loss and write-off of inventories - net	(376)	2,744	(3,478)	2,015
Impairment loss/(reversal) on property, plant and equipment - net	34,037	(4,904)	34,684	(4,856)
Impairment loss on amount owing by a joint venture	2,200	-	2,200	-
Net foreign exchange loss	2,696	4,911	2,240	7,760
Gain on disposal of property, plant and equipment	(954)	(645)	(973)	(5,439)
Gain on disposal of investment property	(6,961)	-	(6,961)	-
Gain on disposal of assets held for sale	-	(51)	-	(4,534)
Gain on disposal of an associate	-	-	-	(207)

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.

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18. Taxation

Taxation comprises the following:

	Current Quarter Ended 31 December 2019 RM'000	Financial Year Ended 31 December 2019 RM'000
Tax expense		
- Malaysian tax	275	(1,538)
- Foreign tax	(30,905)	(6,467)
	<u>(30,630)</u>	<u>(8,005)</u>

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

	Current Quarter Ended 31 December 2019 RM'000	Financial Year Ended 31 December 2019 RM'000
(Loss)/Profit before tax	<u>(63,831)</u>	<u>5,562</u>
Tax expense at the statutory tax rate – 24%	(15,319)	1,335
Other tax adjustments	(17,771)	(10,790)
Underprovision in prior financial year	2,460	1,450
	<u>(15,311)</u>	<u>(9,340)</u>
Taxation	<u>(30,630)</u>	<u>(8,005)</u>

19. Profit forecast

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

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20. Group's borrowings and debt securities

	As at 31 December 2019 RM'000
<u>Unsecured</u>	
Short term borrowings	
Revolving credits	468,219
Term loans	76,135
Trade financing	167,458
Fixed rate notes	19,324
	<hr/> 731,136
Long term borrowings	
Term loans	216,959
Total borrowings	<hr/> 948,095 <hr/>

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

United States Dollar	667,777
Ringgit Malaysia	239,494
Australian Dollar	27,526
Euro Dollar	13,298
	<hr/> 948,095 <hr/>

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 year ended 31 December 2019 are as follows:

	Current Quarter Ended 31 December 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 December 2018 RM'000	Financial Year Ended 31 December 2019 RM'000	Preceding Corresponding Financial Year Ended 31 December 2018 RM'000
Balance as at				
- 1 January	-	-	152	104
- 1 October	216	(775)	-	-
Fair value (loss)/gain recognised in:				
- profit or loss	(965)	892	(896)	44
- other comprehensive income	-	2	-	-
Effect of changes in exchange rate	(4)	33	(9)	4
Balance as at 31 December	<hr/> (753) <hr/>	<hr/> 152 <hr/>	<hr/> (753) <hr/>	<hr/> 152 <hr/>

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21. Fair value of financial instruments (continued)

	As at 31 December 2019 RM'000	As at 31 December 2018 RM'000
Represented by:		
Investment in equity instruments carried at fair value	6	6
Derivative financial assets	1,101	146
Derivative financial liabilities	(1,860)	-
	<u>(753)</u>	<u>152</u>

Fair value hierarchy

The table below summarises all financial instruments carried at fair value as at end of the financial year, 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>31 December 2019</u>				
<u>Financial assets</u>				
Investment in equity instruments	6	-	-	6
Derivative financial assets	-	1,101	-	1,101
<u>Financial liabilities</u>				
Derivative financial liabilities	-	(1,860)	-	(1,860)

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 year.

22. Material litigation

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

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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 31 December 2019	Preceding Year Corresponding Quarter Ended 31 December 2018	Financial Year Ended 31 December 2019	Preceding Corresponding Financial Year Ended 31 December 2018
Net profit attributable to the owners of the Company (RM'000)	(30,593)	(9,977)	24,136	64,797
Weighted average number of ordinary shares in issue after adjusting for movements in treasury shares (No. of Shares ('000))	770,461	770,676	770,461	772,101
Basic/diluted earnings per share (sen)	(3.97)	(1.29)	3.13	8.39

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 18 February 2020.