

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
 Stock name : WASEONG  
 Financial Period Ended : 30 SEPTEMBER 2010  
 Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Particulars	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 September 2010 Unaudited	Preceding Year Corresponding Quarter Ended 30 September 2009 Unaudited and not restated (N1)	Current Period To- date Ended 30 September 2010 Unaudited	Preceding Corresponding Period To-date Ended 30 September 2009 Unaudited and not restated (N1)
	RM'000	RM'000	RM'000	RM'000
Gross revenue	346,764	506,779	1,126,128	1,495,238
Cost of sales	(285,534)	(391,409)	(921,445)	(1,175,439)
Gross profit	<b>61,230</b>	<b>115,370</b>	<b>204,683</b>	<b>319,799</b>
Other operating income	13,019	6,658	21,446	38,504
Selling and distribution expenses	(7,015)	(10,037)	(31,196)	(29,118)
Administration and general expenses	(41,116)	(39,816)	(121,661)	(128,284)
Other gain – net	27	-	148	-
Finance cost	(5,918)	(7,633)	(18,618)	(25,907)
Share of results of associates and jointly controlled entities	(1,363)	796	(3,906)	639
<b>Profit before tax</b>	<b>18,864</b>	<b>65,338</b>	<b>50,896</b>	<b>175,633</b>
Tax expense	(8,048)	(5,277)	(13,666)	(19,563)
<b>Net profit for the period</b>	<b>10,816</b>	<b>60,061</b>	<b>37,230</b>	<b>156,070</b>
<b>Profit attributable to:</b>				
- Equity holders of the Company	12,488	31,023	31,213	86,482
- Minority Interests	(1,672)	29,038	6,017	69,588
	<b>10,816</b>	<b>60,061</b>	<b>37,230</b>	<b>156,070</b>
<b>Earnings per share</b>				
- Basic earnings per share (sen)	1.64	4.00	4.12	11.45
- Diluted earnings per share (sen)	1.64	4.00	4.12	11.45
<b>Net profit for the period</b>	<b>10,816</b>	<b>60,061</b>	<b>37,230</b>	<b>156,070</b>
<b>Other comprehensive income/(loss), net of tax:</b>				
Financial assets, Available For Sale				
– Fair value loss	(18)	-	(23)	-
Cash flow hedge, net of tax				
– Fair value gain	255	-	935	-
– Tax charge on fair value gain	(43)	-	(159)	-
– Reclassification	-	-	(25)	-
Foreign currency translation differences for foreign operations	(4,963)	(8,601)	(8,460)	(2,042)
	(4,769)	(8,601)	(7,732)	(2,042)
<b>Total comprehensive income, net of tax</b>	<b>6,047</b>	<b>51,460</b>	<b>29,498</b>	<b>154,028</b>
<b>Total comprehensive income attributable to:</b>				
- Equity holders of the Company	9,060	24,858	26,552	87,166
- Minority Interests	(3,013)	26,602	2,946	66,862
	<b>6,047</b>	<b>51,460</b>	<b>29,498</b>	<b>154,028</b>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
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**Financial Period Ended** : 30 SEPTEMBER 2010  
**Quarter** : 3

**Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at End of Current Quarter Ended 30 September 2010 Unaudited	As at End of Preceding Financial Year Ended 31 December 2009 Audited and not restated (N1)
	RM'000	RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	566,628	612,036
Prepaid lease payments	79,454	80,847
Investment properties	2,335	2,823
Investment in associates	21,154	22,403
Investment in jointly controlled entities	31,735	36,366
Other investments	-	1,096
Available-for-sale financial assets	1,135	-
Derivative financial asset	5	-
Goodwill	117,195	126,284
Intangible assets	3,170	4,187
Deferred tax assets	8,280	7,458
	831,091	893,500
<b>Current Assets</b>		
Inventories	266,581	290,414
Amounts due from customers on contracts	83,184	160,164
Trade and other receivables	366,040	356,508
Amount owing by associates	4,554	3,606
Amount owing by jointly controlled entities	6,988	6,183
Tax recoverable	18,485	24,466
Derivative financial assets	199	-
Time deposits	153,256	249,497
Cash and bank balances	185,614	222,397
	1,084,901	1,313,235
<b>TOTAL ASSETS</b>	<b>1,915,992</b>	<b>2,206,735</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves Attributable to Equity Holders of the Company</b>		
Share capital	361,971	343,370
Equity component of ICULS	11,701	-
Share premium	165,348	169,068
Warrants reserve	25,786	25,786
Exchange translation reserves	(9,729)	(4,340)
Capital reserves	85	85
Treasury shares	(97)	(11,624)
Hedging reserve	(636)	-
Available-for-sale reserve	39	-
Retained profits	345,993	363,271
<b>Equity attributable to equity holders of the Company</b>	<b>900,461</b>	<b>885,616</b>
Minority interests	129,628	148,956
<b>Total equity</b>	<b>1,030,089</b>	<b>1,034,572</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
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**Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	As at End of Current Quarter Ended 30 September 2010 Unaudited  RM'000	As at End of Preceding Financial Year Ended 31 December 2009 Audited and not restated (N1)  RM'000
<b>Non-Current and Deferred Liabilities</b>		
Irredeemable Convertible Unsecured Loan Stocks	8,677	35,259
Hire purchase liabilities	39	53
Term loans	338,061	435,873
Deferred tax liabilities	21,277	26,405
Other liabilities	1,801	2,740
	369,855	500,330
<b>Current Liabilities</b>		
Amounts due to customers on contracts	22,345	36,014
Trade and other payables	232,485	310,781
Amount owing to associates	14	-
Derivative financial liability	651	-
Provision for warranties	20,333	22,585
Hire purchase liabilities	30	56
Term loans	93,333	187,203
Bank borrowings	123,659	92,997
Dividend payable	14,478	3,419
Current tax liabilities	8,720	18,778
	516,048	671,833
<b>Total Liabilities</b>	885,903	1,172,163
<b>TOTAL EQUITY AND LIABILITIES</b>	1,915,992	2,206,735

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
**Stock name** : WASEONG  
**Financial Period Ended** : 30 SEPTEMBER 2010  
**Quarter** : 3

**Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
 These figures have not been audited

	----- Attributable to equity holders of the Company -----											
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Exchange translation reserves RM'000	Capital reserves RM'000	Treasury shares RM'000	Hedging reserve RM'000	Available-for-sale reserve RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
<b>Balance as at 1 January 2009</b>	328,500	172,042	25,786	(1,710)	85	(10,138)	-	-	276,601	791,166	162,588	953,754
Total comprehensive income for the period	-	-	-	684	-	-	-	-	86,482	87,166	66,862	154,028
<b>Transactions with owners in their capacity as owners:</b>												
Share buy-back (including transaction costs)	-	-	-	-	-	(247)	-	-	-	(247)	-	(247)
Issuance of shares:- - conversion of ICULS	11,896	-	-	-	-	-	-	-	-	11,896	-	11,896
- bonus shares arising from conversion of ICULS	2,974	(2,974)	-	-	-	-	-	-	-	-	-	-
Acquisition of shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	2,691	2,691
Dividends paid to equity holders of the Company	-	-	-	-	-	-	-	-	(17,608)	(17,608)	-	(17,608)
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,665)	(1,665)
<b>Balance as at 30 September 2009</b>	<b>343,370</b>	<b>169,068</b>	<b>25,786</b>	<b>(1,026)</b>	<b>85</b>	<b>(10,385)</b>	<b>-</b>	<b>-</b>	<b>345,475</b>	<b>872,373</b>	<b>230,476</b>	<b>1,102,849</b>

(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 2009)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
**Stock name** : WASEONG  
**Financial Period Ended** : 30 SEPTEMBER 2010  
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**Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**  
 These figures have not been audited

	----- Attributable to equity holders of the Company -----												
	Share capital RM'000	Equity component of ICULS RM'000	Share premium RM'000	Warrants reserve RM'000	Exchange translation reserves RM'000	Capital reserves RM'000	Treasury shares RM'000	Hedging reserve RM'000	Available- for-sale reserve RM'000	Retained profits RM'000	Total RM'000	Minority interests RM'000	Total equity RM'000
<b>Balance as at 1 January 2010, as previously stated</b>	343,370	-	169,068	25,786	(4,340)	85	(11,624)	-	-	363,271	885,616	148,956	1,034,572
- effect of amendments to FRS 132 (Note 1(i)(c))	-	20,245	-	-	-	-	-	-	-	-	20,245	-	20,245
- effect of adopting FRS 139 (Note 1(i)(d))	-	-	-	-	-	-	-	(1,387)	62	(450)	(1,775)	-	(1,775)
<b>As at 1 January 2010, as restated</b>	343,370	20,245	169,068	25,786	(4,340)	85	(11,624)	(1,387)	62	362,821	904,086	148,956	1,053,042
Total comprehensive income for the period	-	-	-	-	(5,389)	-	-	751	(23)	31,213	26,552	2,946	29,498
<b>Transactions with owners in their capacity as owners:</b>													
Share buy-back (including transaction costs)	-	-	-	-	-	-	(936)	-	-	-	(936)	-	(936)
Issuance of shares:													
- conversion of ICULS	14,881	(8,544)	-	-	-	-	-	-	-	-	6,337	-	6,337
- bonus shares arising from conversion of ICULS	3,720	-	(3,720)	-	-	-	-	-	-	-	-	-	-
Issue of shares to minority interest	-	-	-	-	-	-	-	-	-	-	-	4,744	4,744
Acquisition of shares in existing subsidiaries from minority interest	-	-	-	-	-	-	-	-	-	-	-	(16,538)	(16,538)
Dividends paid to equity holders of Company	-	-	-	-	-	-	-	-	-	(35,578)	(35,578)	-	(35,578)
Share dividends to equity holders of Company	-	-	-	-	-	-	12,463	-	-	(12,463)	-	-	-
Dividends paid to minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,480)	(10,480)
<b>Balance as at 30 September 2010</b>	361,971	11,701	165,348	25,786	(9,729)	85	(97)	(636)	39	345,993	900,461	129,628	1,030,089

(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 2009)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
**Stock name** : WASEONG  
**Financial Period Ended** : 30 SEPTEMBER 2010  
**Quarter** : 3

**Quarterly Report on Consolidated Results for the Third Quarter ended 30 September 2010**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Current Period To-date Ended 30 September 2010 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2009 Unaudited and not restated (N1) RM'000
<b>Cash Flow From Operating Activities</b>		
Profit before tax	50,896	175,633
Adjustments for:-		
Non cash items	47,930	31,584
Non-operating items	13,732	23,355
Operating Profit Before Changes in Working Capital	112,558	230,572
Net changes in current assets	77,139	83,550
Net changes in current liabilities	(90,771)	(69,317)
Cash generated from operations	98,926	244,805
Interest received	4,886	2,552
Interest paid	(18,618)	(25,907)
Taxation paid (net)	(23,325)	(26,643)
<b>Net Cash Generated from Operating Activities</b>	<b>61,869</b>	<b>194,807</b>
<b>Cash Flow From Investing Activities</b>		
Purchase of property, plant and equipment	(19,343)	(81,707)
Proceeds from disposal of property, plant and equipment and investment properties	503	951
Additional prepaid lease payments	-	(480)
Proceeds from redemption of RPS shares by an associate	-	1,000
Payment for subscription of interest in a jointly controlled entity	(2,801)	-
Dividend received from an associated company	339	-
Dividend received from a jointly controlled entity	959	524
Proceeds from disposal of quoted investment	-	27,414
Acquisition of shares from minority shareholders in existing subsidiaries	(10,767)	-
Net cash flow from acquisition of subsidiary	-	(2,893)
Advances to associated companies/ jointly controlled entities	-	(3,195)
<b>Net Cash Used in Investing Activities</b>	<b>(31,110)</b>	<b>(58,386)</b>
<b>Cash Flow From Financing Activities</b>		
Purchase of treasury shares	(936)	(247)
Net repayment of borrowings	(115,266)	(86,193)
Proceeds from issue of shares to minority shareholders of subsidiaries	-	2,691
Dividends paid to minority shareholders of subsidiaries	(13,899)	(1,665)
Dividends paid to equity holders of the Company	(21,100)	(17,608)
Restricted cash	(1,295)	-
<b>Net Cash Used in Financing Activities</b>	<b>(152,496)</b>	<b>(103,022)</b>
<b>Net Movement in Cash and Cash Equivalents</b>	<b>(121,737)</b>	<b>33,399</b>
<b>Currency Translation Differences</b>	<b>(13,970)</b>	<b>(1,769)</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>471,894</b>	<b>186,665</b>
<b>Cash and Cash Equivalents at the End of Period</b>	<b>336,187</b>	<b>218,295</b>
<b>Cash and Cash Equivalents at the end of the financial period comprise of the following:</b>		
Cash and bank balances	185,614	152,700
Time deposits	153,256	65,942
Bank overdraft	(1,388)	(347)
Less: restricted cash	(1,295)	-
	<b>336,187</b>	<b>218,295</b>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2009)

**Company name** : **WAH SEONG CORPORATION BERHAD (Company No.:495846-A)**  
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**Financial Period Ended** : **30 SEPTEMBER 2010**  
**Quarter** : **3**

**Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2010**

These figures have not been audited.

**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 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 financial year ended 31 December 2009. 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 2009.

(i) **Changes in Accounting Policies**

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 financial year ended 31 December 2009 save for the adoption of all the new/revised/improvements to Financial Reporting Standards (“FRSs”) and interpretations to existing standards issued by MASB that are relevant to its operations and effective for financial periods beginning on or after 1 July 2009 and 1 January 2010 as follows:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of financial statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 107	Statement of Cash Flows
Amendment to FRS 110	Events After the Balance Sheet Date
Amendment to FRS 116	Property, Plant and Equipment
Amendment to FRS 117	Leases
Amendment to FRS 118	Revenue
Amendment to FRS 123	Borrowing Costs
Amendment to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
Amendment to FRS 128	Investments in Associates
Amendment to FRS 132	Financial Instruments: Presentation
Amendment to FRS 134	Interim Financial Reporting
Amendment to FRS 136	Impairment of Assets
Amendment to FRS 138	Intangible Assets
Amendment to FRS 139	Financial Instruments: Recognition and Measurement
Amendment to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Other than the effects of the application of FRS 8, FRS 101 (revised), Amendments to FRS 132, FRS 139 and FRS 7 described below, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentation of the financial results of the Group.

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**1. Basis of preparation (continued)**

(i) Changes in Accounting Policies (continued)

(a) FRS 8: Operating Segments

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. Comparative information has been re-presented so that it is in conformity with the revised standard. This standard does not have any impact on the financial position and result of the Group. Segment information is disclosed in Note 8. Comparatives have been reclassified to conform to the revised presentation.

(b) FRS 101: Presentation of financial statements (revised)

The revision to FRS 101 prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The adoption of the revised FRS 101 has resulted in the Group presenting both the income statement and statement of comprehensive income as a single performance statement. Comparative information has been re-presented so that it is in conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

(c) Amendments to FRS 132: Financial Instruments: Presentation

The amendments to FRS 132 require entity that has availed itself of the transitional provision in FRS 132<sub>2004</sub> Financial Instruments: Disclosures and Presentation not to apply the component part classification for compound financial instruments issued before 1 January 2003 to classify the compound financial instrument into its liability and equity elements when the entity first applies FRS 139 Financial Instruments: Recognition and Measurement. In accordance with the transitional provision, the change in accounting policy has been made prospectively as at 1 January 2010. The financial impact to the Group arising from this change is as follows:

Condensed consolidated statement of financial position	At 1		
	January 2010, as previously stated RM'000	Effects of change in accounting policy RM'000	At 1 January 2010, as restated RM'000
ICULS	35,259	(20,245)	15,014
Equity component of ICULS	-	20,245	20,245

(d) FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirement for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

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**1. Basis of preparation (continued)**

(i) Changes in Accounting Policies (continued)

(d) FRS 139: Financial Instruments: Recognition and Measurement (continued)

**Financial assets**

Financial assets are classified as loans and receivables, Available-for-sale (“AFS”) financial assets, financial assets at fair value through profit or loss or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group’s financial assets include loans and receivables, cash and bank balances, time deposits, AFS financial assets and derivative financial assets.

**Financial liabilities**

Financial liabilities are classified as loans and borrowings, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group’s financial liabilities include payables which are carried at amortised cost.

**(I) Loans and receivables**

Prior to 1 January 2010, receivables were initially recognised at their costs and subsequently stated at cost less allowance for doubtful debts. Under FRS 139, loans and receivables are initially measured at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method (“EIR”). Gains and losses arising from the derecognition of the loans and receivables, EIR amortisation and impairment losses are recognised in the income statement.

**(II) AFS financial assets**

Prior to 1 January 2010, AFS financial assets such as investments were accounted for at cost less impairment. Under FRS 139, AFS financial assets are measured initially at fair value plus transaction costs and subsequently carried at fair value except for investment in equity instruments categorised under available for sale investment that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. These are measured at cost. Changes in the fair values together with the related currency translation differences of available-for-sale financial assets are recognised as other comprehensive income in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement or determined to be impaired, at which time the cumulative loss is recognised in the income statement and removed from AFS reserve.

**(III) Financial assets and liabilities at fair value through profit or loss**

Fair value through profit or loss financial assets and liabilities comprises derivatives (except for derivative that is a designated and effective hedging instrument). Prior to 1 January 2010, derivatives are off balance sheet items and gains or losses were recognised in the financial statements on settlement date. Under FRS 139, financial assets and liabilities at fair value through profit or loss are measured initially and subsequently at fair value. Changes in fair values including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

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**1. Basis of preparation (continued)**

(i) Changes in Accounting Policies (continued)

(d) FRS 139: Financial Instruments: Recognition and Measurement (continued)

**(IV) Loans and borrowings**

Under FRS 139, loans and borrowings are initially recognised at fair value plus directly attributable transaction costs. Loans and other borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans and borrowings using the effective interest method. Prior to 1 January 2010, loans and borrowings were subsequently measured at amortised cost using the straight line method.

**(V) Payables**

Prior to 1 January 2010, payables are measured initially and subsequently at cost. Under FRS 139, payables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest method.

**Derivative Financial Instruments**

Prior to 1 January 2010, derivative financial instruments were not recognised in the financial statements. With the adoption of FRS 139, derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivative as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedge).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within other gains/(losses) - net.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss within fair value gains/(losses) on derivative financial instruments.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges and accounted for under hedge accounting are recognised in the hedging reserve and transferred to 'Finance cost' in the profit or loss when the interest expense on the borrowings is recognised in the profit or loss. The fair value changes on the ineffective portion of the interest rate swaps accounted for under hedge accounting are recognised immediately in the profit or loss. The fair value changes for interest rate swaps not accounted for under hedge accounting methods are recognised directly in the profit or loss.

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**1. Basis of preparation (continued)**

(i) Changes in Accounting Policies (continued)

(d) FRS 139: Financial Instruments: Recognition and Measurement (continued)

**Derivative Financial Instruments (continued)**

The carrying amount of the derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months.

**Impact on opening balances**

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the consolidated statement of financial position and consolidated statement of changes in equity as at 1 January 2010. Impact to the consolidated statement of changes in equity presented as at 1 January 2010 are as follows:

Consolidated statement of changes in equity	Available-for-sale reserve RM'000	Retained profits RM'000	Hedging reserve RM'000
At 1 January 2010, as previously stated	-	363,271	-
Effect of adopting FRS 139:			
- Fair valuation of equity securities classified as available-for-sale	62	-	-
- Recognition of derivatives previously not recognised, net of tax	-	(424)	-
- Recognition of cashflow hedge previously not recognised, net of tax	-	(26)	(1,387)
At 1 January 2010, as restated	62	362,821	(1,387)

(e) FRS 7: Financial Instruments: Disclosures

FRS 7 requires enhanced disclosures about fair value measurement and liquidity risk in the full year financial statements. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. It has no effect on reported profit and equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures has been made in these interim financial statements.

(ii) Comparative figures

FRS 101: Presentation of financial statements (revised)

Arising from the adoption of FRS101 (revised), income statements for the period ended 30 September 2009 has been re-presented as statement of comprehensive income. All owner-changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity.

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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 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 save for the effects arising from the adoption of Amendments to FRS 132 and FRS 139 as disclosed in Note 1.

## 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 2010 No. of Shares</b>	<b>Current Period To-date 30 September 2010 No. of Shares</b>
Issuance of ordinary shares:		
Conversion of ICULS	11,760,000	29,762,000
Bonus shares arising from conversion of ICULS	2,940,000	7,440,500
	<u>14,700,000</u>	<u>37,202,500</u>

During the third quarter of 2010, the Company did not repurchase any of its issued ordinary shares from the open market (period to-date: 395,000). On 13 April 2010, a total of 5,857,451 treasury shares were distributed to the shareholders on the basis of one (1) treasury share for every one hundred and twenty (120) existing Wah Seong Corporation Berhad ordinary shares of RM0.50 each held at the entitlement date on 25 March 2010 as special tax exempt share dividend. As at 30 September 2010, the number of treasury shares held after deducting the above share dividend distribution was 45,549 shares.

Apart from the above, there were no other issuance and repayment of debt and equity securities, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial period to-date.

## 7. Dividends

### Dividend paid

The directors approved the first interim dividend of 2.0 sen per share Malaysian tax exempt in respect of the financial year ending 31 December 2010 which was paid on 1 October 2010.

For the previous corresponding period, the first interim dividend of 2.5 sen per share Malaysian tax exempt was paid on 15 October 2009.

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## 8. Segment information

	Revenue		Profit before tax	
	Period Ended 30 September		Period Ended 30 September	
	2010	2009	2010	2009
	RM'000	RM'000	RM'000	RM'000
Pipe coating division	227,527	372,936	23,316	83,090
Pipe manufacturing division	219,997	324,942	7,813	49,414
Engineering division	150,723	261,544	(311)	3,229
Renewable energy division	126,144	165,733	21,936	29,497
Trading division	360,456	297,441	9,568	9,375
E&P services division	99,049	141,541	6,023	4,533
Others	700	10,021	(17,449)	(3,505)
	<u>1,184,596</u>	<u>1,574,158</u>	<u>50,896</u>	<u>175,633</u>
Inter-segment elimination	(58,468)	(78,920)	-	-
	<u>1,126,128</u>	<u>1,495,238</u>	<u>50,896</u>	<u>175,633</u>

## 9. Valuation of property, plant and equipment

There were no changes to the valuation of property, plant and equipment during the current quarter and financial period to-date.

## 10. Event subsequent to the balance sheet date

There were no material subsequent events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report.

## 11. Changes in the composition of the Group

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

The Company's wholly-owned subsidiary, Asiana Emas Sdn Bhd ("AE") had on 6 August, 2010 entered into a Share Sale Agreement with Detik Gaya Sdn Bhd ("DG") to acquire 6,000,000 ordinary shares of RM1.00 each representing 20% of the total issued and paid up capital of Petro-Pipe (Sabah) Sdn Bhd ("PPS") for a total cash consideration of RM10.5 million only ("Share Acquisition"). Resulting from this Share Acquisition, AE's shareholdings in PPS was increased from 40% to 60%.

## 12. Capital commitments

Capital commitments not provided for in the interim report:-

	As at 30 September 2010 RM'000
Approved and contracted for	<u>1,441</u>
Approved but not contracted for	<u>63,155</u>

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**13. Operating lease commitments**

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

	<b>As at 30 September 2010 RM'000</b>
Payable not later than one year	4,685
Payable later than one year and not later than five years	6,468

**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 September 2010**

The Group's revenue for the third quarter and nine months period ended 30 September 2010 was RM346.8 million and RM1,126.1 million respectively, compared with RM506.8 million and RM1,495.2 million in the corresponding periods in 2009, representing a decrease of 31.6% and 24.7% respectively. The decline was due to lower revenue generated in the main divisions as a result of lower number of projects awarded in the market during 2009 and the unfavourable effect of foreign exchange fluctuations.

The profit before taxation for the third quarter and nine months period ended 30 September 2010 was RM18.9 million and RM50.9 million respectively compared with RM65.3 million and RM175.6 million in the corresponding periods in 2009. This was due to the lower revenue generated.

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

The improvement in results before taxation from a loss of RM6.4 million in the second quarter to a profit of RM18.9 million in the current quarter was due to the commencement of several new projects in the Pipe Coating and the Renewable Energy divisions.

**16. Current period prospects**

The general lack of or delay in award of projects experienced in the market during 2009 is continuing to affect the Group's performance. Following the increase in bidding activities in the market as highlighted in the previous quarter, the Group has successfully secured several new projects. The oil majors appear to be increasing their capital investment activities and this is expected to have a positive impact on the Group's future performance. Barring unforeseen circumstances, the Group expects an overall positive performance for the financial year ending 31 December 2010.

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## 17. Taxation

Taxation comprises the following:

	<b>Current Quarter Ended 30 September 2010 RM'000</b>	<b>Current Period To-date Ended 30 September 2010 RM'000</b>
Tax		
- Malaysia tax expense	(7,757)	(12,818)
- Foreign tax expense	(291)	(848)
	<u>(8,048)</u>	<u>(13,666)</u>

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

	<b>Current Quarter Ended 30 September 2010 RM'000</b>	<b>Current Period To-date Ended 30 September 2010 RM'000</b>
Profit before tax	<u>18,864</u>	<u>50,896</u>
Tax expense at the statutory tax rate – 25%	(4,716)	(12,724)
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemptions/ incentives	801	7,632
Other tax adjustments	(4,133)	(8,574)
	<u>(3,332)</u>	<u>(942)</u>
Tax expense	<u>(8,048)</u>	<u>(13,666)</u>

## 18. Sale of unquoted investment and properties

There was no material disposal of unquoted investment and / or properties by the Group during the current quarter and financial period to-date. Unquoted investment had been reclassified from other investments to Available-for-sale financial assets in the Consolidated Statement of Financial Position upon the adoption of FRS 139 on 1 January 2010.

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#### 19. Purchase or disposal of quoted securities

- (a) There was no purchase or sale of quoted securities in the current quarter and financial period to-date.
- (b) Investment in quoted securities as at 30 September 2010 (which had been reclassified from Other Investments to Available-for-sale financial assets in the Consolidated Statement of Financial Position upon the adoption of FRS 139 on 1 January 2010) is as follows:

	<b>RM'000</b>
At cost	984
Fair value adjustment	
- Adjusted opening balance	62
- Current period to-date	(23)
Provision for impairment in value	
- Balance brought forward	(938)
- Current period to-date	-
At carrying value	85
At current market value	85

#### 20. Profit forecast

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

#### 21. Status of corporate proposals

There was no corporate proposal announced but not completed at the date of this quarterly report.

#### 22. Group borrowings and debt securities

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<b>Short term borrowings</b>			
Bank overdraft	1,388	-	1,388
Bankers' acceptance	-	34,083	34,083
Revolving credit	21,433	66,755	88,188
Term loans	12,237	81,096	93,333
Hire purchase liabilities	30	-	30
<b>Sub-total</b>	<b>35,088</b>	<b>181,934</b>	<b>217,022</b>
<b>Long term borrowings</b>			
Term loans	3,001	335,060	338,061
Hire purchase liabilities	39	-	39
<b>Sub-total</b>	<b>3,040</b>	<b>335,060</b>	<b>338,100</b>
<b>Total Group Borrowings</b>	<b>38,128</b>	<b>516,994</b>	<b>555,122</b>

The group borrowings are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	108,660
US Dollar	438,215
EURO	8,247
	555,122

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## 23. Financial instruments

### a) Derivatives

Derivatives outstanding as at 30 September 2010 consist of interest rate cap, interest rate swap and forward contracts as below :

#### (i) Interest rate cap

The Group has entered into interest rate cap in FY2009 to limit the Group's exposure from adverse fluctuations in interest rates of underlying debt instrument of a subsidiary of the Group. The Group will receive interest at the end of each contractual period if the 3 months USD London Interbank Offered Rate exceeds the agreed strike rate of 2.35% per annum. The contract will mature on 31 October 2012 and the floating interest rate will be repriced quarterly.

The detail of the interest rate cap is as follows:

<b>Time band</b>	<b>Notional amount</b>	<b>Effective period</b>	<b>Fair value asset</b>
1 year to 3 years	USD16,510,000	29 January 2010 to 31 October 2012	RM5,322

This derivative had been recorded in the Consolidated Statement of Financial Position for this reporting period in compliance with FRS 139.

#### **Credit risk**

There is minimal credit risk as the interest rate cap was entered into with a reputable bank.

#### **Cash requirements**

The Group has no further cash flow exposure on this financial instrument.

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### 23. Financial instruments (continued)

#### a) Derivatives (continued)

##### (ii) Interest rate swap

The Group has entered into an interest rate swap that is designated as a cash flow hedge for the Group's exposure to a floating quarterly interest payments on a bank loan of a subsidiary amounting to USD9,200,000. The contract entitles the Group to receive a floating rate equal to the 3 months USD Singapore Interbank Offered Rate per annum and obliges the Group to pay a fixed interest rate of 3.85% per annum on the notional amount. The contract will mature on 29 July 2011. The floating rate bank loan and interest rate swap have the same critical terms.

The detail of the interest rate swap is as follow:

Time band	Notional amount	Effective period	Fixed rate per annum	Floating rate per annum	Fair value liability
1 year to 3 years	USD9,200,000	30 October 2008 to 29 July 2011	5.5%	3 months SIBOR + 1.65%	RM650,509

#### **Credit risk**

There is minimal credit risk as the swap was entered into with a reputable bank.

#### **Cash requirements**

The Group is exposed to minimal cash flow risk in view of its healthy cash positions.

##### (iii) Forward contracts

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

Time band	Contract amount	Average contractual rate	Fair value asset
Less than 1 year	USD2,500,000	3.1610	RM198,512

#### **Credit risk**

There is minimal credit risk as the forward contracts were entered into with a reputable bank.

#### **Cash requirements**

The Group is exposed to minimal cash flow risk in view of its healthy cash positions.

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**23. Financial instruments (continued)**

b) Loss arising from fair value changes in financial liabilities.

The fair value loss arising from fair value changes in financial liabilities during the period ended 30 September 2010 are as follows:

	<b>Fair value (loss)/gain included as part of hedging reserve</b>
	<b>RM</b>
Interest rate swap*, qualifying as hedge accounting	
- Adjusted opening balance	(1,703,160)
- Current quarter (included within other comprehensive income/(loss))	
	<u>1,052,651</u>
Net fair value loss	<u>(650,509)</u>

\* The fair value represents 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.

**24. Material litigation**

Save as disclosed below, there were no material litigations pending or changes to the status of material litigations since 19 August 2010 to 23 November 2010:-

(i) 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 were shareholders of PPSC Industrial Holdings Sdn Bhd ("PPSCIH"), an investment holding company where the Claimant held 32.52% and WCL held 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. However, in October 2009, WCL acquired the Claimant's 32.52% interest in PPSCIH.

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 damages to be assessed by the Arbitral Tribunal for the breach of the territorial limits provisions and the transfer of shares.

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#### 24. Material litigation (continued)

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

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.

Hearing of the matter was conducted in early July 2010 and parties have submitted written submissions. Thereafter the Tribunal is expected make its findings. 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.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 was 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 were the shareholders of PPSCIH, an investment holding company where at the relevant time the Respondent held 32.52% and WCL held 67.48% of the total paid-up capital of PPSCIH. However, in October 2009, WCL acquired the Respondent's 32.52% interest in 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 (i) above. Hearing of the matter was conducted in early July 2010 and parties have submitted written submissions. Thereafter the Tribunal is expected make its findings. The management and Directors are confident of a favorable outcome of this matter. The ultimate outcome however cannot be presently determined.

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

**(i) 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 RM12.5 million and RM31.2 million respectively divided by the weighted average number of ordinary shares of RM0.50 each in issue after adjusting for movements in treasury shares during the financial period, and 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>Current Quarter Ended 30 September 2010 No. of Shares</b>	<b>Current Period To-date Ended 30 September 2010 No. of Shares</b>
Weighted average number of ordinary shares in issue after adjusting for movements in treasury shares and the potential ordinary shares that would be issued upon conversion of all outstanding ICULS ('000)	761,580	757,282
	<b>Current Quarter Ended 30 September 2010</b>	<b>Current Period To-date Ended 30 September 2010</b>
EPS – Basic (Sen)	1.64	4.12

**(ii) 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**

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**