

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)
 Stock name : WASEONG
 Financial Period Ended : 30 JUNE 2011
 Quarter : 2

Quarterly Report on Consolidated Results for the Second Quarter Ended 30 June 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Particulars	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended 30 June 2011 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 June 2010 Unaudited RM'000	Current Period To-date Ended 30 June 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 June 2010 Unaudited RM'000
Gross revenue	405,158	369,743	896,056	779,364
Cost of sales	(330,582)	(318,163)	(714,045)	(635,911)
Gross profit	74,576	51,580	182,011	143,453
Other operating income	10,350	2,400	19,370	8,427
Selling and distribution expenses	(9,687)	(10,844)	(17,625)	(24,181)
Administration and general expenses	(33,623)	(42,285)	(68,321)	(80,545)
Other gain/(losses) – net	(1,359)	57	(1,029)	121
Finance costs	(5,581)	(6,065)	(11,061)	(12,700)
Share of results of associates and jointly controlled entities	(267)	(1,287)	(254)	(2,543)
Profit/(loss) before tax	34,409	(6,444)	103,091	32,032
Tax (expense)/income	(5,017)	2,701	(21,954)	(5,618)
Net profit/(loss) for the financial period	29,392	(3,743)	81,137	26,414
Net profit/(loss) attributable to:				
- Owners of the Company	26,193	1,701	69,561	18,725
- Non-controlling interests	3,199	(5,444)	11,576	7,689
	29,392	(3,743)	81,137	26,414
Earnings per share				
- Basic earnings per share (sen)	3.38	0.22	9.01	2.44
- Diluted earnings per share (sen)	3.38	0.22	9.01	2.44
Net profit/(loss) for the financial period	29,392	(3,743)	81,137	26,414
Other comprehensive income/(expense), net of tax:				
Available-for-sale financial assets				
– Fair value (loss)/gain	(15)	3	15	(5)
Cash flow hedge				
– Fair value gains	128	387	327	680
– Tax charge on fair value gain	(22)	(66)	(56)	(116)
– Reclassification	(15)	1	(15)	(25)
Foreign currency translation differences for foreign operations	670	207	(699)	(3,497)
	746	532	(428)	(2,963)
Total comprehensive income/(expense) for the financial period, net of tax	30,138	(3,211)	80,709	23,451
Total comprehensive income/(expense) attributable to:				
- Owners of the Company	26,884	2,611	69,201	17,492
- Non-controlling interests	3,254	(5,822)	11,508	5,959
	30,138	(3,211)	80,709	23,451

(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)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2011 Unaudited RM'000	As at 31 December 2010 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	538,293	541,463
Prepaid lease payments	79,130	79,719
Investment properties	6,016	6,172
Investment in associates	18,411	17,091
Investment in jointly controlled entities	25,986	27,625
Available-for-sale financial assets	1,151	1,137
Derivative financial assets	882	10
Goodwill	109,251	110,469
Intangible assets	503	549
Deferred tax assets	4,559	9,581
	784,182	793,816
Current Assets		
Inventories	268,858	243,115
Amounts due from customers on contracts	71,182	46,000
Trade and other receivables	444,732	481,078
Amount owing by associates	4,235	4,079
Amount owing by jointly controlled entities	1,772	7,044
Tax recoverable	13,468	12,217
Derivative financial assets	2,387	2,187
Time deposits	339,013	175,531
Cash and bank balances	203,945	189,891
	1,349,592	1,161,142
Assets of disposal groups held for sale	7,820	54,753
TOTAL ASSETS	2,141,594	2,009,711
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	368,487	361,971
Equity component of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	8,708	11,701
Share premium	164,045	165,348
Warrants reserve	25,786	25,786
Exchange translation reserves	(10,561)	(9,930)
Capital reserves	85	85
Treasury shares	(160)	(138)
Hedging reserve	(183)	(439)
Available-for-sale reserve	56	41
Retained profits	421,900	370,761
Equity attributable to owners of the Company	978,163	925,186
Non-controlling interests	113,920	115,052
TOTAL EQUITY	1,092,083	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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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 30 June 2011 Unaudited RM'000	As at 31 December 2010 Audited RM'000
Non-Current and Deferred Liabilities		
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	6,457	8,678
Hire purchase liabilities	27	31
Term loans	385,086	428,365
Deferred tax liabilities	17,471	18,831
Other liabilities	2,262	2,415
	<u>411,303</u>	<u>458,320</u>
Current Liabilities		
Amounts due to customers on contracts	39,920	32,992
Trade and other payables	260,076	246,238
Amount owing to jointly controlled entities	4,292	279
Amount owing to associates	187	68
Derivative financial liability	79	414
Provision for warranties	17,767	18,604
Hire purchase liabilities	8	24
Term loans	57,996	75,635
Bank borrowings	243,318	116,042
Dividend payable	-	1,343
Current tax liabilities	14,565	9,183
	<u>638,208</u>	<u>500,822</u>
Liabilities of disposal groups held for sale	-	10,331
	<u>1,049,511</u>	<u>969,473</u>
TOTAL LIABILITIES	<u>1,049,511</u>	<u>969,473</u>
TOTAL EQUITY AND LIABILITIES	<u>2,141,594</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)

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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
At 1 January 2010	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	-	-	-	-	-	-	-	-	-	18,725	18,725	7,689	26,414
Other comprehensive income/(expense) for the financial period	-	-	-	-	(1,767)	-	-	539	(5)	-	(1,233)	(1,730)	(2,963)
Total comprehensive income for the financial period	-	-	-	-	(1,767)	-	-	539	(5)	18,725	17,492	5,959	23,451
Transactions with owners:													
Share buy-back (including transaction costs)	-	-	-	-	-	-	(936)	-	-	-	(936)	-	(936)
Issuance of shares:													
- conversion of ICULS	9,000	(5,168)	-	-	-	-	-	-	-	-	3,832	-	3,832
- bonus shares arising from conversion of ICULS	2,250	-	(2,250)	-	-	-	-	-	-	-	-	-	-
Dividends paid to equity holders of Company	-	-	-	-	-	-	-	-	-	(21,100)	(21,100)	-	(21,100)
Share dividends to equity holders of Company	-	-	-	-	-	-	12,463	-	-	(12,463)	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(948)	(948)
Total contributions by and distributions to owners	11,250	(5,168)	(2,250)	-	-	-	11,527	-	-	(33,563)	(18,204)	(948)	(19,152)

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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
Acquisition of shares in an existing subsidiary from non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(275)	(275)
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	-	4,469	4,469
Total transactions with owners	11,250	(5,168)	(2,250)	-	-	-	11,527	-	-	(33,563)	(18,204)	3,521	(14,683)
At 30 June 2010	354,620	15,077	166,818	25,786	(6,107)	85	(97)	(848)	57	347,983	903,374	158,436	1,061,810

(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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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
At 1 January 2011	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	-	-	-	-	-	-	-	-	-	69,561	69,561	11,576	81,137
Other comprehensive income for the financial period	-	-	-	-	(631)	-	-	256	15	-	(360)	(68)	(428)
Total comprehensive income for the financial period	-	-	-	-	(631)	-	-	256	15	69,561	69,201	11,508	80,709
Transactions with owners:													
Share buy-back (including transaction costs)	-	-	-	-	-	-	(22)	-	-	-	(22)	-	(22)
Issuance of shares:													
- conversion of ICULS	5,213	(2,993)	-	-	-	-	-	-	-	-	2,220	-	2,220
- bonus shares arising from conversion of ICULS	1,303	-	(1,303)	-	-	-	-	-	-	-	-	-	-
Dividends paid to equity holders of Company	-	-	-	-	-	-	-	-	-	(18,422)	(18,422)	-	(18,422)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,328)	(2,328)
Disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(11,334)	(11,334)
Total contributions by and distributions to owners	6,516	(2,993)	(1,303)	-	-	-	(22)	-	-	(18,422)	(16,224)	(13,662)	(29,886)

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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
Disposal 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	6,516	(2,993)	(1,303)	-	-	-	(22)	-	-	(18,422)	(16,224)	(12,640)	(28,864)
At 30 June 2011	368,487	8,708	164,045	25,786	(10,561)	85	(160)	(183)	56	421,900	978,163	113,920	1,092,083

(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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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period To-date Ended 30 June 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 June 2010 Unaudited RM'000
Cash flow from operating activities		
Profit before tax	103,091	32,032
Adjustments for:		
Non cash items	24,479	29,586
Non-operating items	5,952	9,103
Operating Profit Before Changes in Working Capital	133,522	70,721
Net changes in current assets	(6,189)	52,329
Net changes in current liabilities	21,618	(49,795)
Cash generated from operations	148,951	73,255
Interest received	5,109	3,597
Interest paid	(11,061)	(12,700)
Taxation paid (net)	(14,417)	(18,454)
Net cash generated from operating activities	128,582	45,698
Cash flow from investing activities		
Purchase of property, plant and equipment	(28,589)	(10,153)
Proceeds from disposal of property, plant and equipment	3,113	339
Payment for subscription of interest in a jointly controlled entity	-	(2,801)
Dividend received from an associated company	95	151
Dividend received from a jointly controlled entity	-	974
Acquisition of shares from non-controlling interests in existing subsidiary	-	(215)
Proceeds from disposal of shares in subsidiaries	24,103	-
Net cash used in investing activities	(1,278)	(11,705)
Cash flow from financing activities		
Purchase of treasury shares	(22)	(936)
Net drawdown/(repayment) of borrowings	73,658	(113,990)
Purchase of interest rate cap	(2,117)	-
Changes in restricted cash	1,295	(1,295)
Dividends paid to non-controlling interests of subsidiaries	(3,671)	(4,367)
Dividends paid to equity holders of the Company	(18,422)	(21,100)
Net cash generated from/(used in) financing activities	50,721	(141,688)
Net movement in cash and cash equivalents	178,025	(107,695)
Currency translation differences	806	(9,409)
Cash and cash equivalents at the beginning of financial period	364,127	471,894
Cash and cash equivalents at the end of financial period	542,958	354,790
Cash and cash equivalents at the end of the financial period comprise of the following:		
Cash and bank balances	203,945	214,390
Time deposits	339,013	166,484
Less: Bank overdraft	-	(24,789)
Less: Restricted cash	-	(1,295)
	542,958	354,790

(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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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 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

	Current Quarter Ended 30 June 2011 No. of Shares	Cumulative Period To-date 30 June 2011 No. of Shares
Issuance of ordinary shares:		
- Conversion of ICULS	26,000	10,426,000
- Bonus shares arising from conversion of ICULS	6,500	2,606,500
	32,500	13,032,500

During the second quarter of 2011, the Company repurchased 10,000 of its issued ordinary shares from the open market (year to-date: 10,000). The Company held 75,549 treasury shares as at 30 June 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.

7. Dividends

- (a) On 17 February 2011, the Directors declared a second interim Malaysian tax exempt dividend of 2.5 sen per share in respect of the financial year ended 31 December 2010. The entitlement and payment dates were on 7 March 2011 and 1 April 2011 respectively.
- (b) (i) The Directors declared a first interim Malaysian tax exempt dividend of 3.0 sen per share in respect of the financial year ending 31 December 2011. The entitlement and payment dates are 29 September 2011 and 17 October 2011 respectively.
- (ii) For the previous corresponding period, the Company paid the first interim Malaysian tax exempt dividend of 2.0 sen per share on 1 October 2010.

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8. Segment information

	Revenue		Profit before tax	
	Financial Period Ended 30 June		Financial Period Ended 30 June	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Pipeline Services division	306,352	282,025	82,702	22,794
Engineering division	164,151	102,829	3,590	(503)
Renewable Energy division	98,763	74,287	12,703	10,803
Trading and E&P division	331,190	324,143	12,031	12,708
Others	385	479	(7,935)	(13,770)
	<u>900,841</u>	<u>783,763</u>	<u>103,091</u>	<u>32,032</u>
Inter-segment elimination	(4,785)	(4,399)	-	-
	<u>896,056</u>	<u>779,364</u>	<u>103,091</u>	<u>32,032</u>

9. Events 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.

10. Effects of changes in the composition of the Group

Except for as disclosed below, there were no other changes in the composition of the Group during the quarter under review:

Disposals of shares in Drillbits International Private Limited ("Drillbits") and Drilltools International FZCO ("Drilltools") were announced on 28 December 2010. On 24 June 2011, the Company announced the completion of these disposals following which Drillbits and Drilltools ceased to be indirect subsidiaries of the Company. There were no significant effects arising from the above disposals.

11. Status of corporate proposals

- The Company had announced on 26 January 2011 and 31 January 2011, the proposed disposal of its indirect equity interest in Arabian-Yadong Coating Co. Ltd. The completion of the proposed disposal is awaiting full satisfaction of the conditions precedent in the proposal.
- AmInvestment Bank Berhad, a member of AmInvestment Bank Group, had on 11 May 2011 announced on behalf of the Board, that the Board has approved a proposed demerger of the oil and gas businesses of the Group, which are currently held under its wholly-owned subsidiary, Wasco Energy Ltd ("WEL").

Today, 25 August 2011, AmInvestment Bank Berhad has announced that the Board has decided to put on hold the proposed demerger until further notice in view of the uncertain global market conditions, especially in light of the rising concern about the economic health of the United States of America and the sovereign debt woes in Europe and that the Board will revisit the proposed demerger at a more opportune time for the listing of WEL.

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12. Capital commitments

Capital commitments not provided for in the interim report:

	As at 30 June 2011 RM'000
Approved and contracted for	75
Approved but not contracted for	37,828

13. Operating lease commitments

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

	As at 30 June 2011 RM'000
Payable not later than one year	3,689
Payable later than one year and not later than five years	4,018

Other information required by Bursa Securities Main Market Listing Requirements

14. Review of performance of the Company and its principal subsidiary companies for the current quarter and financial period ended 30 June 2011

The Group's revenue for the second quarter and six months period ended 30 June 2011 was RM405.2 million and RM896.1 million respectively, compared with RM369.7 million and RM779.4 million in the corresponding periods in 2010, representing an increase of 9.6% and 15.0% respectively. This was due to increasing activities recorded in all divisions of the Group.

The profit before taxation for the second quarter and six months period ended 30 June 2011 was RM34.4 million and RM103.1 million respectively as compared with a loss of RM6.4 million and a profit of RM32.0 million in the corresponding periods in 2010. The increase in profit before taxation is mainly due to a higher contribution from the Pipeline Services and Engineering divisions.

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

The profit before taxation decreased to RM 34.4 million in the current quarter from RM68.7 million in the preceding quarter. This was mainly due to the lower revenue generated by the Pipeline Services division in the current quarter.

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16. Current period prospects

Recent economic and debt issues in the United States of America and Europe have created a climate of uncertainty in the global markets. However with the existing order book in hand, the Group expects to continue to record satisfactory performance for the financial year ending 31 December 2011.

17. Taxation

Taxation comprises the following:

	Current Quarter Ended 30 June 2011 RM'000	Current Period To-date Ended 30 June 2011 RM'000
Tax		
- Malaysia tax expense	4,301	20,131
- Foreign tax expense	716	1,823
	<u>5,017</u>	<u>21,954</u>

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

	Current Quarter Ended 30 June 2011 RM'000	Current Period To-date Ended 30 June 2011 RM'000
Profit before tax	<u>34,409</u>	<u>103,091</u>
Tax expense at the statutory tax rate – 25%	8,602	25,773
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemptions/ incentives	(3,423)	(6,760)
Other tax adjustments	(162)	2,941
	<u>(3,585)</u>	<u>(3,819)</u>
Tax expense	<u>5,017</u>	<u>21,954</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 30 June 2011 was RM101,000.

20. Profit forecast

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

21. Group borrowings and debt securities

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings			
Bankers' acceptance	-	94,305	94,305
Revolving credit	1,867	147,146	149,013
Term loans	-	57,996	57,996
Hire purchase liabilities	8	-	8
Sub-total	<u>1,875</u>	<u>299,447</u>	<u>301,322</u>
Long term borrowings			
Term loans	2,760	382,326	385,086
Hire purchase liabilities	27	-	27
Sub-total	<u>2,787</u>	<u>382,326</u>	<u>385,113</u>
Total borrowings	<u>4,662</u>	<u>681,773</u>	<u>686,435</u>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	76,314
US Dollar	601,446
Euro Dollar	8,675
	<u>686,435</u>

22. Financial instruments

a) Derivatives

Derivatives outstanding as at 30 June 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 to 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.

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22. Financial instruments (continued)

a) Derivatives (continued)

(i) Interest rate cap (continued)

Details of the interest rate caps are as follows:

Time band	Notional amount (USD'000)	Effective period	Strike rate (per annum)	Fair value asset (RM'000)
1 year to 3 years	11,020	29 January 2010 to 31 October 2012	2.35%	1
More than 3 years	40,000	28 March 2011 to 29 December 2014	1.50%	882

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 floating quarterly interest payments on a bank loan of a subsidiary amounting to USD2,900,000. 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 matured on 29 July 2011. The floating rate bank loan and interest rate swap have the same critical terms.

The details of the interest rate swap are as follows:

Time band	Notional amount (USD'000)	Effective period	Fixed rate per annum	Floating rate per annum	Fair value liability (RM'000)
Less than 1 year	2,900	30 October 2008 to 29 July 2011	5.5%	3 months SIBOR + 1.65%	79

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.

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22. Financial instruments (continued)

a) Derivatives (continued)

(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:

Time band	Currency to be paid	Currency to be received	Contract amount (USD'000)	Average rate	Fair value (RM'000)
Less than 1 year	USD	AUD	900	0.9834	121
Less than 1 year	USD	MYR	8,580	3.0587	130
Less than 1 year	USD	SGD	14,927	1.2736	1,641
Less than 1 year	USD	EUR	1,700	0.7630	494

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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22. 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 30 June 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))	335
Balance as at 30 June 2011	<u>(79)</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.

23. 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 19 August 2011:

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

On 17 December 2008, Socotherm S.p.A. ("Claimant" or "Socotherm") 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.

Hearing of the matter was conducted in early July 2010 and on 29 June 2011, a partial award was received from the Arbitral Tribunal. Details of the partial award is set out in 23(ii) below.

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23. Material litigation (continued)

(ii) ARBITRATION - INTERNATIONAL CHAMBER OF COMMERCE
CASE NO.16139/CYK

On 24 February 2009, the Company's indirect subsidiary, PPSC Industries Sdn Bhd ("PPSC") 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.

PPSC 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 PPSC's activities in the Extended Territories in particular Vietnam, India, Australia, Indonesia and China.

This arbitration has been consolidated with the arbitration referred to in Note 23(i) above. Hearing of the matter was conducted in early July 2010 and on 29 June 2011, a partial award was received from the Arbitral Tribunal.

The Partial Award is an award that concerns only the issue of liability of the parties to the two arbitral proceedings to each other under the various claims and counterclaims and not matters concerning relief or quantum of damages or other compensation that is payable.

As regards liability of the parties to each other under their respective claims and counterclaims the Arbitral Tribunal *inter alios* held that:

- 1) The Company and WCL were in breach of certain provisions on transfer of PPSCIH shares. However, Socotherm's claim for a re-transfer of the PPSCIH Shares for breach is dismissed.
- 2) The Company and WCL are liable to Socotherm for breach of certain provisions in the JVA and the SA respectively that placed certain territorial limits under the JVA and the SA on the pipe coating services that could be provided and on the sale of pipe-coating plants.
- 3) PPSC is liable to pay Socotherm a fee of 5% on the net profit on projects procured within the Extended Territories defined in the SA.
- 4) Socotherm is liable to PPSC for breach of the territorial restrictions in the SA in respect of certain projects undertaken by Socotherm in Vietnam and China.
- 5) PPSC's claims against Socotherm for breach of the territorial restrictions in the SA in respect of certain projects undertaken by Socotherm in India, Indonesia and Australia are dismissed.
- 6) Costs of the proceedings are reserved.

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23. Material litigation (continued)

The consolidated arbitral proceedings will proceed to the next phase for the determination of the compensation payable by the parties to each other in respect of the findings on liability as described above.

Solicitors for the Company, WCL and PPSC are currently reviewing the Partial Award and all options that are open for the said parties to review and/or set aside the Partial Award in the courts of the Republic of Singapore, which have jurisdiction over the arbitral proceedings.

The Company is unable to assess the impact of the award, pending the next phase of the arbitral proceedings for determination of the compensation payable by each party.

24. 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 RM26.2 million and RM69.6 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:

	Current Quarter Ended 30 June 2011 No. of Shares	Cumulative Period To-date Ended 30 June 2011 No. of Shares
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)	774,862	772,322
	Current Quarter Ended 30 June 2011	Cumulative Period To-date Ended 30 June 2011
EPS – Basic (Sen)	3.38	9.01

(i) 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.

25. Contingent liabilities

There were no contingent liabilities arising since the last annual audited balance sheet date.

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26. 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.

	As at 30 June 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	419,006	366,896
- Unrealised losses	(18,936)	(23,847)
Total share of retained profits from associates		
- Realised gains	5,390	2,875
Total share of retained profits from jointly controlled entities		
- Realised gains	6,685	18,155
Unrealised losses	11	(61)
	<u>412,156</u>	<u>364,018</u>
Consolidation adjustments	<u>9,744</u>	<u>6,743</u>
Total group retained profits as per consolidated financial statements	<u><u>421,900</u></u>	<u><u>370,761</u></u>

By Order of the Board

Woo Ying Pun
Lam Voon Kean
Company Secretaries

Penang