

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
 Stock name : WASEONG  
 Financial Period Ended : 31 MARCH 2011  
 Quarter : 1

Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Particulars	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 31 March 2011 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 31 March 2010 Unaudited RM'000	Current Period To-date Ended 31 March 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 31 March 2010 Unaudited RM'000
Gross revenue	490,898	409,621	490,898	409,621
Cost of sales	(383,463)	(317,748)	(383,463)	(317,748)
Gross profit	<b>107,435</b>	<b>91,873</b>	<b>107,435</b>	<b>91,873</b>
Other operating income	9,020	6,027	9,020	6,027
Selling and distribution expenses	(7,938)	(13,337)	(7,938)	(13,337)
Administration and general expenses	(34,698)	(38,260)	(34,698)	(38,260)
Other gain – net	330	64	330	64
Finance costs	(5,480)	(6,635)	(5,480)	(6,635)
Share of results of associates and jointly controlled entities	13	(1,256)	13	(1,256)
<b>Profit before tax</b>	<b>68,682</b>	<b>38,476</b>	<b>68,682</b>	<b>38,476</b>
Tax expense	(16,937)	(8,319)	(16,937)	(8,319)
<b>Net profit for the financial period</b>	<b>51,745</b>	<b>30,157</b>	<b>51,745</b>	<b>30,157</b>
<b>Net profit attributable to:</b>				
- Owners of the Company	43,368	17,024	43,368	17,024
- Non-controlling interests	8,377	13,133	8,377	13,133
	<b>51,745</b>	<b>30,157</b>	<b>51,745</b>	<b>30,157</b>
<b>Earnings per share</b>				
- Basic earnings per share (sen)	5.63	2.25	5.63	2.25
- Diluted earnings per share (sen)	5.63	2.25	5.63	2.25
<b>Net profit for the financial period</b>	<b>51,745</b>	<b>30,157</b>	<b>51,745</b>	<b>30,157</b>
<b>Other comprehensive income/(loss), net of tax:</b>				
Available-for-sale financial assets				
– Fair value gain/(loss)	30	(8)	30	(8)
Cash flow hedge				
– Fair value gains	199	293	199	293
– Tax charge on fair value gain	(34)	(50)	(34)	(50)
– Reclassification	-	(26)	-	(26)
Foreign currency translation differences for foreign operations	(1,369)	(3,704)	(1,369)	(3,704)
	<b>(1,174)</b>	<b>(3,495)</b>	<b>(1,174)</b>	<b>(3,495)</b>
<b>Total comprehensive income for the financial period, net of tax</b>	<b>50,571</b>	<b>26,662</b>	<b>50,571</b>	<b>26,662</b>
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	42,317	14,881	42,317	14,881
- Non-controlling interests	8,254	11,781	8,254	11,781
	<b>50,571</b>	<b>26,662</b>	<b>50,571</b>	<b>26,662</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 2010)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
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**Financial Period Ended** : 31 MARCH 2011  
**Quarter** : 1

**Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 31 March 2011 Unaudited RM'000	As at 31 December 2010 Audited RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	529,530	541,463
Prepaid lease payments	79,413	79,719
Investment properties	6,070	6,172
Investment in associates	18,143	17,091
Investment in jointly controlled entities	26,069	27,625
Available-for-sale financial assets	1,167	1,137
Derivative financial assets	1,948	10
Goodwill	108,888	110,469
Intangible assets	516	549
Deferred tax assets	4,948	9,581
	776,692	793,816
<b>Current Assets</b>		
Inventories	210,476	243,115
Amounts due from customers on contracts	54,023	46,000
Trade and other receivables	543,229	481,078
Amount owing by associates	4,217	4,079
Amount owing by jointly controlled entities	8,931	7,044
Tax recoverable	12,551	12,217
Derivative financial assets	2,662	2,187
Time deposits	190,535	175,531
Cash and bank balances	386,871	189,891
	1,413,495	1,161,142
<b>Assets of disposal groups held for sale</b>	46,789	54,753
	2,236,976	2,009,711
<b>TOTAL ASSETS</b>		
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and Reserves Attributable to Owners of the Company</b>		
Share capital	368,471	361,971
Equity component of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	8,715	11,701
Share premium	164,048	165,348
Warrants reserve	25,786	25,786
Exchange translation reserves	(11,176)	(9,930)
Capital reserves	85	85
Treasury shares	(138)	(138)
Hedging reserve	(274)	(439)
Available-for-sale reserve	71	41
Retained profits	414,129	370,761
<b>Equity attributable to owners of the Company</b>	969,717	925,186
Non-controlling interests	122,907	115,052
<b>TOTAL EQUITY</b>	1,092,624	1,040,238

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

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**Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	<b>As at 31 March 2011 Unaudited RM'000</b>	<b>As at 31 December 2010 Audited RM'000</b>
<b>Non-Current and Deferred Liabilities</b>		
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	6,464	8,678
Hire purchase liabilities	28	31
Term loans	408,824	428,365
Deferred tax liabilities	16,637	18,831
Other liabilities	2,428	2,415
	<u>434,381</u>	<u>458,320</u>
<b>Current Liabilities</b>		
Amounts due to customers on contracts	49,012	32,992
Trade and other payables	294,197	246,238
Amount owing to associates	-	68
Amount owing to jointly controlled entities	1,974	279
Derivative financial liability	209	414
Provision for warranties	18,373	18,604
Hire purchase liabilities	14	24
Term loans	70,231	75,635
Bank borrowings	244,087	116,042
Dividend payable	1,343	1,343
Current tax liabilities	17,189	9,183
	<u>696,629</u>	<u>500,822</u>
<b>Liabilities of disposal groups held for sale</b>	13,342	10,331
	<u>1,144,352</u>	<u>969,473</u>
<b>TOTAL LIABILITIES</b>	<u>1,144,352</u>	<u>969,473</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,236,976</u>	<u>2,009,711</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2010)

**Company name** : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
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**Quarter** : 1

**Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

These figures have not been audited

	----- Attributable to owners 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	Non- controlling interests RM'000	Total equity RM'000
<b>At 1 January 2010</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
Net profit for the financial period	-	-	-	-	-	-	-	-	-	17,024	17,024	13,133	30,157
Other comprehensive income for the financial period	-	-	-	-	(2,352)	-	-	217	(8)	-	(2,143)	(1,352)	(3,495)
Total comprehensive income for the financial period	-	-	-	-	(2,352)	-	-	217	(8)	17,024	14,881	11,781	26,662
<b>Transactions with owners:</b>													
Share buy-back (including transaction costs)	-	-	-	-	-	-	(926)	-	-	-	(926)	-	(926)
Issuance of shares:													
- conversion of ICULS	8,999	(5,167)	-	-	-	-	-	-	-	-	3,832	-	3,832
- bonus shares arising from conversion of ICULS	2,250	-	(2,250)	-	-	-	-	-	-	-	-	-	-
Dividends paid to owners of the Company	-	-	-	-	-	-	-	-	-	(33,563)	(33,563)	-	(33,563)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(948)	(948)
Total contributions by and distributions to owners	11,249	(5,167)	(2,250)	-	-	-	(926)	-	-	(33,563)	(30,657)	(948)	(31,605)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

These figures have not been audited

	----- Attributable to owners 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	Non- controlling interests RM'000	Total equity RM'000
Issue of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	4,744	4,744
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	-	4,744	4,744
Total transactions with owners	11,249	(5,167)	(2,250)	-	-	-	(926)	-	-	(33,563)	(30,657)	3,796	(26,861)
<b>At 31 March 2010</b>	<b>354,619</b>	<b>15,078</b>	<b>166,818</b>	<b>25,786</b>	<b>(6,692)</b>	<b>85</b>	<b>(12,550)</b>	<b>(1,170)</b>	<b>54</b>	<b>346,282</b>	<b>888,310</b>	<b>164,533</b>	<b>1,052,843</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 2010)

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**Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

These figures have not been audited

	----- Attributable to owners 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	Non- controlling interests RM'000	Total equity RM'000
<b>At 1 January 2011</b>	361,971	11,701	165,348	25,786	(9,930)	85	(138)	(439)	41	370,761	925,186	115,052	1,040,238
Net profit for the financial period	-	-	-	-	-	-	-	-	-	43,368	43,368	8,377	51,745
Other comprehensive income for the financial period	-	-	-	-	(1,246)	-	-	165	30	-	(1,051)	(123)	(1,174)
Total comprehensive income for the financial period	-	-	-	-	(1,246)	-	-	165	30	43,368	42,317	8,254	50,571
<b>Transactions with owners:</b>													
Issuance of shares:													
- conversion of ICULS	5,200	(2,986)	-	-	-	-	-	-	-	-	2,214	-	2,214
- bonus shares arising from conversion of ICULS	1,300	-	(1,300)	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,421)	(1,421)
Total contributions by and distributions to owners	6,500	(2,986)	(1,300)	-	-	-	-	-	-	-	2,214	(1,421)	793

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**Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

These figures have not been audited

	----- Attributable to owners 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	Non- controlling interests RM'000	Total equity RM'000
Issue of shares to non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	1,022	1,022
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	-	1,022	1,022
Total transactions with owners	6,500	(2,986)	(1,300)	-	-	-	-	-	-	-	2,214	(399)	1,815
<b>At 31 March 2011</b>	<b>368,471</b>	<b>8,715</b>	<b>164,048</b>	<b>25,786</b>	<b>(11,176)</b>	<b>85</b>	<b>(138)</b>	<b>(274)</b>	<b>71</b>	<b>414,129</b>	<b>969,717</b>	<b>122,907</b>	<b>1,092,624</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 2010)

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)  
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Quarterly Report on Consolidated Results for the First Quarter ended 31 March 2011

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period To-date Ended 31 March 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 31 March 2010 Unaudited RM'000
<b>Cash flow from operating activities</b>		
Profit before tax	68,682	38,476
Adjustments for:		
Non cash items	8,687	13,826
Non-operating items	3,893	4,465
Operating Profit Before Changes in Working Capital	81,262	56,767
Net changes in current assets	(21,645)	24,066
Net changes in current liabilities	65,607	(29,120)
Cash generated from operations	125,224	51,713
Interest received	1,587	2,171
Interest paid	(5,480)	(6,635)
Taxation paid (net)	(7,149)	(8,109)
<b>Net cash generated from operating activities</b>	<b>114,182</b>	<b>39,140</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(7,407)	(3,706)
Proceeds from disposal of property, plant and equipment	39	1
Payment for subscription of interest in a jointly controlled entity	-	(2,801)
Dividend received from an associated company	95	151
Proceeds from partial disposal of shares in subsidiaries	1,278	-
<b>Net cash used in investing activities</b>	<b>(5,995)</b>	<b>(6,355)</b>
<b>Cash flow from financing activities</b>		
Purchase of treasury shares	-	(926)
Net drawdown/(repayment) of borrowings	113,435	(30,380)
Dividends paid to non-controlling interests of subsidiaries	(1,421)	(948)
Purchase of interest rate cap	(2,117)	-
Changes in restricted cash	1,295	(1,295)
<b>Net cash generated from/(used in) financing activities</b>	<b>111,192</b>	<b>(33,549)</b>
<b>Net movement in cash and cash equivalents</b>	<b>219,379</b>	<b>(764)</b>
<b>Currency translation differences</b>	<b>(1,384)</b>	<b>(7,173)</b>
<b>Cash and cash equivalents within disposal groups held for sale</b>	<b>(4,770)</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of financial period</b>	<b>364,127</b>	<b>471,894</b>
<b>Cash and cash equivalents at the end of financial period</b>	<b>577,352</b>	<b>463,957</b>
<b>Cash and cash equivalents at the end of the financial period comprise of the following:</b>		
Cash and bank balances	386,871	271,487
Time deposits	190,535	193,765
Less: Bank overdraft	(54)	-
Less: Restricted cash	-	(1,295)
	<b>577,352</b>	<b>463,957</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 2010)



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## Quarterly Report on Consolidated Results for the First Quarter Ended 31 March 2011

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 2010. 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 2010.

#### Significant accounting policies

The significant accounting policies adopted are consistent with those previously adopted in the audited financial statements of the Group for the financial year ended 31 December 2010, except for the adoption of the following Financial Reporting Standards ('FRSs'), Amendments to FRSs and IC Interpretation which are applicable for the Group's financial period beginning 1 January 2011.

- FRS 3 "Business Combinations" (revised)
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements" (revised)
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendments to FRS 138 "Intangible Assets"
- IC Interpretation 4 "Determining whether an arrangement contains a lease"
- Improvements to FRSs (2010)
  - Amendments to FRS 3 "Business Combinations"
  - Amendments to FRS 7 "Financial Instruments: Disclosures"
  - Amendments to FRS 101 "Presentation of Financial Statements"
  - Amendments to FRS 121 "The Effects of Changes in Foreign Exchange Rates"
  - Amendments to FRS 128 "Investments in Associates"
  - Amendments to FRS 131 "Interests in Joint Ventures"
  - Amendments to FRS 134 "Interim Financial Reporting"
  - Amendments to FRS 139 "Financial Instruments: Recognition and Measurement"

The application of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and did not have any significant effect on the financial position, results and presentation of financial information of the Group except for the enhanced disclosures about fair value measurements and liquidity risk required by Amendments to FRS 7 "Improving Disclosures about Financial Instruments". Such enhanced disclosures will be presented in the audited financial statements of the Group for the financial year ending 31 December 2011.

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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 for the financial period 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 have a material effect in the current interim period.

## 6. Debt and equity securities

	<b>Current Quarter Ended 31 March 2011 No. of Shares</b>	<b>Cumulative Period To-date 31 March 2011 No. of Shares</b>
Issuance of ordinary shares:		
- Conversion of ICULS	10,400,000	10,400,000
- Bonus shares arising from conversion of ICULS	2,600,000	2,600,000
	13,000,000	13,000,000

The Company did not repurchase from the open market, distribute or cancel any of its issued ordinary shares during the current quarter. The Company held 65,549 treasury shares as at 31 March 2011.

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.

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## 7. Dividends

(a) In respect of the financial year ended 31 December 2010:

On 17 February 2011, the Directors declared a second interim cash dividend of 2.5 sen per share Malaysian tax exempt, to the eligible shareholders as at 7 March 2011, the entitlement date, which was paid on 1 April 2011.

(b) In respect of the financial year ended 31 December 2009:

On 23 February 2010, the Directors declared a second interim dividend, comprising:

(i) Tax exempt cash dividend of 3.0 sen per share; and

(ii) 5,857,451 treasury shares distributed as special tax exempt share dividend to the shareholders of the Company 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.

These were paid/credited into the entitled shareholders securities accounts on 13 April 2010.

## 8. Segment information

	Revenue		Profit before tax	
	Financial Period Ended 31 March		Financial Period Ended 31 March	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Pipeline Services division	191,731	178,462	59,204	37,659
Engineering division	92,889	51,792	2,332	(383)
Renewable Energy division	47,089	33,888	5,146	3,451
Trading and E&P division	162,089	147,162	6,194	5,189
Others	182	252	(4,194)	(7,440)
	<u>493,980</u>	<u>411,556</u>	<u>68,682</u>	<u>38,476</u>
Inter-segment elimination	(3,082)	(1,935)	-	-
	<u>490,898</u>	<u>409,621</u>	<u>68,682</u>	<u>38,476</u>

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#### **9. 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 except for the following:

As announced on 26 April 2011, the Company's wholly-owned indirect subsidiaries namely Wasco Coatings UK Ltd ("Wasco UK") and Wasco Coatings Singapore Pte Ltd ("Wasco Singapore"), have entered into two (2) Operating Agreements with companies controlled by Insituform Technologies, Inc. to set up two (2) separate joint venture companies, namely Bayou Wasco Insulation Technologies, LLC ("Bayou Wasco Insulation") and WCU Corrosion Technologies Pte Ltd ("WCU Corrosion Technologies"), to provide the following services:

##### Bayou Wasco Insulation

Application of thermal insulation coating products to pipes or pipelines for projects located mainly in the United States of America, Gulf of Mexico, Central America and the Caribbean Islands.

##### WCU Corrosion Technologies

Lining new and existing pipelines and passageways with corrosion and abrasion resistant polyethylene pipe; and onshore corrosion protection services, including engineering services, construction, installation, inspection, monitoring and maintenance and related product sales for projects located in Australia, Brunei, Cambodia, China, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam and their respective territories and territorial waters.

#### **10. Effects of changes in the composition of the Group**

There were no significant effects arising from changes in the composition of the Group during the quarter under review.

#### **11. Status of corporate proposals**

(a) The Company has previously announced the following:

- i) Proposed disposal of its indirect equity interest in Arabian-Yadong Coating Co. Ltd as announced on 26 January 2011 and 31 January 2011; and
- ii) Proposed disposal of its indirect equity interests in Drillbits International Private Limited and Drilltools International FZCO as announced on 28 December 2010.

The completion of the above proposed disposals are awaiting full satisfaction of the conditions precedent in the respective proposals.

- (b) On 24 March 2011, the Company announced that an indirect subsidiary has entered into a Joint Venture Cum Shareholders' Agreement with PT Agrindo Prima Lestari to set up a joint venture company in Indonesia to manufacture industrial fans and blowers for the palm oil industry and other general industry utilising similar products in Indonesia, and to provide after sales, operations and maintenance services to palm oil mills and other general industries in Indonesia. The incorporation of the joint venture company is currently awaiting the approval of Badan Koordinasi Penanaman Modal of the Republic of Indonesia.

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## 12. Capital commitments

Capital commitments not provided for in the interim report:

	<b>As at 31 March 2011 RM'000</b>
Approved and contracted for	2,331
Approved but not contracted for	38,980

## 13. Operating lease commitments

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

	<b>As at 31 March 2011 RM'000</b>
Payable not later than one year	3,994
Payable later than one year and not later than five years	4,533

## 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 31 March 2011

The Group's revenue and profit before taxation for the three months period ended 31 March 2011 was RM490.9 million and RM68.7 million respectively, compared with RM409.6 million and RM38.5 million in the corresponding quarter in 2010, representing an increase of 19.8% and 78.5% respectively. This was due to increasing activities recorded in all divisions of the Group, especially in the Pipeline Services division.

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

The profit before taxation increased to RM68.7 million in the current quarter from RM35.3 million in the preceding quarter. This was the result of increasing activities recorded in all divisions of the Group.

### 16. Current period prospects

The continued global demand for oil and gas and the current price of crude oil is expected to spur investment activities of oil majors. This increase in investment activities together with the existing orders in hand is expected to have a positive impact on the Group's performance for the financial year ending 31 December 2011.

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## 17. Taxation

Taxation comprises the following:

	<b>Current Quarter Ended 31 March 2011 RM'000</b>	<b>Current Period To-date Ended 31 March 2011 RM'000</b>
Tax		
- Malaysia tax expense	(15,830)	(15,830)
- Foreign tax expense	(1,107)	(1,107)
	<u>(16,937)</u>	<u>(16,937)</u>

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

	<b>Current Quarter Ended 31 March 2011 RM'000</b>	<b>Current Period To-date Ended 31 March 2011 RM'000</b>
Profit before tax	<u>68,682</u>	<u>68,682</u>
Tax expense at the statutory tax rate – 25%	(17,171)	(17,171)
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemptions/ incentives	3,337	3,337
Other tax adjustments	(3,103)	(3,103)
	<u>234</u>	<u>234</u>
Tax expense	<u>(16,937)</u>	<u>(16,937)</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.

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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) The carrying/market value of investment in quoted securities as at 31 March 2011 was RM117,000.

## 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	54	-	54
Bankers' acceptance	-	65,540	65,540
Revolving credit	1,403	177,090	178,493
Term loans	-	70,231	70,231
Hire purchase liabilities	14	-	14
<b>Sub-total</b>	<u>1,471</u>	<u>312,861</u>	<u>314,332</u>
<b>Long term borrowings</b>			
Term loans	2,813	406,011	408,824
Hire purchase liabilities	28	-	28
<b>Sub-total</b>	<u>2,841</u>	<u>406,011</u>	<u>408,852</u>
<b>Total Group Borrowings</b>	<u>4,312</u>	<u>718,872</u>	<u>723,184</u>

The group borrowings are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	67,367
US Dollar	647,264
Euro Dollar	8,553
	<u>723,184</u>

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## 23. Financial instruments

### a) Derivatives

Derivatives outstanding as at 31 March 2011 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 arrangements to limit the Group's exposure from adverse fluctuations in interest rates of underlying debt instruments of certain subsidiaries. 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 rates as indicated below. The floating interest rates of the respective underlying debt instrument will be repriced quarterly.

Details of the interest rate caps are as follows:

<b>Time band</b>	<b>Notional amount (USD'000)</b>	<b>Effective period</b>	<b>Strike rate (per annum)</b>	<b>Fair value asset (RM'000)</b>
1 year to 3 years	12,850	29 January 2010 to 31 October 2012	2.35%	5
More than 3 years	40,000	28 March 2011 to 29 December 2014	1.50%	1,943

These derivatives have 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 arrangements were entered into with a reputable bank.

#### **Cash requirements**

The Group has no further cash flow exposure on such financial instruments.

#### (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 USD5,000,000. The contract entitles the Group to receive a floating interest rate equal to the 3 months USD Singapore Interbank Offered Rate per annum and obliges the Group to pay a fixed all-in interest rate of 5.5% per annum on the notional amount (inclusive of credit spread of 1.65% per annum). The contract will mature on 29 July 2011. The floating rate bank loan and interest rate swap have the same critical terms.



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## 23. Financial instruments (continued)

### a) Derivatives (continued)

#### (ii) Interest rate swap (continued)

The details of the interest rate swap are as follows:

<b>Time band</b>	<b>Notional amount (USD'000)</b>	<b>Effective period</b>	<b>Fixed rate per annum</b>	<b>Floating rate per annum</b>	<b>Fair value liability (RM'000)</b>
Less than 1 year	5,000	30 October 2008 to 29 July 2011	5.5%	3 months SIBOR + 1.65%	209

#### **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 cash position.

#### (iii) Forward contracts

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

<b>Time band</b>	<b>Currency to be paid</b>	<b>Currency to be received</b>	<b>Contract amount (USD'000)</b>	<b>Average rate</b>	<b>Fair value (RM'000)</b>
Less than 1 year	USD	AUD	1,201	1.0056	97
Less than 1 year	USD	MYR	7,510	3.1092	543
Less than 1 year	USD	SGD	23,740	1.2869	1,560
Less than 1 year	USD	EUR	2,100	0.7629	462

*Note:*

*USD – US Dollar*

*AUD – Australian Dollar*

*EUR – Euro Dollar*

*SGD – Singapore Dollar*

*MYR – Ringgit Malaysia*

#### **Credit risk**

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

#### **Cash requirements**

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

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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 financial period ended 31 March 2011 are as follows:

	Fair value (loss)/gain included as part of hedging reserve
	RM'000
Interest rate swap*, qualifying as hedge accounting	
Balance as at 1 January 2011	(414)
Fair value gain (included within other comprehensive income/(loss))	205
Balance as at 31 March 2011	<u>(209)</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 the last annual balance sheet date up to 5 May 2011:

(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 to 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 to 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 owners of the Company of RM43.4 million 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 31 March 2011 No. of Shares</b>	<b>Cumulative Period To-date Ended 31 March 2011 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)	769,700	769,700
	<b>Current Quarter Ended 31 March 2011</b>	<b>Cumulative Period To-date Ended 31 March 2011</b>
EPS – Basic (Sen)	5.63	5.63

### (ii) Diluted earnings per share

The Warrants 2008/2013 are anti-dilutive and hence the calculation of diluted earnings per share for the financial year 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.

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**27. Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements**

The following analysis of realised and unrealised retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	<b>As at 31 March 2011 RM'000</b>	<b>As at 31 December 2010 RM'000</b>
Total retained profits of the Company and its subsidiaries		
- Realised gains	412,384	366,896
- Unrealised losses	(18,735)	(23,847)
Total share of retained profits from associates		
- Realised gains	5,138	2,875
Total share of retained profits from jointly controlled entities		
- Realised gains	7,276	18,155
- Unrealised losses	(61)	(61)
	406,002	364,018
Consolidation adjustments	8,127	6,743
Total group retained profits as per consolidated financial statements	414,129	370,761

**By Order of the Board**

**Woo Ying Pun**  
**Lam Voon Kean**  
**Company Secretaries**

**Penang**