

Shareholders	No. of Sale Shares VIII to be disposed	Consideration RM	No. of new PPSC-I shares to be received
PPI	6,846,429	6,846,429	6,846,429
HHB	2,738,572	2,738,572	2,738,572
SSPA	3,240,000	3,240,000	3,240,000
GM	675,000	675,000	675,000
	<u>13,500,001</u>	<u>13,500,001</u>	<u>13,500,001</u>

Upon completion of the Proposed Acquisition VIII, PPSC will become a wholly-owned subsidiary of PPSC-I.

The purchase consideration of RM13,500,001 was arrived at on a willing buyer willing seller basis after taking into consideration PPI, HHB, SSPA and GM's cost-of investments in PPSC.

The new ordinary shares of PPSC-I which will be issued pursuant to the Proposed Acquisition VIII shall, upon allotment and issue, rank pari passu in all respects with all the existing ordinary shares of PPSC-I.

(ix) Proposed Acquisition IX

On 24 January 2003, PPSC-I entered into a SSA with PPSC for the purchase of 799,999 ordinary shares of HKD1.00 each and 7,800,000 redeemable cumulative preference shares of HKD0.05 each in PPSC (HK) Limited ("PPSCHK") ("Sale Shares IX") representing 100.00% of the issued and paid-up capital of PPSCHK for a purchase consideration of RM4,204,000 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Currently, Mr. Chan Cheu Leong is holding one (1) ordinary share of HKD1.00 each in trust for PPSC in compliance with the minimum shareholders requirement under the Hong Kong Companies regulations.

Upon completion of the Proposed Acquisition VIII and IX, PPSCHK will become a wholly-owned subsidiary of PPSC-I.

The purchase consideration of RM4,204,000 was arrived at on a willing buyer willing seller basis after taking into consideration PPSC's cost of investment in PPSCHK.

(x) Proposed Acquisition X

On 24 January 2003, PPSC-I entered into a SSA with PPSC for the purchase of two (2) ordinary shares of RM1.00 each in PPSC Malaysia Sdn Bhd ("PPSCM") ("Sale Shares X") representing 100.00% of the issued and fully paid-up capital of PPSCM for a purchase consideration of RM2.00 to be wholly satisfied in cash which will be funded internally.

Upon completion of the Proposed Acquisition X, PPSCM will become a wholly-owned subsidiary of PPSC-I.

The purchase consideration of RM2.00 was arrived at on a willing buyer willing seller basis after taking into consideration PPSC's cost of investment in PPSCM.

The Sale Shares X will be acquired by PPSC-I free from all liens, pledges, charges, mortgages and other encumbrances and with all rights attached thereto from the date of the SSA.

xi) Proposed Acquisition XI

On 24 January 2003, PPSC-I entered into a SSA with PPSC for the purchase of 861,445 ordinary shares of RM1.00 each Botco Sdn Bhd ("BSB") ("Sale Shares XI") representing 65.00% of the issued and fully paid-up capital of BSB for a purchase consideration of RM2,151,023 to be wholly satisfied in cash which may be funded internally and/or via borrowings.

Upon completion of the Proposed Acquisition XI, BSB will become a 65.00% owned subsidiary of PPSC-I.

The purchase consideration of RM2,151,023 was arrived at on a willing buyer willing seller basis after taking into consideration PPSC's cost of investment in BSB.

xii) Proposed Acquisition XII

On 24 January 2003, PPSC-I entered into a SSA with PPSC for the purchase of two (2) ordinary shares of RM1.00 each in PPSC Resource Sdn Bhd ("PPSCR") ("Sale Shares XII") representing 100% of the issued and paid-up capital of PPSCR for a purchase consideration of RM2.00 to be wholly satisfied in cash which will be funded internally.

Upon completion of the Proposed Acquisition XII, PPSCR will become a wholly-owned subsidiary of PPSC-I.

The purchase consideration of RM2.00 was arrived at on a willing buyer willing seller basis after taking into consideration PPSC's cost of investment in PPSCR.

The Proposed Internal Restructuring is subject to the following approvals, where applicable:

- (i) the Foreign Investment Committee;
- (ii) the Ministry of International Trade and Industry;
- (iii) the Collector of Stamp Duty for the stamp duty exemption in respect of the transfers of the relevant Sale Shares;
- (iv) any other authority(ies), if required.

- b) On 14 March 2003, the subsidiary, PPSC(HK) Limited, Hong Kong ["PPSC (HK)"] had jointly formed a new company in China known as Ningbo Daxie Socotherm PPSC Pipe Coating Ltd [Ningbo Daxie] on 50:50 basis with Socotherm SPA, Italy ["Socotherm SPA"]. The cost of investment is USD\$1.05 mil each (equivalent to RM 3.99 mil based on the exchange rate of RM3.80 to USD\$1.00).

22. **Group borrowings and debt securities**

Group Borrowings	Secured RM '000	Unsecured RM '000	Total RM '000
Short term borrowings			
Bank overdraft	3,343	322	3,665
Bankers' acceptance	56,707	28,812	85,519
Revolving Credit	-	10,850	10,850
Term loans	1,719	5,136	6,855
Hire purchase creditors	43	-	43
Sub-total	61,812	45,120	106,932
Long term borrowings			
Term Loans	13,693	19,240	32,933
Hire purchase creditors	40	26	66
Sub-total	13,733	19,266	32,999
Total Borrowings	75,545	64,386	139,931

The above Group borrowings are denominated in Ringgit Malaysia.

23. **Off balance sheet financial instruments**

There were no contracts on financial instruments with off balance sheet risk as at 21 May 2003.

24. **Material litigation**

Save as disclosed below, there were no material litigations pending since 20 February 2003 up to 21 May 2003

(a)(i) **PENANG HIGH COURT
CIVIL SUIT NO: 22-199-2001**

Petro-Pipe Industries (M) Sdn Bhd ("PPI") had on 9 May 2001 filed a Writ of Summons at the Penang High Court against Kingsar Sdn Bhd ("Kingsar") for a principal sum of RM580,000 being the balance amount due in relation to the supply of pipes by PPI to Kingsar. As the said Kingsar had not entered Appearance within the stipulated period, Judgement in Default of Appearance was entered against the said Kingsar on 8 June 2001. Subsequently, pursuant to an Application by Kingsar to set aside the Judgement in Default, the said Judgement in Default was set aside by the Court. PPI's Solicitors have advised that an Application for Summary Judgement be filed against Kingsar. Kingsar's Solicitors in the meanwhile are requesting that the matter be transferred to the Miri High Court as Kingsar has its place of business in Miri. Kingsar's Solicitors have also, in their proposed Draft Defence and Counterclaim prepared in support of their Application to set aside the Judgement in Default, put forward a Counterclaim against PPI for the sum of RM1,356,014.

PPI's solicitors are of the opinion that PPI should obtain Judgement against Kingsar for the sum of RM580,100 and also has an arguable defence to any counterclaim by Kingsar. Meantime, PPI and Kingsar have reached an understanding whereby the outstanding account will be resolved by mid 2003.

(a)(ii) **KUALA LUMPUR HIGH COURT
COMPANIES W-UP NO: D6-28-409-2002**

Petro-Pipe Industries (M) Sdn Bhd ("PPI") had on 10 May 2002 filed a Winding Up Petition ("Petition") at the Kuala Lumpur High Court against Fieldwork Engineering Sdn Bhd ("Fieldwork"/"the Respondent") for the principal sum of RM1,289,227.22 being balance purchase price for goods sold and delivered at the orders or request of Fieldwork.

The Respondent, through their solicitors, have served three (3) Notices of Motion to *inter alia*, adjourn and apply for a stay of the Winding Up Petition on 2 August 2002. On 6 August 2002, the Court had heard the Winding Up Petition in part and simultaneously *inter alia*, adjourned the Respondent's three Notices of Motion for mention and fixed the continued Hearing of the Petition to 28 August 2002, and thereafter to 2 September 2002, 24 September 2002, 26 November 2002, 17 January 2003, 17 March 2003 and is now fixed for continued hearing on 11 June 2003.

PPI filed a Summons in Chambers for the dispensation of further advertisement which is now fixed to be heard on 20 May 2003. The Respondents through their solicitors, have on 6 May 2003 filed and thereafter served a new Notice of Motion to strike out the Companies Winding Up Petition and it is now fixed for hearing on 11 June 2003.

PPI's solicitors are of the opinion that PPI should be able to obtain the relevant Winding Up Order against Fieldwork barring any unforeseen circumstances.

(a)(iii) **PENANG HIGH COURT**
SUMMONS NO: MT1-22-454-2002

Petro-Pipe Industries (M) Sdn Bhd ("PPI") had on 24 August 2002 filed a Writ of Summons at the Penang High Court against Najatech Engineering & Plumbing Services Sdn Bhd ("Najatech"/"the First Defendant") and Rosidah Binti Ismail and Md. Saad Bin Md Zin ("the Second" and "Third" Defendants as Guarantors) for the principal sum of RM1,495,995.17 and all interest accruing thereon being balance purchase price for goods sold and delivered at the orders or request of Najatech.

PPI's solicitors' have obtained an order to effect substituted service against the First Defendant on 29 January 2003. The draft order was filed on 13 February 2003 and PPI's Solicitors will proceed to effect service of the Writ of Summons accordingly once the sealed order has been extracted.

As against the Second and Third Defendants, PPI's solicitors have obtained the relevant Judgment in Default against the Second and Third Defendants. The sealed copy of the Judgment in Default dated 29 January 2003 has been served on the Second and Third Defendants. PPI's solicitors are now in the midst of preparing and filing the Bankruptcy Notice against both Defendants.

(b)(i) **KUALA LUMPUR HIGH COURT**
WRIT NO.: D2-22-1419-98

Petro-Pipe Concrete Piles Sdn Bhd ("PPCP") had on 12 May 1998 filed a Writ of Summons At High Court at Kuala Lumpur against C.T.A. Realty Sdn Bhd ("CTA"), CTA for the principal sum of RM806,031.70 being the balance price for concrete piles supplied to CTA and Cygal Berhad ("CYGAL") as guarantor for CTA. On the advice of PPCP's solicitors, an application for final judgement to be entered summarily ("the Application") against CTA and CYGAL was subsequently made on 10 June 1998. The Application was heard on 23 July 1998 wherein the same was adjourned to enable CTA and CYGAL to appeal against the preliminary ruling of the Court in favour of PPCP.

On 4 August 1998, CTA and CYGAL obtained a restraining order vide OS No. D4-24-330-98. The scheme of arrangement pursuant to Section 176 of the Companies Act 1965 ("the Scheme") was sanctioned by the Court on 23 December 1999 and approved by the creditors (inclusive of financial institutions) sometime in August 2001 wherein, CYGAL shall, among others, issue Irredeemable Unsecured Loan Stock ("ICULS") to its creditors.

PPCP's solicitors have informed that:- the Securities Commission (SC) has since approved the proposed share exchange wherein the Newco shall cause to be issued, among others, 3-year zero coupon

ICULS to the creditors.

Messrs PKF has been appointed as the independent auditors to carry out an investigative audit on CYGAL's losses in the previous years. This is in compliance with one of the conditions imposed by the SC in approving the restructuring scheme of CYGAL, vide its letter dated 11 December 2002.

PPCP's Solicitors are of the opinion that implementation of the scheme will inevitably be time consuming. However, CYGAL will be obliged under the scheme to make provisions for the outstanding sum owed to PPCP and the ICULS will be issued after listing of the Newco.

There has been no material announcement pertaining to the restructuring scheme as at to-date.

(b)(ii) **KUALA LUMPUR HIGH COURT**
WRIT NO.: D4-22-79-96

PPCP's claim against Zap Piling (M) Sdn Bhd, Classic Landmark(M) Sdn Bhd, Chor Chong Leen and Ng Kok Seng (" the Defendants") is for RM1,620,191.45 (interest plus principal sum of RM 1,406,258.84). The claim against Zap Piling (M) Sdn Bhd and Classic Landmark (M) Sdn Bhd are as Contractor and Developer respectively of a project whereby goods were sold and delivered to them by PPCP whereas, PPCP's claim against Chor Chong Leen and Ng Kok Seng are based on a guarantee and indemnity dated 18 November 1994.

There was a counterclaim filed by Classic Landmark (M) Sdn Bhd for alleged losses and damages with an unspecified liquidated sum. However, when the matter came up for hearing under Case Management by the Court on 12 March 2002, PPCP's solicitors, Messrs On Seng Dee Co, were informed by the solicitor for Zap Piling (M) Sdn Bhd that Classic Landmark (M) Sdn Bhd had already been wound up. Meantime, with respect to the claim against Zap Piling (M) Sdn Bhd, Chor Chong Leen and Ng Kok Seng, the court has advised the parties to try to settle this matter. According to the PPCP's solicitors, there is no basis for Classic Landmark's counter claim against PPCP should be able to obtain judgement against the remaining Defendants.

There is no material changes since the last hearing date except that the next hearing date for Case Management has been fixed by the Court on 4 September 2003 pending settlement of the same.

25. **Earnings per share**

Basic earnings per share

The basic earnings per share for the current quarter and current period to date has been computed based on profit after taxation and minority interest of RM 6.024 million for the current quarter and current period to date and the weighted average number of 318,189,647 ordinary shares of RM0.50 each (for current quarter / current period to date) calculated as follows:

Weighted average number of ordinary shares

	Current quarter Number of shares	Current period to date Number of shares
Issued ordinary shares at beginning of the period	316,409,580	316,409,580
Effect of conversion of weighted average number of ICULS	1,780,067	1,780,067
Weighted average number of ordinary shares	318,189,647	318,189,647

28th May 2003