

WAH SEONG CORPORATION BERHAD (Company No: 495846-A)

Quarterly Report on Consolidated Results for the Third Quarter ended 30th September 2005.

These figures have not been audited.

NOTES TO INTERIM FINANCIAL REPORT

1. Accounting policies

The interim financial report is unaudited and has been prepared in accordance with FRS 134 (formerly known as MASB 26) Interim Financial Reporting and Appendix 9B of the Bursa Malaysia Listing Requirements.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2004

2. Qualification of Financial Statements

The audited report of the preceding annual financial statements was not subject to any qualification.

3. Seasonal or cyclical factors

The Group's operation was not significantly affected by seasonal or cyclical factors.

4. Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size, or incidence.

5. Changes in estimates

There was no significant change in estimates of amounts reported in prior interim periods that have a material effect in the current interim period.

6. Issuance and repayment of debt and equity securities

During the third quarter of 2005, there was a conversion of 2,000 ordinary shares from irredeemable convertible unsecured loan stock 2002/2012 and a placement of 22,000,000 new ordinary shares at a subscription price of RM1.865 per new ordinary shares of RM0.50 each to Bumiputra company to partially comply with the Bumiputra equity condition imposed by the Foreign Investment Committee (FIC) and Ministry of International Trade and Industry (MITI). There is also no subscription of new ordinary shares in the third quarter pursuant to the Employee Share Option Scheme ("ESOS").

During the third quarter of 2005, the company issued commercial papers ("CP") valued at RM20.0 million and made repayment of RM50.0 million.

Apart from the above, there were no other issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter and financial year-to-date.

7. Dividend

The company has made payments of final dividend in respect of financial year ended 31 December 2004 of RM 3,726,460.69 (3% less 28% income tax) on 29 July 2005 and an interim dividend of RM 3,964,082.85 (3% less 28% income tax) for the financial year ending 31 December 2005 on 28 October 2005.

No further dividend was declared and approved by the board of directors.

8. Segment information

	Revenue		Profit/ (Loss) Before Tax	
	Period Ended 30th September		Period Ended 30th September	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Oil and Gas	710,510	338,516	89,633	38,018
Infrastructure	97,583	99,505	3,189	3,493
Industrial Engineering	48,050	38,484	6,403	5,842
Building Materials	253,197	204,475	2,801	3,101
Others	52,204	33,730	(8,713)	(5,996)
	1,161,544	714,710	93,313	44,458
Inter-segment	(313,248)	(144,719)	-	-
	848,296	569,991	93,313	44,458

9. Unquoted investment and properties

Other than in Note 11 and the following there were no other acquisition and disposal of unquoted investment and / or properties by the Group during the current quarter.

	RM'000
Land & Building Acquired	
- In Malaysia	2,625
- In China	NIL

10. Event subsequent to the balance sheet date

Saved as disclosed below, there were no material subsequent event since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report:-

- (i) On 3 October 2005, the board of directors announced that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd had acquired:
 - a) 35,000 ordinary shares of RM1.00 each in Simfoni Temasek Sdn Bhd from Wah Seong International Pte Limited; and
 - b) 11,000 ordinary shares of RM1.00 each in Simfoni Temasek Sdn Bhd from En Mohammed Nadim Khan bin Mohd Aslam Khan

at par for a total consideration of RM46,000.00 only.
- (ii) On 5 October 2005, the Board of Directors of the company had entered into a Shares Sale Agreement with Teh Kian Chong, Foong Peng Foo and Yap Chin Gak ("The Vendors collectively hold 1,425,000 ordinary shares in Phoenix Blower Engineering (M) Sdn Bhd) to acquire 1,245,000 ordinary shares of RM1.00 each representing 83% equity interest in Phoenix Blower Engineering (M) Sdn Bhd for a cash consideration of RM 3,054,400.00.
- (iii) On 11 October 2005, the company announced the placement of remaining 12,500,000 new ordinary shares of RM0.50 each in Wah Seong Corporation Berhad representing approximately 3.62% of the total issued and paid-up share capital as at 30 June 2005, to other identified bumiputra placees at the offer price of RM1.92 per share. These new ordinary shares were granted listing and quotation on Bursa Malaysia effective on 15th October 2005.
- (iv) On 19 October 2005, the company via its sub-subsiary PPSCHK (HK) Limited ("PPSCHK") had completed its purchase of 177,561 Kanssen shares from Investright, representing 6.34% equity interest in Kanssen pursuant to Investright's Second Put Option Notice to PPSCHK on 17 October 2005 in respect of the Put/Call Option Deed dated 16 June 2005, for a purchase consideration of HKD 26,606,469.77 (equivalent to RM12,616,787.96 based on the exchange rate of HKD1.00 to RM0.4742)

- (v) On 28 October 2005, its wholly owned subsidiary Total Oil Technologies Sdn Bhd (“TOT”) had entered into a Novation Agreement with Sequ Ventures Sdn Bhd (SEQUV), Sequ Holdings Sdn Bhd (SEQUH) and En Johanuddin Bin Johari to novate En Johanuddin of all his rights, obligations, interest and title in and to the purchase of 248,500 ordinary shares of RM1.00 each in Sequ Inspection Sdn Bhd under a Share Sale Agreement (“SSA”) dated 22 September 2005 between SEQUV and SEQUH as vendors and En Johanuddin as the purchaser. (The purchase of the Sale Shares under the SSA and the novation of the same by En Johanuddin to TOT shall hereinafter be referred to as “the Acquisition”)

11. Changes in the composition of the Group

The changes in the composition of the Group during the third quarter are as follows: -

- (a) On 1 July 2005, the company announced that its sub-subsiary company, WS International Ventures (BVI) Inc had *inter-alia* :-
- (i) On 30 June 2005 entered into a Share Purchase Agreement with WEUS Holding Inc and Whetherford Artificial Lift Systems Inc, for the purchase of Gas Services International Ltd (BVI), PT Gas Services Indonesia and Gas Services International (Aust) Pty Limited for the total consideration of USD10.0 million (equivalent to RM38.0 million).
 - (ii) On 1 July 2005 entered into a Share Purchase Agreement with R.Sudarshini for the purchase of Excel Tradition Limited which is the holding company of Gas Services International (S) Pte Ltd for a total cash consideration of USD506,579 (equivalent to RM 1,925,000.20)
- (b) On 11 July 2005, the company had made announcement that its sub-subsiary company, Wah Seong International Pte Limited (“WSIPL”) had on 11 July 2005, entered into a Joint Venture Agreement with Prime Wealth Resources Limited (“PWRL”) to *inter-alia*, invest /subscribe in a company in Hong Kong known as “WSM Oil & Gas Services Limited” for purposes of a joint venture on an 80% (WSIPL): 20% (PWRL) basis for a cash consideration of HK\$8.00 (equivalent to RM3.91 based on the exchange rate of HK\$1.00 to RM0.4889) only.
- (c) On 15 July 2005, the company had made announcement that its wholly owned sub-subsiary company, Wah Seong International Pte Limited has on 15 July 2005 completed the acquisition of 7,000 ordinary shares of Australian Dollars One (A\$1.00) each representing 70% equity interest in Delco Australia Pty Ltd at consideration of A\$5,600,000.00 (equivalent to RM16,604,000.00 based on the exchange rate of A\$1.00 to RM2.965).
- (d) On 25 July 2005, the company had made announcement that its wholly owned subsidiary, Jutasama Sdn Bhd had entered into a Sale of Business Agreement (“SBA”) with Mr.Peter Robert Vince, the Administrator of Mackenzie Hydrocarbons Pty Ltd (“Vendor”), to *inter-alia*:-
- (i) acquire the Vendor’s business of providing engineering consultancy and fabrication services based in Melbourne, Australia and generally, to take over certain assets including goodwill of the business, stock, contracts, work in progress and plant and equipment in their current condition for an initial cash consideration of A\$170,000 (equivalent to RM491,300 based on exchange rate of A\$1.00 to RM2.89) which shall be finally determined after adjusting for any Work-In-Progress value at completion date and
 - ii) incorporate a wholly owned subsidiary in Melbourne, Australia known as “Mackenzie Hydrocarbons (Australia) Pty Ltd for the purposes of effecting the transactions as contemplated in the SBA.
- (e) On 30 September 2005, the company has acquired the entire issued and paid-up share capital of HKD 10.00 in WSN Investment Limited, a company incorporated in Hong Kong for a purchase consideration of HKD 10.00 only (equivalent to RM4.98 based on the exchange rate of HKD1.00 to RM0.498) and on the same date, the company has entered into a Sale of Business Agreement

with LTT Hydraulic Nigeria Limited (“The Vendor”), to acquire the vendor’s business of providing all kinds of engineering consultancy, products and services related to the oil and gas industry and generally, to take over certain assets including goodwill of the Business for a purchase consideration of USD 1,800,000.00 (equivalent to RM6,836,400 based on the exchange rate of USD1.00 to RM3.798).

- (f) On 30 August 2005, the company had made announcement that its wholly owned subsidiary, Jutasama Sdn Bhd has acquired the entire issued and paid-up share capital of RM2.00 in Meridien Reap Sdn Bhd for a purchase consideration of RM2.00 only .
- (g) On 2 September 2005, the company had made announcement that its sub-subsidiaries Wah Seong China Limited (“WSCL”) and Ashburn International Trade (Tianjin) Co Ltd (“Ashburn Tianjin”) had on 30 August 2005, establish a joint venture company known as Ashburn (Huanghua) Hardware Products Co.Ltd with Huanghua Jinhai Hardware Products Co.Ltd(“HJHP”) to *inter alia* jointly invest and operate the said joint venture company on 50% (HJHP), 25%(WSCL), 25%(Ashburn Tianjin) basis for a total consideration of USD 500,000.00 (equivalent to RM 1,901,000.00 based on the exchange rate of USD1.00 to RM3.802) only.
- (h) On 27 September 2005, the company had made announcement of a related party transaction in respect of issuance and allotment of additional shares of RM1.00 each in the following sub-subsidiaries :-
 - i) that Botco Sdn Bhd issued and allotted 10,000 ordinary shares of RM1.00 at a premium of RM1.55 each to Encik Mohd Azlan Bin Mohammed (“Encik Azlan”) for a total consideration of RM25,500.00; and
 - ii) that MPE Lindung Sdn Bhd issued and allotted 185,000 ordinary shares of RM1.00 each at par to Encik Azlan for a total consideration of RM185,000.00.

12. Capital commitment

	RM '000
Approved and contracted for	24,831
Approved but not contracted for	4,979

13. Operating Lease Commitments

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

	RM '000
Operating lease commitments	
Payable not later than one year	4,892
Payable later than one year and not later than five years	23,085
Payable later than five years	220
	28,197

The above is in respect of: -

- a) a land held under Lot H.S.(D) 3831, P.T. 1627 in the Mukim of Kuantan, Pahang with Lembaga Pelabuhan Kuantan. The lease of property expires on 28 February 2011.
- b) compressors held for generating rental revenue and it expires on 1st July 2008.

14. Related party transactions

There was no related party transactions during the quarter ended 30 September 2005 other than as mentioned in note 11(h).

Other information required by Bursa Malaysia Listing Requirement

15. Review of performance of the Company and its principal subsidiary companies for the current quarter and 9 months financial period-to-date

The group achieved revenue of RM396.47 million for the current quarter as compared to RM186.87 million registered in the corresponding quarter in year 2004. For the 9 months financial period ended 30 September 2005, group revenue was RM848.30 million as compared to RM569.99 million achieved in the corresponding 9 months period in 2004.

The increase in revenue in the third quarter and 9 months financial period ended 30 September 2005 as compared to the corresponding quarter and the first nine months in the preceding year was due mainly to higher revenue registered by Oil & Gas, Industrial Engineering and Building Materials Divisions.

The pre-tax profit for the current quarter ended 30 September 2005 was registered at RM 28.51 million compared to RM7.92 million registered in the corresponding quarter in year 2004. The substantial 260 % increase in third quarter 2005 pre-tax profit over the corresponding quarter in 2004 is attributable to higher contribution by the Oil and Gas Division of RM26.73 million due to profit contribution from the TTPP project as well as from the newly acquired subsidiaries. Infrastructure Division also achieved higher pre-tax profit for the current quarter as compared to last year corresponding quarter.

For the 9 months ended 30 September 2005, the company registered more than double pre-tax profit of RM93.32 million as compared to RM44.46 million recorded in the same period of last year. Excluding the exceptional gains totaling RM24.30 million reported in the 2nd quarter 2005 arising from the divestment of equity interest in a sub-subsidiary and share of gain from disposal of plant and machinery by an associate company, the improvement in the pre-tax profit is attributable mainly to higher contribution by Oil & Gas Pipe Coating Division of RM15.37 mil and Oil & Gas Non Pipe Coating Division of RM11.95 mil. This increase in pre tax profit was generated from the progress of the PTT Third Transmission Pipeline Project (TTPP) and the operating results of the newly acquired subsidiaries, namely, Kanssen Group, GSI Group, Delco Australia, Driltools International FZCO and Drilbits International.

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

The group recorded a revenue and pre-tax profit of RM396.47 million and RM28.51 million respectively in the third quarter in 2005. The 53% increase in revenue compared to the second quarter 2005, is due to higher productivity and billings on the PTT Third Transmission Pipeline Project (“TTPP”) in the Oil & Gas Division, and more than three-fold increase in revenue from Oil & Gas – Non Pipe Coating Division, generated by the newly acquired subsidiaries stated above.

On the pre-tax profit and net profit (excluding the exceptional gains), the current quarter registered an increase of 16% and 30% respectively over the preceding 2nd Quarter 2005 contributed mainly from improved earnings from the Oil & Gas and Infrastructure Divisions.

17. Current period prospect

The substantial improvement in revenue and profit contributions from the subsidiaries newly acquired in June and July 2005 are already reflected in the 3rd Quarter 2005 financial results.

The positive outlook for the Oil & Gas industry globally as well as the improving trend registered in the third quarter 2005 is expected to continue favourably until the end of year 2005 and likely into year 2006.

The Industrial Engineering Division is expected to register improvement over the preceding year in view of the increase in order book especially from Asean and Middle East regions, in particular from the petrochemical and oleochemical sectors.

The Infrastructure Division is expected to improve due to the stronger order book on hand. The change in business focus with emphasis on the manufacturing of structural pipes is envisaged to further improve its profitability. However Building Material Division will continue to face a challenging period ahead due to substantial slowdown in the Malaysian construction industry.

18. Taxation

Taxation comprises the following:

	Current quarter ended RM '000	Current year to date RM '000
Income Tax:-		
- Company and subsidiary companies	4,833	13,590
- Associated companies	10	2,482
	<u>4,843</u>	<u>16,072</u>

The effective tax rate of the Group was lower than the statutory tax rate mainly due to the following:

	Current quarter ended RM '000	Current year to date RM '000
Profit before taxation	<u>28,512</u>	<u>93,313</u>
Tax at the average applicable tax rate - 28%	7,983	26,128
profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption	(3,534)	(7,239)
other income (net) - not taxable	394	(2,817)
	<u>(3,140)</u>	<u>(10,056)</u>
Effective tax expense	<u>4,843</u>	<u>16,072</u>

19. Valuation of Property, Plant and Equipment

There were no amendments to the valuation of property, plant and equipment during the current quarter.

20. Purchase or disposal of quoted securities

- (a) Total purchase and sales of quoted securities for the current quarter ended 30 September 2005 are as follows:-

	Current Quarter RM'000	Current Year To Date RM'000
Purchases	-	-
Disposal	-	-
Gain on Disposal	-	-
Loss on Disposal	-	-
Written Off	-	-

- (b) Investment in quoted securities as at 30 September 2005 are as follows:

	RM'000
At cost	2,672
At carrying value / book value	2,602
At market value	2,037

21. Profit forecast

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

22. Status of corporate proposals

Saved as disclosed below, there were no corporate proposals announced but not completed as at the date of this announcement:-

- (a) On 5 October 2005, the Board of Directors of the company had entered into a Shares Sale Agreement with Teh Kian Chong, Foong Peng Foo and Yap Chin Gak ("The Vendors collectively hold 1,425,000 ordinary shares in Phoenix Blower Engineering (M) Sdn Bhd) to acquire 1,245,000 ordinary shares of RM1.00 each representing 83% equity interest in Phoenix Blower Engineering (M) Sdn Bhd for a cash consideration of RM 3,054,400.00.
- (b) On 28 October 2005, its wholly owned subsidiary Total Oil Technologies Sdn Bhd ("TOT") had entered into a Novation Agreement with Sequ Ventures Sdn Bhd (SEQUV), Sequ Holdings Sdn Bhd (SEQUH) and En Johanuddin Bin Johari to novate En Johanuddin of all his rights, obligations, interest and title in and to the purchase of 248,500 ordinary shares of RM1.00 each in Sequ Inspection Sdn Bhd under a Share Sale Agreement ("SSA") dated 22 September 2005 between SEQUV and SEQUH as vendors and En Johanuddin as the purchaser. (The purchase of the Sale Shares under the SSA and the novation of the same by En Johanuddin to TOT shall hereinafter be referred to as "the Acquisition")

23. Group borrowings and debt securities

The Group borrowings are mainly denominated in Ringgit Malaysia.

Group Borrowings	Secured RM '000	Unsecured RM '000	Total RM '000
Short term borrowings			
Bank overdraft	13,370	226	13,596
Bankers' acceptance	51,925	80,072	131,997
Commercial Papers	-	-	-
Revolving Credit	6,989	108,384	115,373
Trust Receipt	2,016	3,965	5,981
Term loans	7,262	15,683	22,945
Hire purchase creditors	2,781	-	2,781
Sub-total	84,343	208,330	292,673
Long term borrowings			
Private Debt Securities	-	99,549	99,549
Term Loans	6,115	16,293	22,408
Hire purchase creditors	1,954	-	1,954
Sub-total	8,069	115,842	123,911
Total Borrowings	92,412	324,172	416,584

24. Off balance sheet financial instruments

Save as disclosed, the Group does not have any other financial instruments with off balance sheet risk as at 22 November 2005. The net unrecognized losses at 30 September 2005 on forward contracts for future sales and purchases amounted to RM 1,176,295.

The foreign currency exchange amount to be paid and contractual exchange rates of the Group's outstanding forward contracts are as follows:

	Foreign Currency	Amount to be paid / received (*) 000	Average in equivalent RM'000	Average contractual rates	Settlement within 1 year RM'000
Trade Receivables	USD	50,904	191,175	3.7807	192,453
	SGD	6,085	13,633	2.2237	13,531

(*) - in representative of foreign currency

25. Material litigation

Save as disclosed below, there were no material litigations pending since 10th August 2005 up to 22nd November 2005.

(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 RM580,100 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, Judgment in Default of Appearance was entered against the said Kingsar on 8 June 2001. Subsequently, the said Judgment in Default was set aside by the Court.

As the case will not be transferred to the Miri High Court, PPI's Solicitors have now proceeded for trial against Kingsar and the matter is currently fixed for case management by the Penang High Court on 16 January 2006.

(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") 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.

Fieldwork was wound-up on 9 July 2003 vide Kuala Lumpur High Court Companies Winding Up No. D1-28-1170-2002 and the Company's Solicitors have been instructed to commence the necessary legal action to wind-up Fieldwork's holding company, FW Industries Bhd as a Guarantor after demands for payment were ignored.

Meantime, PPI's Solicitors supported a Winding-Up Petition which was filed by another party against the Guarantor, vide Shah Alam High Court Companies Winding-Up No. MT1-28-207-2002 but the matter was withdrawn on 25 February 2004.

Meantime, PPI's Solicitors have served a Notice pursuant to section 218 of the Companies Act 1965 against the Guarantor and a Winding-Up Petition was filed against the Guarantor on 24 February 2004 vide Kuala Lumpur High Court Companies Winding-Up No. D8-28-110-2004. The matter is now fixed for hearing on 23 December 2005 due to the Malacca Extended S176 Order below.

PPI has been informed by its Solicitors that the Guarantor has filed an application pursuant to S176 of the Companies Act 1965 vide Malacca High Court Originating Summons No. 1-24-145-2004. A consent order was entered on 8 July 2004 and it was ordered *inter alia* that PPI be paid one half of the sum of RM1,289,277.00 (i.e. RM644,638.50) within 9 months. However, the consent order entered on 8 July 2004 which expired on 3 January 2005 was extended to 3 July 2005 pursuant to a consent order dated 5 April 2005 for a period of 180 days and the Guarantor has since filed for a further extension which matter has been fixed for hearing on 14 December 2005 (hereinafter the "Malacca Extended S176 Order").

PPI's Solicitors have filed a summons in chambers to vary the consent order dated 5 April 2005 due to the action of the Guarantor in the Kuala Lumpur High Court Companies Winding-Up No. D8-28-110-2004 in stating their intention to set aside the Unless Order dated 14 July 2004 [whereby it was ordered that unless the sum of RM644,638.50 is paid to PPI by 13 April 2005, then the court will most likely order the winding up of the Guarantor]. The said Summons in Chambers is also fixed for hearing on 14 December 2005. So far, PPI has received a payment of RM15,000.00 only until to date.

(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 ("the Writ") 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' are in the midst of serving the fresh Writ of Summons and Statement of Claim for filing against the First Defendant.

The Second Defendant has been adjudicated a bankrupt and PPI's Solicitors have filed the necessary Proof of Debts Form against the Second Defendant. Meantime, PPI's Solicitors are still trying to serve the Writ pending a search to be conducted on the Second Defendant's new address.

PPI's solicitors are in the midst of serving the Creditors' Petition against the Third Defendant and the court has fixed 23 November 2005 as the next hearing date.

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 ("CYCAL") as guarantor for CTA. On the advice of PPCP's solicitors, an application for final judgment 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-

- i. 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.
- ii. 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 save and except that Messrs PKF has completed its investigative audit on CYGAL's past losses for financial years ended 31 December 1998 to 31 December 2002 and the same has been submitted to the SC on 8 September 2003.

Presently, there are no further developments on Cygal Berhad's restructuring plans although SC has granted Cygal Berhad an extension until 31 December 2005 to implement the scheme of arrangements. This matter has now been adjourned by the Kuala Lumpur High Court to 10 January 2006 pending the outcome of the said restructuring scheme.

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.

Classic Landmark (M) Sdn Bhd has already been wound up. According to the PPCP's solicitors, Classic Landmark's counter claim against PPCP no longer subsists unless it is continued by their liquidator and that, PPCP should be able to obtain judgment against the remaining Defendants, i.e. Zap Piling (M) Sdn Bhd, Chor Chong Leen and Ng Kok Seng.

Ng Kok Seng has been declared a bankrupt and PPCP has received a copy of the sealed bankruptcy order from its solicitors in Singapore and PPCP intends to file its Proof of Debt against Ng Kok Seng in both Malaysia and Singapore.

Whereas, on 27 September 2004, the Kuala Lumpur High Court had dismissed the First and Third Defendant's application for Striking out of the Writ and Case Management of this suit and the matter was fixed for hearing on 25 April 2005 in respect of the parties' submissions on the memorandum of understanding. On 25 April 2005, the Court dismissed PPCP's claim against the First and Third Defendants with costs based on the Court's interpretation of Section 42 and Section 87 of the Contracts Act 1950.

PPCP is appealing against the Kuala Lumpur High Court's decision and had vide its solicitors, M/s Alex Chang & Co., filed a Notice of Appeal with the Court of Appeal, Putrajaya on 20 May 2005. The matter is still pending as PPCP's solicitors are now awaiting for the Notes of Proceedings and Grounds of Judgment from the Kuala Lumpur High Court to enable them the file the Record of Appeal, after which, a hearing date will then be given by the Court of Appeal.

26. Earnings per share (EPS)

Basic earnings per share

The basic earnings per share for the current quarter and current year to-date have been computed based on profit after taxation and minority interest of RM15.70 million and RM53.65 million respectively and the weighted average number of ordinary shares of RM0.50 each of 351,573,674 for the current quarter and current year to-date were calculated as follows:

Weighted average number of ordinary shares

	Current quarter	Current year to date
	Number of shares	Number of shares
Issued ordinary shares at beginning of the period	345,045,630	345,045,630
Effect of conversion of weighted average number of new ordinary shares and ICULS	<u>6,528,044</u>	<u>6,528,044</u>
Weighted average number of ordinary shares	<u><u>351,573,674</u></u>	<u><u>351,573,674</u></u>
	Current Quarter	Current year to date
EPS - Basic (Sen)	<u>4.5</u>	<u>15.3</u>

Diluted earnings per share

The diluted earnings per share for the current quarter and current year to date has been computed based on profit after taxation and minority interest of RM16.07 million and RM54.76 million respectively after adjusting for interest saving on ICULS and the weighted average number of ordinary shares of RM0.50 each of 488,994,509 for current quarter and current year to date.

The effect of the weighted average number of ESOS was not accounted for in the computation of weighted average number of ordinary shares below as the exercise price of ESOS is above the market price of ordinary shares.

Profit after taxation and minority interest (Diluted)		
	Current Quarter	Current Year To Date
	RM'000	RM'000
Profit after taxation and minority interest	15,698	53,646
After tax effect of notional interest on ICULS	374	1,110
	<hr/>	<hr/>
Profit after taxation and minority interest and adjustment for ICULS	16,072	54,756
Interest less 28% tax	<hr/> <hr/>	<hr/> <hr/>

Weighted average number of ordinary shares (diluted)

	Current quarter	Current Year To Date
	Number of shares	Number of shares
Issued ordinary shares at the beginning of the period	345,045,630	345,045,630
Effect of conversion of weighted average number of ICULS	137,421,406	137,421,406
Effect of private placement of shares	<hr/> 6,527,473	<hr/> 6,527,473
Weighted average number of ordinary shares	<hr/> <hr/> 488,994,509	<hr/> <hr/> 488,994,509
	 Current Quarter	 Current Year To Date
EPS - Diluted (Sen)	<hr/> 3.3	<hr/> 11.2

27. Contingent Liabilities

There were no contingent liabilities arising since 30 September 2005.

By Order of the Board

Lam Voon Kean
Company Secretary

Penang
29th November 2005