

Company name : WAH SEONG CORPORATION BERHAD
 (Registration No.: 199901020946 (495846-A))
Stock name : WASEONG
Financial Period Ended : 30 September 2021
Quarter : 3

Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 September 2021 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 September 2020 Unaudited RM'000	Current Period To-date Ended 30 September 2021 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 Unaudited RM'000
Gross revenue	303,799	453,299	974,096	1,023,154
Cost of sales	(269,180)	(385,235)	(851,899)	(913,393)
Gross profit	34,619	68,064	122,197	109,761
Other operating income	15,679	1,786	54,259	36,012
Selling and distribution expenses	(7,816)	(7,248)	(22,164)	(23,667)
Administrative and general expenses	(35,600)	(78,882)	(116,368)	(166,821)
Impairment (loss)/reversal on non-financial assets	-	(165,160)	-	(165,160)
Impairment (loss)/reversal on financial assets	(970)	(39,411)	34	(48,659)
Other gains/(losses) - net	172	(1,157)	(2,429)	352
Finance costs	(7,874)	(10,259)	(24,848)	(34,725)
Share of results of associates and joint ventures	(197)	(3,149)	4,752	(16,277)
(Loss)/Profit before tax	(1,987)	(235,416)	15,433	(309,184)
Tax expense	(3,358)	(24,351)	(10,821)	(31,190)
Net (loss)/profit for the financial period	(5,345)	(259,767)	4,612	(340,374)
Net (loss)/profit attributable to:				
- Owners of the Company	(5,941)	(255,826)	4,597	(329,888)
- Non-controlling interests	596	(3,941)	15	(10,486)
	(5,345)	(259,767)	4,612	(340,374)
Earnings per share				
- Basic earnings per share (sen)	(0.77)	(33.04)	0.59	(42.68)
- Diluted earnings per share (sen)	(0.77)	(33.04)	0.59	(42.68)

(The Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020)

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CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Period	
	Current Quarter Ended 30 September 2021 Unaudited RM'000	Preceding Year Corresponding Quarter Ended 30 September 2020 Unaudited RM'000	Current Period To-date Ended 30 September 2021 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 Unaudited RM'000
Net (loss)/profit for the financial period	(5,345)	(259,767)	4,612	(340,374)
Other comprehensive (expense)/income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Foreign currency translation differences for foreign operations	(2,714)	(3,034)	(729)	7,882
Share of other comprehensive income of an associate, net of tax	-	524	116	846
	(2,714)	(2,510)	(613)	8,728
Total comprehensive (expense)/income for the financial period	(8,059)	(262,277)	3,999	(331,646)
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	(8,795)	(258,389)	3,855	(321,176)
- Non-controlling interests	736	(3,888)	144	(10,470)
	(8,059)	(262,277)	3,999	(331,646)

(The Condensed Consolidated Statements of Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020)

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Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 September 2021 Unaudited RM'000	As at 31 December 2020 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	457,813	423,825
Right-of-use assets	228,874	242,904
Investment properties	9,201	9,324
Goodwill and other intangible assets	146,707	142,336
Deferred tax assets	34,082	35,364
Investment in associates	253,360	231,133
Investment in joint ventures	78,764	81,083
Amounts owing by joint ventures	28,724	26,240
Contract assets	54,606	74,242
Investment in equity instruments	3	5
	1,292,134	1,266,456
Current Assets		
Inventories	185,346	195,665
Contract assets	165,111	149,441
Trade and other receivables	393,066	359,553
Amounts owing by associates	24,601	17,480
Amounts owing by joint ventures	175	186
Finance lease receivables	-	5,397
Tax recoverable	4,828	4,879
Derivative financial assets	286	2,256
Time deposits	57,464	83,883
Cash and bank balances	145,213	155,647
	976,090	974,387
Assets classified as held for sale	-	26,979
	-	26,979
TOTAL ASSETS	2,268,224	2,267,822
EQUITY AND LIABILITIES		
Capital and Reserves Attributable to Owners of the Company		
Share capital	547,690	547,690
Treasury shares	(624)	(624)
Exchange translation reserves	13,554	14,296
Retained profits	143,651	142,363
Equity attributable to owners of the Company	704,271	703,725
Non-controlling interests	53,390	49,838
TOTAL EQUITY	757,661	753,563

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Quarterly Report on Consolidated Results for the Third Quarter Ended 30 September 2021

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	As at 30 September 2021 Unaudited RM'000	As at 31 December 2020 Audited RM'000
LIABILITIES		
Non-Current and Deferred Liabilities		
Deferred tax liabilities	10,658	9,746
Lease liabilities	189,986	197,728
Trade and other payables	25,966	26,789
Loans and borrowings	81,834	103,106
	<u>308,444</u>	<u>337,369</u>
Current Liabilities		
Lease liabilities	11,303	12,657
Contract liabilities	165,596	70,645
Trade and other payables	299,083	246,245
Provision for warranties	10,784	9,844
Amounts owing to associates	-	1,560
Amounts owing to joint ventures	2,078	5,139
Loans and borrowings	660,306	774,950
Dividend payable	19,818	22,109
Current tax liabilities	32,630	33,642
Derivative financial liabilities	521	99
	<u>1,202,119</u>	<u>1,176,890</u>
TOTAL LIABILITIES	<u>1,510,563</u>	<u>1,514,259</u>
TOTAL EQUITY AND LIABILITIES	<u>2,268,224</u>	<u>2,267,822</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Retained profits RM'000			
At 1 January 2021	547,690	(624)	14,296	142,363	703,725	49,838	753,563
Net profit for the financial period	-	-	-	4,597	4,597	15	4,612
Other comprehensive (expense)/income for the financial period	-	-	(742)	-	(742)	129	(613)
Total comprehensive (expense)/income for the financial period	-	-	(742)	4,597	3,855	144	3,999
Incorporation of a subsidiary	-	-	-	-	-	99	99
Acquisition of shares in existing subsidiary from non- controlling interests	-	-	-	(3,309)	(3,309)	3,309	-
Total changes in ownership interest in subsidiaries that did not result in a loss of control	-	-	-	(3,309)	(3,309)	3,408	99
At 30 September 2021	547,690	(624)	13,554	143,651	704,271	53,390	757,661

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

These figures have not been audited

	----- Attributable to owners of the Company -----				Total RM'000	Non- controlling interests RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Exchange translation reserves RM'000	Retained profits RM'000			
At 1 January 2020	547,690	(4,779)	(4,595)	441,630	979,946	61,252	1,041,198
Net loss for the financial period	-	-	-	(329,888)	(329,888)	(10,486)	(340,374)
Other comprehensive income for the financial period	-	-	8,712	-	8,712	16	8,728
Total comprehensive income/(expense) for the financial period	-	-	8,712	(329,888)	(321,176)	(10,470)	(331,646)
Cash dividends paid to owners of the Company	-	-	-	(3,082)	(3,082)	-	(3,082)
Share dividends distributed to owners of the Company	-	4,155	-	(4,155)	-	-	-
Disposal of a subsidiary	-	-	138	-	138	(3)	135
Total contributions by and distribution to owners	-	4,155	138	(7,237)	(2,944)	(3)	(2,947)
At 30 September 2020	547,690	(624)	4,255	104,505	655,826	50,779	706,605

(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 2020)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period To-date Ended 30 September 2021 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 Unaudited RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	15,433	(309,184)
Adjustments for non-operating items:		
Depreciation and amortisation	44,315	81,632
Other non-cash items	(24,260)	229,248
Interest expense	24,848	34,725
Interest income	(2,519)	(3,202)
Operating profit before changes in working capital	<u>57,817</u>	<u>33,219</u>
Changes in working capital:		
Net changes in current assets	8,597	19,336
Net changes in current liabilities	138,382	71,836
Cash generated from operations	<u>204,796</u>	<u>124,391</u>
Interest received	2,519	3,202
Interest paid	(24,848)	(34,725)
Tax paid	(8,268)	1,086
Net cash generated from operating activities	<u>174,199</u>	<u>93,954</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(59,318)	(26,045)
Purchase of investment properties	(44)	(117)
Additional investment in an associate	(13,500)	-
Additional investment in a joint venture	(30)	-
Proceeds from disposal of property, plant and equipment	1,279	54,047
Proceeds from disposal of assets held for sale	26,287	-
Proceeds from disposal of investment properties	-	14,105
Transfer from deposits and short term investment	493	(475)
Dividends received from an associate	3,605	1,731
Net amount (to)/from associates	(1,536)	165
Net amount to joint ventures	-	(1,868)
Net cash outflow from disposal of a subsidiary	-	(9)
Net cash (used in)/generated from investing activities	<u>(42,764)</u>	<u>41,534</u>
Cash flows from financing activities		
Drawdown of other bank borrowings	327,628	272,069
Repayments of other bank borrowings	(424,750)	(290,356)
Drawdown of term loans	11,379	5,390
Repayment of term loans	(72,604)	(43,888)
Principal elements of lease payments	(9,493)	(9,901)
Dividend paid to non-controlling interests	(2,500)	(3,082)
Net cash used in financing activities	<u>(170,340)</u>	<u>(69,768)</u>
Net changes in cash and cash equivalents	(38,905)	65,720
Currency translation differences	2,544	737
Cash and cash equivalents at beginning of the financial period	<u>215,526</u>	<u>124,172</u>
Cash and cash equivalents at end of the financial period	<u>179,165</u>	<u>190,629</u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Current Period To-date Ended 30 September 2021 Unaudited RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 Unaudited RM'000
Cash and cash equivalents at the end of the financial period comprise of the following:		
Time deposits	57,464	65,545
Cash and bank balances	145,213	148,852
Subtotal	202,677	214,397
Less:		
Short term investments	(642)	(642)
Time deposits with maturity more than 3 months	(22,870)	(23,126)
	179,165	190,629

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2020)

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NOTES TO INTERIM FINANCIAL REPORT

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 “Interim Financial Reporting” and paragraph 9.22 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. The interim financial statements are in compliance with IAS 34 “Interim Financial Reporting”.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. 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 2020.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent annual financial statements for the financial year ended 31 December 2020.

The following MFRS and Amendments to MFRS have been issued by the Malaysian Accounting Standards Board but are not yet effective to the Group:

Effective from financial year beginning on or after 1 January 2022

Amendments to MFRS 3	Reference to the Conceptual Framework
Amendments to MFRS 9	Annual Improvements to MFRS Standards 2018–2020
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract

Effective from financial year beginning on or after 1 January 2023

Amendments to MFRS 101	<ul style="list-style-type: none"> • Classifications of Liabilities as Current or Non-current • Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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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

Save for the information disclosed elsewhere in this financial report, there were no other material items affecting assets, liabilities, equity, net income, or cash flows for the financial period/year that were unusual due to their nature, size, or incidence.

5. Changes in estimates

There were no significant changes in estimates of amounts reported in prior interim periods that had a material effect in the current interim period.

6. Debt and equity securities

During the third quarter of 2021, the Company did not purchase any of its issued ordinary shares from the open market (period to-date: Nil). The Company held a total of 577,054 treasury shares as at 30 September 2021.

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 ended 30 September 2021.

7. Dividends

The Directors did not declare any dividend in the current financial period.

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

- a) Single tier cash dividend of 0.40 sen per share amounting to RM3,081,845; and
- b) Single tier share dividend of 3,849,884 treasury shares distributed to the shareholders of Wah Seong Corporation Berhad ("WSC") on the basis of one (1) WSC treasury share for every two hundred (200) existing WSC ordinary shares held at the entitlement date on 12 March 2020.

The first interim dividend was paid/credited into the entitled shareholders' securities accounts on 8 April 2020.

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8. Segment information

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
RESULTS					
<u>Financial period ended 30 September 2021</u>					
Revenue	464,406	197,832	203,674	110,450	976,362
Less: Inter segment revenue	(1,938)	-	-	(328)	(2,266)
	<u>462,468</u>	<u>197,832</u>	<u>203,674</u>	<u>110,122</u>	<u>974,096</u>
External revenue					
Segment profits	10,317	18,547	9,622	(7,695)	30,791
Share of results of associates	7,081	-	316	(3)	7,394
Share of results of joint ventures	(844)	428	-	(2,226)	(2,642)
	<u>16,554</u>	<u>18,975</u>	<u>9,938</u>	<u>(9,924)</u>	<u>35,543</u>
Unallocated expenses relating to financing activities					(8,822)
Unallocated corporate expenses					(11,288)
Profit before tax					<u><u>15,433</u></u>
TOTAL ASSETS					
<u>As at 30 September 2021</u>					
Segment assets	1,248,457	404,222	134,167	74,628	1,861,474
Investment in associates	224,662	-	28,698	-	253,360
Investment in joint ventures	63,530	6,834	-	8,400	78,764
	<u>1,536,649</u>	<u>411,056</u>	<u>162,865</u>	<u>83,028</u>	<u>2,193,598</u>
Unallocated corporate assets					
- Deferred tax assets					34,082
- Tax recoverable					4,828
- Cash and cash equivalents					10,288
- Short term investment					642
- Others					24,786
Total assets					<u><u>2,268,224</u></u>

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2021</u>					
Depreciation of:					
- Property, plant and equipment	23,248	3,914	811	1,331	29,304
- Investment properties	-	-	2	165	167
- Right-of-use assets	12,712	-	1,046	1,086	14,844
Additions of:					
- Property, plant and equipment	56,329	1,050	848	1,091	59,318
Impairment loss/(reversal) on:					
- Receivables	378	(369)	(811)	-	(802)
- Amount owing by an associate	-	-	-	768	768
(Reversal)/allowance on slow moving and obsolete inventories	(103)	(526)	62	-	(567)
Write-off/(reversal) on:					
- Property, plant and equipment	192	-	4	-	196
- Inventories	218	-	8	-	226
- Receivables	(168)	-	-	-	(168)
Interest income	(1,687)	(332)	(446)	(54)	(2,519)
Interest expense					
- Loans and borrowings	3,601	3,416	1,190	196	8,403
- Lease liabilities	7,373	-	93	157	7,623
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
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OTHER INFORMATION

Financial period ended 30 September 2021

Revenue comprise of:

- Revenue from contracts with customers	449,294	197,832	203,270	110,104	960,500
- Revenue from other sources	13,174	-	404	18	13,596
	<u>462,468</u>	<u>197,832</u>	<u>203,674</u>	<u>110,122</u>	<u>974,096</u>

Revenue from contracts with customers is represented by:

Timing of revenue recognition

- Over time	307,349	117,882	-	60,248	485,479
- At a point in time	141,945	79,950	203,270	49,856	475,021
	<u>449,294</u>	<u>197,832</u>	<u>203,270</u>	<u>110,104</u>	<u>960,500</u>

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8. Segment information (continued)

RESULTS	Oil & Gas RM'000	Renewable Energy RM'000	Industrial Trading & Services RM'000	Others RM'000	Total RM'000
<u>Financial period ended 30 September 2020</u>					
Revenue	418,089	258,764	212,801	135,617	1,025,271
Less: Inter segment revenue	(1,818)	-	-	(299)	(2,117)
External revenue	416,271	258,764	212,801	135,318	1,023,154
Segment (loss)/profit	(281,945)	17,280	(1,701)	335	(266,031)
Share of results of associates	6,924	-	24	(3)	6,945
Share of results of joint ventures	(24,006)	877	-	(93)	(23,222)
	(299,027)	18,157	(1,677)	239	(282,308)
Unallocated expenses relating to financing activities					(11,812)
Unallocated corporate expenses					(15,064)
Loss before tax					(309,184)
TOTAL ASSETS					
<u>As at 30 September 2020</u>					
Segment assets	1,248,397	427,196	221,073	91,481	1,988,147
Investment in associates	213,283	-	244	-	213,527
Investment in joint ventures	68,857	6,173	-	17,153	92,183
	1,530,537	433,369	221,317	108,634	2,293,857
Unallocated corporate assets					
- Deferred tax assets					34,252
- Tax recoverable					3,202
- Cash and cash equivalents					29,116
- Short term investment					642
- Others					25,093
Total assets					2,386,162

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable Energy</u> RM'000	<u>Industrial Trading & Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2020</u>					
Depreciation of:					
- Property, plant and equipment	57,901	3,772	1,782	1,273	64,728
- Investment properties	-	-	2	75	77
- Right-of-use assets	14,526	-	1,351	950	16,827
Additions of:					
- Property, plant and equipment	9,800	12,535	2,576	1,134	26,045
Impairment loss/(reversal of impairment loss) on:					
- Property, plant and equipment	165,160	-	-	-	165,160
- Investment property	-	-	30	-	30
- Inventories	5,655	639	3	-	6,297
- Receivables	9,703	714	3,298	11,228	24,943
- Amount owing by joint ventures	23,716	-	-	-	23,716
Write-off/(reversal) on:					
- Property, plant and equipment	32	-	5	1	38
- Inventories	536	74	8	-	618
- Receivables	61	-	50	52	163
Interest income	(1,924)	(415)	(738)	(125)	(3,202)
Interest expense					
- Loans and borrowings	6,938	5,423	2,023	333	14,717
- Lease liabilities	7,945	-	131	120	8,196
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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8. Segment information (continued)

	<u>Oil & Gas</u> RM'000	<u>Renewable</u> <u>Energy</u> RM'000	<u>Industrial</u> <u>Trading &</u> <u>Services</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
OTHER INFORMATION					
<u>Financial period ended 30 September 2020</u>					
Revenue comprise of:					
- Revenue from contracts with customers	400,747	258,764	211,686	133,255	1,004,452
- Revenue from other sources	15,524	-	1,115	2,063	18,702
	<u>416,271</u>	<u>258,764</u>	<u>212,801</u>	<u>135,318</u>	<u>1,023,154</u>
Revenue from contracts with customers is represented by:					
Timing of revenue recognition					
- Over time	277,676	157,849	-	103,434	538,959
- At a point in time	123,071	100,915	211,686	29,821	465,493
	<u>400,747</u>	<u>258,764</u>	<u>211,686</u>	<u>133,255</u>	<u>1,004,452</u>

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9. Events after the reporting period

There were no material events subsequent to the financial period ended 30 September 2021, except for the following:

MEMBER'S VOLUNTARY WINDING UP OF WASCO COATINGS INSULATION SDN BHD, AN INDIRECT 70%-OWNED SUBSIDIARY OF THE COMPANY

The Company had on 29 October 2021 announced that Wasco Coatings Insulation Sdn Bhd [Registration No.: 200701037191 (795220-W)] ("WCI"), an indirect 70%-owned subsidiary of the Company had at its Extraordinary General Meeting held on 29 October 2021 inter-alia, approved the special resolution to wind up WCI by way of the Member's Voluntary Winding Up by its shareholder ("Member's Voluntary Winding Up").

In order to facilitate the Member's Voluntary Winding Up, Ms. Ngu Siow Ping and Mr. Dawin Tang Keng Wai of PKF Covenant Sdn Bhd [Registration No. 201001000192 (884759-A)] ("PKF") of Level 33, Menara 1MK, Kompleks 1 Mont' Kiara, No.1 Jalan Kiara, Mont' Kiara, 50480 Kuala Lumpur have been appointed as the Liquidators for WCI.

WCI was incorporated on 9 November 2007 under the Companies Act, 1965 with its total issued and paid-up share capital of RM2.00 comprising 2 ordinary shares. WCI was principally involved in the coating of pipes for the oil and gas industry. WCI is directly wholly-owned by Wasco Coatings Malaysia Sdn Bhd [Registration No. 198501003583 (136025-V)], a 70%-owned indirect subsidiary of the Company.

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

There were no changes in the composition of the Group during the current quarter and financial period ended 30 September 2021, except for the following:

ACQUISITION OF 200,000 ORDINARY SHARES, REPRESENTING 40% EQUITY INTEREST IN WASCO INFRA SERVICES SDN BHD (FORMERLY KNOWN AS WASCO CPM SDN BHD) BY WASCO COATINGS LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF THE COMPANY FROM P.T. CITRA PANJI MANUNGGAL

Wasco Coatings Limited (Company No. 798147) ("WCL"), an indirect wholly-owned subsidiary of the Company had on 16 July 2021 acquired 200,000 ordinary shares, representing 40% equity interest in the issued and paid-up share capital of Wasco Infra Services Sdn Bhd (formerly known as Wasco CPM Sdn Bhd) ("Wasco Infra") from P.T. Citra Panji Manunggal, a company incorporated under the laws of the Republic of Indonesia and having its registered address at No. 16, Jalan Ciputat Raya, Pondok Penang, South Jakarta, Indonesia for a total cash consideration of RM1.00 (Ringgit Malaysia One) only ("Acquisition of Wasco Infra shares").

Upon the completion of the Acquisition of Wasco Infra shares, Wasco Infra shall become a 91%-owned subsidiary of WCL and an indirect subsidiary of the Company.

The Acquisition of Wasco Infra shares were not expected to have any material effect on the earnings, net assets and gearing of WSC for the financial year ending 31 December 2021.

None of the Directors, major shareholders, chief executive of WSC and/or persons connected to them have any interest, direct or indirect, in the Acquisition of Wasco Infra shares.

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11. Significant events during the reporting period

There were no significant events during the current quarter and financial period ended 30 September 2021.

12. Status of corporate proposals

There were no corporate proposals announced but not completed as at the reporting date.

13. Capital commitments

Capital commitments not provided for in the interim report:

	As at
	30 September
	2021
	RM'000
Approved and contracted for	<u>22,945</u>

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Other information required by Bursa Malaysia Securities Berhad Main Market Listing Requirements

14. Review of performance of operating segments for the current quarter and financial period ended 30 September 2021

Oil & Gas Segment

The Oil & Gas Segment's external revenue for the third quarter and financial period ended 30 September 2021 were RM150.9 million and RM462.5 million respectively, compared with RM221.7 million and RM416.3 million in the corresponding periods in 2020. The segment registered a loss before tax of RM3.7 million and profit before tax of RM16.6 million, compared with loss before tax of RM236.5 million and RM299.0 million in the corresponding periods in 2020.

The segment had lower revenue in the current quarter as project execution for a majority of the orders in hand will only commence towards the end of the year or in financial year 2022. This has resulted in a weak performance in the current quarter.

The segment had higher revenue for the financial period ended 30 September 2021 due to more projects being executed in the first six months from the order book in hand at the beginning of this year. This, together with the absence of one-off adjustments recognized in the corresponding period in 2020, resulted in the segment reporting higher profits in the current period.

Renewable Energy Segment

The Renewable Energy Segment's external revenue for the third quarter and financial period ended 30 September 2021 were RM58.4 million and RM197.8 million respectively, compared with RM98.6 million and RM258.8 million in the corresponding periods in 2020. The profit before tax were RM5.2 million and RM19.0 million respectively, compared with RM10.5 million and RM18.2 million in the corresponding periods in 2020.

Lower revenue and profit before taxation of Renewable Energy Segment reflected lower activities during the MCO 3.0.

Industrial Trading & Services Segment

The Industrial Trading & Services Segment's external revenue for the third quarter and financial period ended 30 September 2021 were RM56.1 million and RM203.7 million respectively, compared with RM89.0 million and RM212.8 million in the corresponding periods in 2020. The segment recorded a profit before tax of RM6.3 million and RM9.9 million respectively, compared with profit before tax of RM2.3 million, and loss before tax of RM1.7 million in the corresponding periods in 2020.

Lower revenue was mainly due to the slower progress in the construction industry during the pandemic period.

During the third quarter, the segment recognized a gain on the disposal of vacant property located in Prai.

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

The Group recorded a loss before taxation of RM2.0 million in the current quarter, compared with a profit before taxation of RM4.4 million in the previous quarter. The result follows the lower level of activity as against the lower revenue recognized in the quarter.

16. Prospects

The Group's current order book of RM1.7 billion comprises RM1.3 billion in the Oil & Gas segment, RM274.0 million in the Renewable Energy segment and RM50.2 million in the Industrial Trading & Services segment. The increasing trend in the order book reflected mainly the contribution of the Oil & Gas segment. However, the global pandemic situation has challenged the execution capabilities of the Group due to restrictions imposed by governments. This is bound to have some adverse impact on the performance of the Group in the current financial year.

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17. Profit/(Loss) before tax

	Current Quarter Ended 30 September 2021 RM'000	Preceding Year Corresponding Quarter Ended 30 September 2020 RM'000	Current Period To- date Ended 30 September 2021 RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 RM'000
Profit/(Loss) before tax is stated after charging/(crediting) the following items:				
Interest income	(822)	(1,039)	(2,519)	(3,202)
Depreciation and amortisation	14,781	25,759	44,315	81,632
Impairment loss/ (reversal) on receivables - net	970	21,222	(802)	24,943
Impairment loss on property, plant and equipment	-	165,160	-	165,160
Impairment loss on amount owing by an associate - net	-	-	768	-
Impairment loss on amount owing by a joint venture - net	-	18,189	-	23,716
Allowance/(Reversal) on slow moving and obsolete inventories - net	54	6,204	(567)	6,297
Write-off on property, plant and equipment	175	-	196	38
Write-off on inventories	3	152	226	618
Net foreign exchange loss/(gain)	(707)	96	(7,820)	(5,459)
Gain on disposal of property, plant and equipment	(8)	(178)	(558)	(7,796)
Gain on disposal of assets held for sale	(6,426)	-	(17,425)	-

Save as disclosed above and in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

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18. Taxation

Taxation comprises the following:

	Current Quarter Ended 30 September 2021 RM'000	Period To-date Ended 30 September 2021 RM'000
Tax expense		
- Malaysian tax	2,177	7,891
- Foreign tax	1,181	2,930
	<u>3,358</u>	<u>10,821</u>

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

	Current Quarter Ended 30 September 2021 RM'000	Period To-date Ended 30 September 2021 RM'000
Profit before tax	<u>(1,987)</u>	<u>15,433</u>
Tax expense at the statutory tax rate – 24%	(477)	3,704
Other tax adjustments	3,119	5,736
Underprovision in prior financial year	716	1,381
	<u>3,835</u>	<u>7,117</u>
Taxation	<u>3,358</u>	<u>10,821</u>

19. Profit forecast

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

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20. Group's borrowings and debt securities

	As at 30 September 2021 RM'000
Unsecured	
Short term borrowings	
Revolving credits	468,844
Term loans	101,551
Trade financing	70,120
Fixed rate notes	19,791
	<hr/> 660,306
Long term borrowings	
Term loans	81,834
	<hr/> 742,140
Total borrowings	<hr/> 742,140 <hr/>

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

United States Dollar	530,995
Ringgit Malaysia	165,932
Euro Dollar	26,813
Australian Dollar	17,373
Singapore Dollar	1,027
	<hr/> 742,140 <hr/>

21. Fair value of financial instruments

The fair value gains and losses arising from fair value changes in financial assets and liabilities during the current quarter and financial period ended 30 September 2021 are as follows:

	Current Quarter Ended 30 September 2021 RM'000	Preceding Year Corresponding Quarter Ended 30 September 2020 RM'000	Current Period To-date Ended 30 September 2021 RM'000	Preceding Corresponding Period To-date Ended 30 September 2020 RM'000
Balance as at				
- 1 January	-	-	2,162	(753)
- 1 July	(415)	771	-	-
Fair value gain/(loss) recognised in profit or loss	172	(1,157)	(2,429)	352
Effect of changes in exchange rate	11	4	35	19
Balance as at 30 September	<hr/> (232) <hr/>	<hr/> (382) <hr/>	<hr/> (232) <hr/>	<hr/> (382) <hr/>

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21. Fair value of financial instruments (continued)

	As at 30 September 2021 RM'000	As at 30 September 2020 RM'000
Represented by:		
Investment in equity instruments carried at fair value	3	3
Derivative financial assets	286	367
Derivative financial liabilities	(521)	(752)
	(232)	(382)

Fair value hierarchy

The table below summarises all financial instruments carried at fair value as at end of the financial period, based on a hierarchy that reflects the significance of the inputs used in measuring its respective fair values. The levels are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical financial assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the financial asset or liability that are not based on observable market data (unobservable inputs).

	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>30 September 2021</u>				
<u>Financial assets</u>				
Investment in equity instruments	3	-	-	3
Derivative financial assets	-	286	-	286
<u>Financial liabilities</u>				
Derivative financial liabilities	-	(521)	-	(521)
	-	(521)	-	(521)

Valuation techniques used to derive Level 2 fair values

The Level 2 fair values represent an estimated valuation derived from market quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions.

There were no changes in valuation techniques during the financial period.

22. Material litigation

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

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23. Earnings per share (EPS)

Basic and diluted earnings per share

The basic and diluted earnings per share have been computed based on net profit attributable to the owners of the Company for the current financial quarter/period divided by the weighted average number of ordinary shares after adjusting for movements in treasury shares in the same financial quarter/period:

	Current Quarter Ended 30 September 2021	Preceding Year Corresponding Quarter Ended 30 September 2020	Current Period To-date Ended 30 September 2021	Preceding Corresponding Period To-date Ended 30 September 2020
Net profit/(loss) attributable to the owners of the Company (RM'000)	<u>(5,941)</u>	<u>(255,826)</u>	<u>4,597</u>	<u>(329,888)</u>
Weighted average number of ordinary shares in issue after adjusting for movements in treasury shares (No. of Shares ('000))	<u>774,311</u>	<u>774,311</u>	<u>774,311</u>	<u>772,934</u>
Basic/diluted earnings per share (sen)	<u>(0.77)</u>	<u>(33.04)</u>	<u>0.59</u>	<u>(42.68)</u>

24. Contingent liabilities

There were no contingent liabilities arising since the last annual audited statement of financial position.

25. Authorisation for issue

This Quarterly Report was authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed at the Board of Directors' Meeting held on 22 November 2021.