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

**Quarterly Report on Consolidated Results for the First Quarter ended 31st March 2006**.

These figures have not been audited.

**NOTES TO INTERIM FINANCIAL REPORT**

**1. Accounting policies**

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 Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005. 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 year ended 31 December 2005

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new or revised Financial Reporting Standards ("FRS") effective for financial period beginning 1 January 2006:

FRS 1 First Time Adoption
FRS 2 Share-based Payment
FRS 3 Business Combinations
FRS 5 Non-current Assets Held for Sale and Discontinued Operations
FRS 101 Presentation of Financial Statements
FRS 102 Inventories
FRS 108 Accounting Policies, Changes in Estimates and Errors
FRS 110 Events after the Balance Sheet Date
FRS 116 Property, Plant and Equipment
FRS 121 The Effects of Changes in Foreign Exchange Rates
FRS 127 Consolidated and Separate Financial Statements
FRS 128 Investment in Associates
FRS 131 Interests in Joint Ventures
FRS 132 Financial Instruments: Disclosure and Presentation
FRS 133 Earnings per share
FRS 136 Impairment of Assets
FRS 138 Intangible Assets
FRS 140 Investment Property

The adoption of FRS 102, 108, 110, 116, 127, 128, 131, 132 and 133 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the other new or revised FRSs are discussed below:

**(a) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

The new FRS 3 has resulted in consequential amendments to two other accounting standards, FRS 136 and FRS138.

The adoption of these FRSs has resulted in the Group ceasing annual goodwill amortization. This is consistent to the Group accounting policy as of 31 December 2005 where goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognized in profit or loss and subsequent reversal is not allowed. The carrying amount of goodwill as at 1 January 2006 was RM152,827,000 and there is a partial impairment of RM12,294,000 against it which has been reflected in the current quarter ended 31 March 2006.

Under FRS 3, any excess of the Group's interest in the fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost of acquisitions (previously referred to as "negative goodwill"), after reassessment, is now recognized immediately in profit or loss. This is also consistent with the Group accounting policy as of 31 December 2005 where the company had credited the negative goodwill to the income statement in the period it arises.

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 January 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortization and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortized but instead, are tested for impairment annually. Intangible assets of the Group with finite useful lives continue to be stated at cost less accumulated amortization and impairment losses.

**(b) FRS 5: Non-Current Assets Held for Sale and Discontinued Operations**

During the period ended 31 March 2006, no component of the Group was discontinued.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather through continuing use. The assets and liabilities of a discontinued operation (a disposal group that are classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of all the assets and liabilities in the disposal group is measured in accordance with applicable FRSs. Then, on initial classification as held for sale, the disposal group is recognized at the lower of carrying amount and fair value less costs to sell.

In accordance with FRS 5, the following was reclassified to Non-current Assets Held for Sale:

i) a property (1 ½ storey Light Industrial Building) located in the state of Johor with a carrying value of RM68,400-00 has been reclassified as held for sale as has as at 31st March 2006. The said property forms part of the non-current asset owned by a subsidiary company in the Building Material division.

ii) investment in associated company, IST Building Sdn Bhd (40% equity interest) with a carrying value of RM280,675-00 was disposed by Building Material division to a related company on 2nd May 2006.

**(c) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

**(d) FRS 121: The Effects of Changes in Foreign Exchange Rates**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognized in profit or loss in the consolidated financial statements.

In addition, as of 1 January 2006, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are now treated as assets and liabilities of the foreign operation and translated at the closing rate. In accordance with the transitional of FRS 121, this change is applied prospectively. Goodwill acquired in business combinations prior to 1 January 2006 and fair value adjustments arising on those acquisitions are deemed to be assets and liabilities of the parent company and were translated using the exchange rate at the date of acquisitions.

**(e) Comparatives**

The following comparative amounts have been restated due to the adoption of new and revised FRSs:

| | Previously Stated RM'000 | Restated RM'000 |
|---|---|---|
| **3 months ended 31 March 2005** | | |
| Share of loss of associate companies | 270 | 295 |
| Profit Before Tax | 15,944 | 15,919 |
| Income Tax Expense | 3,783 | 3,758 |

## 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 first quarter of 2006, there was a subscription of 10,000 new ordinary shares of RM0.50 each pursuant to the Employee Share Option Scheme ("ESOS").

There was no issuance of commercial papers ("CP") during the first quarter of 2006.

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

There was no payment of dividend in the first quarter of 2006.

At the Board meeting held on 28 February 2006, the Board of Directors recommend a final dividend of 6% less 28% tax for the financial year ended 31 December 2005 to be approved by the shareholders at the forthcoming Annual General Meeting and to be payable on 28 July 2006.

## 8. Segment information

| | Revenue Period Ended 31st March | | Profit/ (Loss) Before Tax Period Ended 31st March | |
|---|---|---|---|---|
| | 2006 RM'000 | 2005 RM'000 | 2006 RM'000 | 2005 RM'000 |
| **Oil and Gas** | 396,904 | 138,580 | 29,951 | 16,396 |
| **Infrastructure** | 45,299 | 31,860 | 2,867 | 1,206 |
| **Agro-Based Engineering** | 14,476 | 8,039 | 1,865 | 418 |
| **Building Materials** | 88,367 | 70,278 | (344) | 647 |
| **Others** | 2,347 | 12,860 | (15,105) | (2,748) |
| | 547,393 | 261,617 | 19,234 | 15,919 |
| **Inter-segment elimination** | (118,537) | (69,450) | - | - |
| | 428,856 | 192,167 | 19,234 | 15,919 |

## 9. Unquoted investment and properties

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

## 10. Event subsequent to the balance sheet date

Save 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:-

a) On 25 April 2006, the company had made announcement that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd had entered into a Share Sale Agreement with En Johanuddin bin Johari to *inter alia,* acquire and further increase its equity stake in TOT Inspection Sdn Bhd (formerly known as Sequ Inspection Sdn Bhd) by 11% representing 39,050 ordinary shares of RM1.00 each for a total purchase consideration of RM 99,000.00 only.

b) On 28 April 2006, the company had made announcement that its 81.25% owned subsidiary company of PPSC Industrial Holdings Sdn Bhd, Kanssen (Yadong) Pipe Coating Services Limited had acquire the entire issued and paid up share capital of USD1.00 in Kanswin Limited (BVI Company No.1015613), a company incorporated in British Virgin Islands at a purchase consideration of USD1.00 (equivalent to RM3.63 based on the exchange rate of USD1.00 to RM3.63) only.

c) On 2 May 2006, the company had made announcement that its sub-subsidiary company, Syn Tai Hung Trading Sdn Bhd had entered into a Shares Sale Agreement with IGB Corporation Berhad to *inter alia,* dispose off its entire 40% (200,000 shares) equity stake in IST Building Products Sdn Bhd for a cash consideration of RM275,880.00 only. This disposal was completed on 19 May 2006.

d) On 10 May 2006, the company (WSC), had entered into a Joint Venture Agreement with Quantum Refinery Sdn Bhd ("QRSB") to *inter alia,* acquire and invest / subscribe in the equity of a company known as "Macro Jubli Sdn Bhd" for purposes of a joint venture on a 70% (WSC) : 30% (QRSB) basis.

e) On 18 May 2006, the company had entered into a Share Sale Agreement with En Azizul El Jeffry bin A.Aziz to *alia,* acquire and further increase its equity stake in TOT Inspection Services Sdn Bhd (formerly known as Sequ Inspection Sdn Bhd) by another 10% representing 35,500 ordinary shares of RM1.00 each for a total purchase consideration of RM 120,000.00 only.

## 11. Changes in the composition of the Group

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

(a) On 3 March 2006, the company had made announcement that its wholly owned subsidiary companies, Jutasama Sdn Bhd and Petro-Pipe Industries (M) Sdn Bhd have respectively incorporated their wholly-owned subsidiaries known as Jutasama International Limited and PPI International Limited in Hong Kong with each having an issued and paid up capital of HK$100.00 (equivalent to RM49.01 based on the exchange rate of RM2.04 to HK$1.00) only.

(b) On 10 March 2006, the company had made announcement that its wholly owned subsidiary company, Jutasama Sdn Bhd, had agreed to increased the paid up of Mackenzie Industries Sdn Bhd to RM1,000,000.00 via subscription of 599,998 ordinary shares of RM1.00 each representing 59.99% of the enlarge issued and paid up share capital. The balance 40% (400,000 shares) shall be subscribed by Tema Energy Ventures Sdn Bhd.

(c) On 31 March 2006, the company had made announcement that it has incorporated a wholly owned subsidiary known as WSC Technologies Pte Ltd in Singapore with an initial issued and paid up capital of S$2.00 (equivalent to RM4.5614 based on the exchange rate of RM1.00 to S$2.2807) only.

## 12. Capital commitment

| | RM '000 |
|---|---|
| Approved and contracted for | 15,146 |
| Approved but not contracted for | 27,416 |

## 13. Operating Lease Commitments

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

**Operating lease commitments**

| | RM '000 |
|---|---|
| Payable not later than one year | 8,380 |
| Payable later than one year and not later than five years | 22,590 |
| Payable later than five years | - |
| | 30,970 |

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 31 March 2006 other than as mentioned in note 10(c), 10(e) and 11(b).

**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 financial year ended 31 December 2005**

The group achieved revenue of RM428.86 million for the first quarter year 2006 as compared to RM192.17 million registered in the corresponding quarter in 2005.

This increase in revenue compared to the corresponding quarter in 2005 was due mainly to higher revenue achieved by all four divisions of the group with Oil & Gas Division itself registering the highest increase of RM195.30 million or 222%. The increase in revenue of the Oil & Gas Division was attributed mainly to substantial increase from the pipe coating subsidiaries as well as contribution from the newly acquired subsidiaries in compression services, pipeline construction and marketing and distribution of oil & gas product and services.

The group achieved a pre-tax profit of RM19.23 million for the first quarter year 2006 as compared to RM15.92 million registered in the corresponding quarter of 2005. The Oil & Gas Division continues to be the major contributor by registering an increase of RM13.56 million over the corresponding period in 2005. Within this division, the pipe coating subsidiaries accounted for approximately 72% of this increase. In arriving at the group's pretax profit, provision for impairment of goodwill of RM12.29 million was made in compliance of the new accounting treatment on goodwill in tandem with the introduction of Financial Reporting Standard which is operative from 1$^{st}$ January 2006. In summary, the increase of pretax profit over the corresponding period in 2005 would have registered an increase of RM15.61 million *or* approximately 98% if the provision for impairment of goodwill was excluded.

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

Compared to fourth quarter in 2005, the group registered a revenue and pre-tax profit of RM428.86 million and RM19.23 million respectively. Comparatively, this represents a decline in revenue of 2.8% but a healthy increase in pretax profit of 132%. The decrease was due to the comparatively lower revenue registered by pipeline construction and products & services businesses in the Oil & Gas Division and Building Materials Division. However, the improvement in pretax profit was contributed by the pipe coating, corrosion protection and product & services in the Oil & Gas Division as well as the Agro-based engineering Division.

**17. Current period prospect**

Investment in oil & gas infrastructure is expected to remain buoyant in the next few years. In this context, the Group expects the business outlook in the coming quarters to be positive, with sustainable contributions for all oil & gas units.

Similarly, the non-oil & gas units, particularly the agro-based and infrastructure operations are expected to perform favorably due to improved domestic market conditions as well as increase in infrastructure investments in the ASEAN region and Australia. However, the building materials business will continue to face a challenging and competitive operating environment and we will therefore continue to remain cautious and focus on improving margins and profitability.

## 18. Taxation

Taxation comprises the following:

| | Current quarter ended RM '000 | Current year to date RM '000 |
|---|---|---|
| Current Tax:- | | |
| - Malaysia Income Tax | 7,561 | 7,561 |
| - Foreign Tax | 237 | 237 |
| | 7,798 | 7,798 |

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

| | Current quarter ended RM '000 | Current year to date RM '000 |
|---|---|---|
| Profit before taxation | 19,234 | 19,234 |
| Tax at the average applicable tax rate - 28% | 5,386 | 5,386 |
| profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption | (2,185) | (2,185) |
| other expenses (net) - not allowable | 4,597 | 4,597 |
| | 2,412 | 2,412 |
| Effective tax expense | 7,798 | 7,798 |

## 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 31 March 2006 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 31 March 2006 are as follows:

| | RM'000 |
|---|---|
| At cost | 2,672 |
| At carrying value / book value | 2,339 |
| At market value | 2,048 |

## 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 24 November 2005, the company had announced that its wholly-owned subsidiary, WSN Investments Limited 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 ("the Business") and generally to take over certain assets including goodwill of the Business, stock, contracts, work in progress and equipment in their condition for a purchase consideration of USD 1,800,000 only (equivalent to RM6,836,400 based on the exchange rate of USD1.00 to RM3.798).

(b) On 25 April 2006, the company had made announcement that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd had entered into a Share Sale Agreement with En Johanuddin bin Johari to *inter alia*, acquire and further increase its equity stake in TOT Inspection Sdn Bhd (formerly known as Sequ Inspection Sdn Bhd) by 11% representing 39,050 ordinary shares of RM1.00 each for a total purchase consideration of RM 99,000.00 only.

(c) On 18 May 2006, the company had entered into a Share Sale Agreement with En Azizul El Jeffry bin A.Aziz to *alia*, acquire and further increase its equity stake in TOT Inspection Services Sdn Bhd (formerly known as Sequ Inspection Sdn Bhd) by another 10% representing 35,500 ordinary shares of RM1.00 each for a total purchase consideration of RM 120,000.00 only.

## 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 | 13,231 | 214 | 13,445 |
| Bankers' acceptance | 24,234 | 103,687 | 127,921 |
| Commercial Papers | - | - | - |
| Revolving Credit | 8,557 | 91,139 | 99,696 |
| Trust Receipt | 453 | - | 453 |
| Term loans | 7,950 | 14,990 | 22,940 |
| Hire purchase creditors | 1,341 | - | 1,341 |
| **Sub-total** | **55,766** | **210,030** | **265,796** |
| **Long term borrowings** | | | |
| Private Debt Securities | - | 99,666 | 99,666 |
| Term Loans | - | 14,060 | 14,060 |
| Hire purchase creditors | 781 | - | 781 |
| **Sub-total** | **781** | **113,726** | **114,507** |
| **Total Borrowings** | **56,547** | **323,756** | **380,303** |

## 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 May 2006. The net unrecognized profit at 31 March 2006 on forward contracts for future sales and purchases amounted to RM 2,896,916.

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 | 28,870 | 107,612 | 3.6523 | 105,442 |
| | SGD | 23,022 | 52,583 | 2.2502 | 51,805 |
| Trade Payables | JPY | 139,800 | 4,506 | 0.0319 | 4,455 |

(*) - in representive of foreign currency

**25. Material litigation**

Save as disclosed below, there were no material litigations pending since 21 February 2006 up to 22 May 2006.

(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.

PPI's Solicitors had proceeded for trial against Kingsar and the matter was fixed for case management by the Penang High Court on 16 January 2006. However, PPI's Solicitors wrote to inform that Kingsar had been wound up by the Miri High Court on 11 January 2006 and PPI had proceeded to file its Proof of Debt against Kingsar with the Pengarah Insolvensi accordingly.

Meantime, on 19 May 2006, PPI was informed by their Solicitors that Kingsar had applied for a stay of the Winding-Up Order dated 11 January 2006 and the matter is now fixed for the 22 June 2006 before the Miri High Court.

(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.

PPI was informed by its Solicitors that the Guarantor had 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 which ordered the Guarantor to pay one half of the sum of RM1,289,277.00 (i.e. RM644,638.50) to PPI within 9 months. However, the Guarantor failed to comply with the consent order.

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 Guarantor was wound up by the Court on 6 January 2006 and Mr SF Wong had been appointed the Liquidator. The Guarantor has now appealed to the Court of Appeal against the above decision.

(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.

PPI's solicitors have obtained Order in Terms for the Creditors' Petition against the Third Defendant whereby, the Third Defendant has now been adjudged a bankrupt and PPI's solicitors shall proceed to file the Proof of Debt with the Pengarah Insolvensi accordingly.

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.

On 26 January 2006, PPCP had submitted its Undertaking Letter and Directors' Circular Resolution to accept Cygal's Debt Restructuring Scheme pursuant to Section 176 of the Companies Act, 1965 for the issuance of 806,032 ICULS of nominal value RM1.00 each as full and final settlement of the amount of RM806,031.70 owed to PPCP ("the Scheme Debt"). Barring any unforeseen circumstances, PPCP expects the Scheme to be implemented and completed by the third quarter of 2006 as the Securities Commission has approved a final extension of time to 31 August 2006 for Cygal to implement the corporate restructuring exercises.

Meantime, this matter has now been adjourned and fixed for mention by the Kuala Lumpur High Court to 5 April 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 now pending as PPCP's solicitors are still 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 attributable to shareholders of the company of RM3.17 million and RM3.17 million respectively and the weighted average number of ordinary shares of RM0.50 each of 379,554,297 for the current quarter and current year to-date were calculated as follows:

**Weighted average number of ordinary shares**

| | Current quarter Number of shares | Current year to date Number of shares |
|---|---|---|
| Issued ordinary shares at beginning of the period | 379,549,630 | 379,549,630 |
| Effect of subscription of new ordinary shares pursuant to ESOS | 4,667 | 4,667 |
| Weighted average number of ordinary shares | 379,554,297 | 379,554,297 |

| | Current Quarter | Current year to date |
|---|---|---|
| EPS - Basic (Sen) | 0.8 | 0.8 |

**Diluted earnings per share**

The diluted earnings per share for the current quarter and current year to date has been computed based on profit attributable to shareholders of the company of RM3.53 million and RM3.53 million respectively after adjusting for interest saving on ICULS and the weighted average number of ordinary shares of RM0.50 each of 546,100,953 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 RM'000 | Current Year To Date RM'000 |
|---|---|---|
| Profit after taxation and minority interest | 3,168 | 3,168 |
| After tax effect of notional interest on ICULS | 365 | 365 |
| Profit after taxation and minority interest and adjustment for ICULS Interest less 28% tax | 3,533 | 3,533 |

**Weighted average number of ordinary shares (diluted)**

| | Current quarter Number of shares | Current Year To Date Number of shares |
|---|---|---|
| Issued ordinary shares at the beginning of the period | 379,549,630 | 379,549,630 |
| Weighted average number of ordinary shares converted from ESOS | 4,667 | 4,667 |
| Effect of assume conversion to ordinary shares from ICULS | 137,417,856 | 137,417,856 |
| Effect of assume conversion to ordinary shares from ESOS | 29,128,800 | 29,128,800 |
| Weighted average number of ordinary shares | 546,100,953 | 546,100,953 |

| | Current Quarter | Current Year To Date |
|---|---|---|
| EPS - Diluted (Sen) | 0.6 | 0.6 |

## 27. Contingent Liabilities

There were no contingent liabilities arising since 31 March 2006.

**By Order of the Board**

**Lam Voon Kean**
**Company Secretary**

**Penang**
**29th May 2006**