

Company name : WAH SEONG CORPORATION BERHAD (Company No.:495846-A)
 Stock name : WASEONG
 Financial Period Ended : 30 SEPTEMBER 2011
 Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Particulars	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 September 2011 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 September 2010 Unaudited RM'000	Current Period To-date Ended 30 September 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2010 Unaudited RM'000
Gross revenue	478,843	346,764	1,374,899	1,126,128
Cost of sales	(376,665)	(285,534)	(1,090,710)	(921,445)
Gross profit	102,178	61,230	284,189	204,683
Other operating income	5,189	13,019	24,559	21,446
Selling and distribution expenses	(9,020)	(7,015)	(26,645)	(31,196)
Administration and general expenses	(46,192)	(41,116)	(114,513)	(121,661)
Other (losses)/gains – net	(10,533)	27	(11,562)	148
Finance costs	(6,082)	(5,918)	(17,143)	(18,618)
Share of results of associates and jointly controlled entities	1,133	(1,363)	879	(3,906)
Profit before tax	36,673	18,864	139,764	50,896
Tax expense	(7,133)	(8,048)	(29,087)	(13,666)
Net profit for the financial period	29,540	10,816	110,677	37,230
Net profit attributable to:				
- Owners of the Company	21,293	12,488	90,854	31,213
- Non-controlling interests	8,247	(1,672)	19,823	6,017
	29,540	10,816	110,677	37,230

Earnings per share				
- Basic earnings per share (sen)	2.80	1.64	11.98	4.12
- Diluted earnings per share (sen)	2.80	1.64	11.98	4.12

Net profit for the financial period	29,540	10,816	110,677	37,230
Other comprehensive income/(expense), net of tax:				
Available-for-sale financial assets				
– Fair value loss	(15)	(18)	-	(23)
Cash flow hedge				
– Fair value gains	80	255	407	935
– Tax charge on fair value gain	(13)	(43)	(69)	(159)
– Realisation upon settlement	116	-	101	(25)
Foreign currency translation differences for foreign operations	9,440	(4,963)	8,741	(8,460)
	9,608	(4,769)	9,180	(7,732)
Total comprehensive income for the financial period, net of tax	39,148	6,047	119,857	29,498
Total comprehensive income attributable to:				
- Owners of the Company	30,454	9,060	99,654	26,552
- Non-controlling interests	8,694	(3,013)	20,203	2,946
	39,148	6,047	119,857	29,498

(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 September 2011 Unaudited RM'000	As at 31 December 2010 Audited RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	533,240	541,463
Prepaid lease payments	78,837	79,719
Investment properties	5,964	6,172
Investment in associates	18,770	17,091
Investment in jointly controlled entities	28,371	27,625
Available-for-sale financial assets	1,137	1,137
Derivative financial assets	1,646	10
Goodwill	112,811	110,469
Intangible assets	469	549
Deferred tax assets	7,131	9,581
	788,376	793,816
Current Assets		
Inventories	258,367	243,115
Amounts due from customers on contracts	79,490	46,000
Trade and other receivables	535,066	481,078
Amount owing by associates	4,231	4,079
Amount owing by jointly controlled entities	470	7,044
Tax recoverable	14,082	12,217
Derivative financial assets	-	2,187
Time deposits	386,260	175,531
Cash and bank balances	129,276	189,891
	1,407,242	1,161,142
Assets of disposal groups held for sale	8,183	54,753
TOTAL ASSETS	2,203,801	2,009,711
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	376,787	361,971
Equity component of Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	4,895	11,701
Share premium	162,385	165,348
Warrants reserve	25,786	25,786
Exchange translation reserves	(1,569)	(9,930)
Capital reserves	85	85
Treasury shares	(160)	(138)
Hedging reserve	-	(439)
Available-for-sale reserve	41	41
Retained profits	418,179	370,761
Equity attributable to owners of the Company	986,429	925,186
Non-controlling interests	92,842	115,052
TOTAL EQUITY	1,079,271	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 September 2011 Unaudited RM'000	As at 31 December 2010 Audited RM'000
Non-current and Deferred Liabilities		
Irredeemable Convertible Unsecured Loan Stocks ("ICULS")	3,630	8,678
Hire purchase liabilities	27	31
Term loans	390,359	428,365
Deferred tax liabilities	17,255	18,831
Other liabilities	2,908	2,415
	414,179	458,320
Current Liabilities		
Amounts due to customers on contracts	19,538	32,992
Trade and other payables	290,439	246,238
Amount owing to jointly controlled entities	5,391	279
Amount owing to associates	-	68
Derivative financial liability	5,800	414
Provision for warranties	14,034	18,604
Hire purchase liabilities	8	24
Term loans	38,263	75,635
Bank borrowings	297,377	116,042
Dividend payable	22,605	1,343
Current tax liabilities	16,896	9,183
	710,351	500,822
Liabilities of disposal groups held for sale	-	10,331
	1,124,530	969,473
TOTAL LIABILITIES	1,124,530	969,473
TOTAL EQUITY AND LIABILITIES	2,203,801	2,009,711

(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	-	-	-	-	-	-	-	-	-	31,213	31,213	6,017	37,230
Other comprehensive income/(expense) for the financial period	-	-	-	-	(5,389)	-	-	751	(23)	-	(4,661)	(3,071)	(7,732)
Total comprehensive income for the financial period	-	-	-	-	(5,389)	-	-	751	(23)	31,213	26,552	2,946	29,498
Transactions with owners:													
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)	-	-	-	-	-	-	-	-	-	-
Dividends paid to owners of Company	-	-	-	-	-	-	-	-	-	(35,578)	(35,578)	-	(35,578)
Share dividends to owners of Company	-	-	-	-	-	-	12,463	-	-	(12,463)	-	-	-
Dividends paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,480)	(10,480)
Total contributions by and distributions to owners	18,601	(8,544)	(3,720)	-	-	-	11,527	-	-	(48,041)	(30,177)	(10,480)	(40,657)

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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	-	-	-	-	-	-	-	-	-	-	-	(16,538)	(16,538)
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	-	(11,794)	(11,794)
Total transactions with owners	18,601	(8,544)	(3,720)	-	-	-	11,527	-	-	(48,041)	(30,177)	(22,274)	(52,451)
At 30 September 2010	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 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	-	-	-	-	-	-	-	-	-	90,854	90,854	19,823	110,677
Other comprehensive income for the financial period	-	-	-	-	8,361	-	-	439	-	-	8,800	380	9,180
Total comprehensive income for the financial period	-	-	-	-	8,361	-	-	439	-	90,854	99,654	20,203	119,857
Transactions with owners:													
Share buy-back (including transaction costs)	-	-	-	-	-	-	(22)	-	-	-	(22)	-	(22)
Issuance of shares:													
- conversion of ICULS	11,853	(6,806)	-	-	-	-	-	-	-	-	5,047	-	5,047
- bonus shares arising from conversion of ICULS	2,963	-	(2,963)	-	-	-	-	-	-	-	-	-	-
Dividends paid to owners of Company	-	-	-	-	-	-	-	-	-	(41,027)	(41,027)	-	(41,027)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(45,232)	(45,232)
Disposal of shares in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(11,334)	(11,334)
Total contributions by and distributions to owners	14,816	(6,806)	(2,963)	-	-	-	(22)	-	-	(41,027)	(36,002)	(56,566)	(92,568)

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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	-	-	-	-	-	-	-	-	-	-	-	312	312
Disposal of shares to non- controlling interests	-	-	-	-	-	-	-	-	-	(2,409)	(2,409)	13,841	11,432
Total changes in ownership interest in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	(2,409)	(2,409)	14,153	11,744
Total transactions with owners	14,816	(6,806)	(2,963)	-	-	-	(22)	-	-	(43,436)	(38,411)	(42,413)	(80,824)
At 30 September 2011	376,787	4,895	162,385	25,786	(1,569)	85	(160)	-	41	418,179	986,429	92,842	1,079,271

(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 September 2011 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2010 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	139,764	50,896
Adjustments for:		
Non-cash items	51,211	47,930
Non-operating items	9,187	13,732
Operating Profit Before Changes in Working Capital	200,162	112,558
Net changes in current assets	(72,891)	77,139
Net changes in current liabilities	31,453	(90,771)
Cash generated from operations	158,724	98,926
Interest received	7,956	4,886
Interest paid	(17,143)	(18,618)
Taxation paid (net)	(23,240)	(23,325)
Net cash generated from operating activities	126,297	61,869
Cash flows from investing activities		
Purchase of property, plant and equipment	(33,673)	(19,343)
Proceeds from disposal of property, plant and equipment	6,517	503
Payment for subscription of interest in a jointly controlled entity	-	(2,801)
Dividend received from an associated company	95	339
Dividend received from a jointly controlled entity	-	959
Acquisition of shares from non-controlling interests in existing subsidiary	-	(10,767)
Proceeds from disposal of shares in subsidiaries	34,450	-
Net cash generated from/(used in) investing activities	7,389	(31,110)
Cash flows from financing activities		
Purchase of treasury shares	(22)	(936)
Net drawdown/(repayment) of borrowings	78,024	(115,266)
Purchase of interest rate caps	(5,250)	-
Changes in restricted cash	1,295	(1,295)
Dividends paid to non-controlling interests of subsidiaries	(46,575)	(13,899)
Dividends paid to owners of the Company	(18,422)	(21,100)
Proceeds from issuance of shares to non-controlling interests	312	-
Net cash generated from/(used in) financing activities	9,362	(152,496)
Net movement in cash and cash equivalents	143,048	(121,737)
Currency translation differences	8,361	(13,970)
Cash and cash equivalents at the beginning of financial period	364,127	471,894
Cash and cash equivalents at the end of financial period	515,536	336,187
Cash and cash equivalents at the end of the financial period comprise of the following:		
Cash and bank balances	129,276	185,614
Time deposits	386,260	153,256
Less: Bank overdraft	-	(1,388)
Less: Restricted cash	-	(1,295)
	515,536	336,187

(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 Malaysia Securities Berhad 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 September 2011 No. of Shares	Cumulative Period To-date 30 September 2011 No. of Shares
Issuance of ordinary shares:		
- Conversion of ICULS	13,279,978	23,705,978
- Bonus shares arising from conversion of ICULS	3,319,994	5,926,494
	<u>16,599,972</u>	<u>29,632,472</u>

During the third quarter of 2011, the Company did not repurchase any of its issued ordinary shares from the open market (cumulative period-to-date: 10,000). The Company held 75,549 treasury shares as at 30 September 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 approved a first interim Malaysian tax exempt dividend of 3.0 sen per share in respect of the financial year ending 31 December 2011 which was paid on 17 October 2011.
 - (ii) For the previous corresponding period, the Company paid a 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		Financial Period Ended	
	30 September		30 September	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Oil & Gas	658,502	407,075	128,931	27,495
Renewable Energy	156,105	125,427	17,569	21,936
Industrial Trading & Services	505,326	501,869	13,671	12,891
Others	60,890	99,749	(20,407)	(11,426)
	<u>1,380,823</u>	<u>1,134,120</u>	<u>139,764</u>	<u>50,896</u>
Inter-segment elimination	(5,924)	(7,992)	-	-
	<u>1,374,899</u>	<u>1,126,128</u>	<u>139,764</u>	<u>50,896</u>

Note: The Group's segmental report has been realigned to reflect the new organisational structure adopted on 21 September 2011 and the segment information for the comparative period has been restated to reflect this change.

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:

- (a) On 24 March 2011, the Company announced that its indirect wholly-owned subsidiary, PMT Industries Sdn Bhd has entered into a Joint Venture Cum Shareholders' Agreement with PT Agrindo Prima Lestari to set up a joint venture company in Indonesia ("JVC"). On 11 August 2011, the Company announced the incorporation of the JVC/subsidiary, namely PT. PMT Phoenix Industries. The incorporation of the JVC/subsidiary did not have any significant effect on the period-to-date results of the Group.
- (b) On 5 July 2011, the Company announced the acquisition of the entire issued and paid-up share capital in Wasco Coatings Services Sdn Bhd, by the Company's indirect wholly-owned subsidiary, namely Wasco Coatings Limited. This acquisition did not have any significant effect on the period-to-date results of the Group.
- (c) On 9 September 2011, PPSC Industrial Holdings Sdn Bhd, a wholly-owned indirect subsidiary, completed the disposal of its 8% equity interest in Wasco Coatings Malaysia Sdn Bhd (formerly known as PPSC Industries Sdn Bhd). The disposal did not have any significant impact on the period-to-date results of the Group.

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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.

12. Capital commitments

Capital commitments not provided for in the interim report:

	As at 30 September 2011 RM'000
Approved and contracted for	2,597
Approved but not contracted for	30,999

13. Operating lease commitments

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

	As at 30 September 2011 RM'000
Payable not later than one year	3,291
Payable later than one year and not later than five years	3,167

Other information required by Bursa Malaysia Securities Berhad 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 2011

The Group's revenue for the third quarter and nine months period ended 30 September 2011 was RM478.8 million and RM1,374.9 million respectively, compared with RM346.8 million and RM1,126.1 million in the corresponding periods in 2010, representing an increase of 38.1% and 22.1% respectively. This was due to better performance in all divisions of the Group.

The profit before taxation for the third quarter and nine months period ended 30 September 2011 was RM36.7 million and RM139.8 million respectively compared with profit before taxation of RM18.9 million and RM50.9 million in the corresponding periods in 2010. The increase in profit before taxation is mainly due to a higher contribution from the Oil & Gas division.

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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 RM 36.7 million in the current quarter from RM34.4 million in the preceding quarter. This was mainly due to the higher revenue generated by the Oil & Gas division in the current quarter.

16. Current period prospects

Sovereign debt issues affecting Europe and rising risks to US growth outlook have created a climate of uncertainty in the global economy. 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 September 2011 RM'000	Current Period To-date Ended 30 September 2011 RM'000
Tax		
- Malaysia tax expense	6,686	26,817
- Foreign tax expense	447	2,270
	<u>7,133</u>	<u>29,087</u>

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

	Current Quarter Ended 30 September 2011 RM'000	Current Period To-date Ended 30 September 2011 RM'000
Profit before tax	<u>36,673</u>	<u>139,764</u>
Tax expense at the statutory tax rate – 25%	9,168	34,941
Profit from certain subsidiaries which are not subjected to tax or enjoy tax exemptions/ incentives	(2,601)	(9,361)
Other tax adjustments	566	3,507
	<u>(2,035)</u>	<u>(5,854)</u>
Tax expense	<u>7,133</u>	<u>29,087</u>

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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.

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 September 2011 was RM87,000.

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	-	90,857	90,857
Revolving credit	1,812	204,708	206,520
Term loans	-	38,263	38,263
Hire purchase liabilities	8	-	8
Sub-total	<u>1,820</u>	<u>333,828</u>	<u>335,648</u>
Long term borrowings			
Term loans	2,821	387,538	390,359
Hire purchase liabilities	27	-	27
Sub-total	<u>2,848</u>	<u>387,538</u>	<u>390,386</u>
Total borrowings	<u>4,668</u>	<u>721,366</u>	<u>726,034</u>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	47,037
US Dollar	668,301
Euro Dollar	8,615
Japanese Yen	2,081
	<u>726,034</u>

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22. Financial instruments

a) Derivatives

Derivatives outstanding as at 30 September 2011 consist of interest rate caps and forward contracts as below:

(i) Interest rate caps

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.

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	9,190	29 January 2010 to 31 October 2012	2.35%	*
More than 3 years	40,000	28 March 2011 to 29 December 2014	1.50%	280
More than 3 years	35,000	28 July 2011 to 16 December 2015	1.28%	878
More than 3 years	40,000	29 July 2011 to 16 December 2014	0.94%	488

* Value is negligible

Credit risk

There is minimal credit risk as the interest rate cap arrangements were entered into with reputable banks.

Cash requirements

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

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22. Financial instruments (continued)

a) Derivatives (continued)

(ii) 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	1,122	0.9790	(200)
Less than 1 year	USD	MYR	22,722	3.0312	(3,806)
Less than 1 year	USD	SGD	10,758	1.2350	(1,599)
Less than 1 year	USD	EUR	3,794	0.7241	(195)

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 current quarter and cumulative period-to-date ended 30 September 2011 are as follows:

	Current quarter		Cumulative period-to-date	
	Interest rate swap RM'000	Forward foreign currency contracts RM'000	Interest rate swap RM'000	Forward foreign currency contracts RM'000
Balance as at				
- 1 January 2011	-	-	(414)	2,187
- 1 July 2011	(79)	2,386	-	-
Fair value gain/(loss) recognised in:				
- profit or loss	-	(8,089)	-	(7,884)
- other comprehensive income	79	(97)	414	(103)
Balance as at 30 September 2011	-	(5,800)	-	(5,800)

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

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 9 September 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 held 78.00% of the paid-up capital of Wasco Coatings Malaysia Sdn Bhd (formerly known as 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.

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23. Material litigation (continued)

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.

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

On 24 February 2009, the Company's indirect subsidiary, Wasco Coatings Malaysia Sdn Bhd (formerly known as PPSC Industries Sdn Bhd) 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 countries defined in Clause 8 of 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.

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23. Material litigation (continued)

- 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.

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 RM21.3 million and RM90.9 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 September 2011 No. of Shares	Cumulative Period To-date Ended 30 September 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)	759,869	758,142
	Current Quarter Ended 30 September 2011	Cumulative Period To-date Ended 30 September 2011
EPS – Basic (Sen)	2.80	11.98

(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 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 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised gains	432,486	366,896
- Unrealised losses	(36,113)	(23,847)
Total share of retained profits from associates		
- Realised gains	5,435	2,875
Total share of retained profits from jointly controlled entities		
- Realised gains	7,703	18,155
Unrealised losses	(14)	(61)
	409,497	364,018
Consolidation adjustments	8,682	6,743
Total group retained profits as per consolidated financial statements	418,179	370,761

By Order of the Board

Woo Ying Pun
Lam Voon Kean
Company Secretaries

Penang