

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

Quarterly Report on Consolidated Results for the Third Quarter ended 30th September 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. In the current quarter ended 30 September 2006, no further impairment loss of goodwill (Year to date : RM 13,929,000) was recognized in the Income Statement.

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 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 30 September 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 of 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.

(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 30 September 2005		
Share of profit of associate companies	(147)	(157)
Profit Before Tax	28,512	28,502
Income Tax Expense	4,843	4,833
9 months ended 30 September 2005		
Share of profit of associate companies	16,994	14,512
Profit Before Tax	93,313	90,831
Income Tax Expense	16,072	13,590

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 2006, a total of 1,830,900 (Year to-date: 15,922,540) ordinary shares of RM0.50 each were issued pursuant to conversion of 233,000 (Year to-date: 4,648,070) ICULS and subscription of 1,364,900 new ordinary shares (Year to-date: 6,626,400) pursuant to the Employee Share Option Scheme ("ESOS").

There was no issuance of commercial papers ("CP") during the third quarter and year to date ended 30 September 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

The company has made payments of final dividend in respect of financial year ended 31 December 2005 of RM 8,502,629.03 (6% less 28% income tax) on 28 July 2006 and an interim dividend of RM 4,271,069.92 (3% less 28% income tax) for the financial year ending 31 December 2006 on 10 October 2006.

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

8. Segment information

	Revenue		Profit Before Tax	
	Period Ended 30th September 2006	2005	Period Ended 30th September 2006	2005
	RM'000	RM'000	RM'000	RM'000
Oil and Gas	858,385	749,939	60,605	91,123
Infrastructure / Building Materials	443,374	350,780	(3,398)	5,991
Agro-Based Engineering	43,056	29,700	5,933	2,431
Others	52,065	52,203	(23,987)	(8,714)
	<u>1,396,880</u>	<u>1,182,622</u>	<u>39,153</u>	<u>90,831</u>
Inter-segment elimination	(238,339)	(334,326)	-	-
	<u>1,158,541</u>	<u>848,296</u>	<u>39,153</u>	<u>90,831</u>

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 1 November 2006, the company had made announcement that its wholly owned sub-subsidiary, Petro-Pipe Concrete Piles Sdn Bhd (“PPCP”) had entered into a conditional Agreement for sale of assets (“ASA”) with Concrete Engineering Products Berhad (“CEPCO”) to dispose PPCP’s factory land and building located at Lot No. 7106, Kawasan Perindustrian Nilai, 71800 Nilai, Negeri Sembilan and measuring approximately 27,143 squares metres together with all related machineries and equipment as stated in the ASA for a total sale consideration of RM 9,000,000 only on “as is, where is” basis.

11. Changes in the composition of the Group

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

(a) Acquisition of new subsidiary companies

- (i) On 20 July 2006, the company had made announcement that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd (“TOT”) had entered into a Joint Venture Agreement with En Mohammed Haris Bin Abd Ghafar, Mr. Lim Chin and Mr. Bobby Sheng-Ming Chi (“the Vendors”) to invest and acquire in the equity of Pesanan Dynamik Sdn Bhd for purposes of a joint venture on a 51% (TOT): 49% (the vendors) basis for an aggregate cash consideration of RM 1,046,513.94 only. This acquisition has been completed on 18 August 2006
- (ii) On 2 August 2006, the company had made announcement that its wholly owned subsidiary company, Total Oil Technologies Sdn Bhd, has duly completed the acquisition of 39,050 ordinary shares of RM1.00 each representing an 11% equity stake in TOT Inspection Sdn Bhd (“TOTI”) for a total cash consideration of RM99,000 only.
- (iii) On 2 August 2006, the company had made announcement that its wholly owned subsidiary company, Total Oil Technologies Sdn Bhd, has duly completed the acquisition of 35,500 ordinary shares of RM1.00 each representing an 10% equity stake in TOTI for a total cash consideration of RM120,000 only. Upon completion, TOTI become a 70% owned subsidiary of TOT.

The acquired subsidiary companies have contributed the following results to the Group:-

	3 months ended 30.9.2006 RM'000	9 months ended 30.9.2006 RM'000
Revenue	4,193	4,193
Loss for the period	<u>(1,232)</u>	<u>(1,231)</u>

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Value Amount RM'000
Property, plant and equipment	3,934
Trade and other receivables	3,716
Cash and bank balances	1,567
Trade and other payables	<u>(8,666)</u>
Total net assets	551
Less: Minority interest	<u>(192)</u>
Group's share of net assets	359
Less: Share of net assets previously accounted for as associate	(756)
Less: Discount on acquisition	(46)
Add: Goodwill on acquisition	<u>1,752</u>
Purchase consideration	<u>1,309</u>

The cash inflow on acquisition is as follows:

	9 months ended 30.9.2006 RM'000
Purchase consideration satisfied by cash	1,309
Cash and cash equivalents of subsidiary acquired	<u>(1,567)</u>
Net cash inflow of the Group	<u>(258)</u>

- (b) On 1 September 2006, the company had made announcement that its wholly owned sub-subsi-dary company, Petro-Pipe Industries (M) Sdn Bhd had entered into a share sale agreement with Hicom Holdings Berhad (“HHB”) to *inter alia*, acquired the entire 1,030,050 ordinary shares of RM 1.00 each representing an 15% equity stake in Petro-Pipe-Daido (HK) Concrete Sdn Bhd from HHB for a total cash consideration of RM20,000 only. This acquisition has been completed on 8 September 2006.
- (c) On 18 September 2006, the company had made announcement that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd had disposed of 11,000 ordinary shares of RM1.00 each in Simfoni Temasek Sdn Bhd to En Mohammed Nadim Khan bin Mohd Aslam Kha for a total sale consideration of RM11,000.00 only. This disposal has been completed on 12 October 2006.

- (d) On 25 September 2006, the company had made announcement that the company had entered into a share sales agreement with Mr Giancarlo Maccagno to acquire 405,000 ordinary shares of RM1.00 each representing about 3% equity interest in PPSC Industrial Holdings Sdn Bhd for a total purchase consideration of RM13,918.850.00 only.

12. Capital commitment

	RM'000
Approved and contracted for	<u>10,864</u>
Approved but not contracted for	<u>25,456</u>

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	11,144
Payable later than one year and not later than five years	14,334
Payable later than five years	<u>1,058</u>
	<u>26,536</u>

The above is inclusive 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 2006 other than as mentioned in note 11 (b), 11 (c) and 11 (d) above.

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 ended 30 September 2006

The group achieved a revenue of RM370.1 million in the 3rd quarter 2006 compared with RM396.5 million in corresponding period in 2005. This 6.7% decrease is attributed mainly to lower revenue from the Pipe Coating compared to the corresponding period in 2005 when revenue was substantially higher due to the progress of the Thailand's Third Transmission Pipeline project then. Notwithstanding this decline, the E&P Services and EPC & Rental Services in the Oil & Gas Division recorded RM98.6 million and RM57.6 million respectively compared to RM 36.5 million and RM38.6 million respectively or 170% and 49% respectively over the corresponding period in 2005. The other divisions recorded a 25.9% increase in revenue compared to the corresponding period in 2005.

For the 9 months ended 30th September 2006, the group registered revenue of RM1,158.5 million representing an increase of 36.6% over the corresponding period in 2005 of RM848.3 million due to overall improvement by all divisions in the group. Oil & Gas Division's revenue accounted for RM688.1 million compared to RM502.7 million in 2005.

On the pre-tax profit for the 3rd quarter 2006, the group achieved RM14.0 million compared with RM28.5 million in the corresponding period in 2005. This lower pre-tax profit is mainly due to plant shut down to undertake plant upgrading of the concrete weight coating plant and the anti-corrosion plant for the handling of 18 metres pipe-length instead of the usual 12metres. The other impact was due to the losses from Pipeline Contracting. This decline was substantially arrested by the spectacular improvement in pre-tax profit from the EPC & Rental Services in the Oil & Gas Division which contributed RM14.1 million compared to RM7.2 million.

As for the pre-tax profit for the 9 months ended 30 September 2006, the group registered RM39.2 million compared with RM90.8 million in the corresponding period in 2005. The latter included net exceptional gains of RM24.5 million arising from disposal of investments and plant & equipment less impairment of goodwill. Apart from the lower results for the 3rd quarter 2006 as explained in the preceding paragraph, the lower pre-tax profit was due to impairment of assets and goodwill of RM13.3 million and RM16.1 million recognized in 1st and 2nd quarter 2006 respectively. If these impairment provisions and exceptional items were excluded for comparison purposes, the operational pre-tax profit for the period should have been RM68.6 million compared with RM66.3 million, representing an increase of 3.5%.

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

The group registered a pre-tax profit of RM14.0 million in the 3rd quarter compared with RM5.9 million in the preceding quarter in 2006.

However, as the pre-tax profit for 2nd quarter 2006 included the recognition of impairment of assets and goodwill of RM16.1 million, the results excluding such impairment would have shown a pre-tax profit of RM22.0 million. Compared with the 3rd quarter 2006, the latter would have shown a decline in pre-tax profit by RM8.0 million. This comparative decline in profit was caused by the losses in the Pipeline Contracting and lower revenue from the Pipe Coating due to plant shutdown for upgrading two coating plants in Kuantan in order to meet production schedule and specification from October 2006.

In spite of the above, a pre-tax profit of RM14.0 million was achieved due to spectacular performance from the EPC & Rental Services and E&P Services in the Oil & Gas Division which recorded a pre-tax profit of RM14.1 million and RM7.1 million respectively.

17. Current period prospect

Despite uncertainties in the trend of fossil fuel prices, heightened interest by oil & gas producing countries to accelerate investment in their infrastructure facilities especially in the Middle East and Indonesia, should enable the Oil & Gas Division to continue growth going forward.

Strong palm oil prices in the face of rising global demand and depleting inventories is expected to generate more business for spare parts and equipment produced or supplied by the Agro-based Engineering Division. The Building Materials Division and the Infrastructure Division can be expected to benefit from accelerated implementation of large infrastructure projects recently announced under the 9MP and the continuing growth in the region.

Overall the group is anticipated to perform operationally better for the year as a whole.

18. Taxation

Taxation comprises the following:

	Current quarter ended RM '000	Current year to date RM '000
Current Tax:-		
- Malaysia Income Tax	2,012	15,042
- Foreign Tax	914	3,295
	<u>2,926</u>	<u>18,337</u>

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	<u>13,993</u>	<u>39,153</u>
Tax at the average applicable tax rate - 28%	3,918	10,963
profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption	(4,448)	(11,432)
Unavailability of group relief on losses in subsidiaries for set-off	2,389	7,258
other expenses (net) - not allowable	1,067	11,548
	<u>(992)</u>	<u>7,374</u>
Effective tax expense	<u>2,926</u>	<u>18,337</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 2006 are as follows:-

	Current Quarter RM'000	Current Year To Date RM'000
Purchases	-	165
Disposal	-	(89)
Gain on Disposal	-	19
Loss on Disposal	-	(9)
Written Off	-	-

- (b) Investment in quoted securities as at 30 September 2006 are as follows:

	RM'000
At cost	2,758
At carrying value / book value	2,425
At market value	2,086

21. Profit forecast

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

22. Status of corporate proposals

Except for as disclosed in Note 10(a), there were no corporate proposals announced but not completed as at the date of this announcement.

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	2,291	4,229	6,520
Bankers' acceptance	-	136,232	136,232
Revolving Credit	13,258	9,597	22,855
Trust Receipt	4,206	-	4,206
Term loans	3,139	11,660	14,799
Hire purchase creditors	1,329	-	1,329
Sub-total	24,223	161,718	185,941
Long term borrowings			
Private Debt Securities	-	99,666	99,666
Term Loans	-	107,119	107,119
Hire purchase creditors	1,810	-	1,810
Sub-total	1,810	206,785	208,595
Total Borrowings	26,033	368,503	394,536

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 23 November 2006. The net unrecognized loss at 30 September 2006 on forward contracts for future sales and purchases amounted to RM 159,000.00 .

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	12,566	46,093	3.6860	46,316
	SGD	7,331	17,092	2.3218	17,022
Trade Payables	JPY	30,750	967	0.0313	961

(*) - in respective of foreign currency

25. Material litigation

Save as disclosed below, there were no material litigations pending since 21 August 2006 up to 23 November 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 awaiting for new court date to be fixed by 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 ("FWI") 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.

Meantime, PPI had counter proposed settlement on 3 August 2006 since one of FWI's director has made a proposal to settle the outstanding sum via new issuance of ordinary shares vide his letter dated 3 May 2006. PPI's Solicitors are in the process of preparing an application to compel FWI's production of its Statement of Affairs pursuant to Section 234 of the Companies Act, 1965.

(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 process of filing the Certificate of Non-Appearance and Affidavit against the First Defendant although Judgment has been obtained against the First Defendant on 23 March 2006.

The Second Defendant has been adjudicated a bankrupt and PPI's Solicitors have filed the necessary Proof of Debts Form against the Second Defendant. However, PPI's Solicitors are still in the midst of searching for the Second Defendant's new address in order to be served a copy.

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 have filed the Proof of Debts Form against the Third Defendant 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").

Cygal had on 3 November 2006, received Bursa Securities's approval for an extension of time to 31 December 2006 or such other extended timeframe as stipulated by the Securities Commission to implement the Corporate Exercises. In the event Cygal fails to implement the Corporate Exercises by 31 December 2006 or such other extended timeframe as stipulated by the Securities Commission, the securities of Cygal shall be removed from the Official List of Bursa Securities upon expiry of 7 market days from the date Cygal is notified of Bursa Securities' decision or such other date as may be specified by Bursa Securities.

Meantime, this matter has now been adjourned and fixed for mention by the Kuala Lumpur High Court to 29 November 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 to file the Record of Appeal, after which, a hearing date will then be given by the Court of Appeal.

Meantime, the Solicitors for the First Defendant has filed their Notice of Taxation for a sum of approximately RM303,928.50 as their costs. This Notice is now fixed for hearing on 13 December 2006 to determine the amount payable by PPCP in respect of Zap Piling's costs.

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 RM12.99 million and RM13.18 million respectively and the weighted average number of ordinary shares of RM0.50 each of 386,193,632 for the current quarter and current year to-date were calculated as follows:

	Current quarter	Current year to date
	Number of shares	Number of shares
Issued ordinary shares at beginning of the period	381,872,436	379,549,630
Effect of subscription of new ordinary shares pursuant to ESOS	1,468,346	3,063,317
Effect of subscription of new ordinary shares pursuant to ICULS	2,852,850	3,580,685
Weighted average number of ordinary shares	<u>386,193,632</u>	<u>386,193,632</u>
	Current Quarter	Current year to date
Earnings Per Share - Basic (Sen)	<u>3.4</u>	<u>3.4</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 RM13.29 million and RM14.22 million respectively after adjusting for interest saving on ICULS and the weighted average number of ordinary shares of RM0.50 each of 538,020,148 for current quarter and current year to date.

Profit after taxation and minority interest (Diluted)

	Current Quarter	Current Year To Date
	RM'000	RM'000
Profit after taxation and minority interest	12,985	13,184
After tax effect of notional interest on ICULS	309	1,037
Profit after taxation and minority interest and adjustment for ICULS	<u>13,294</u>	<u>14,221</u>
Interest less 28% tax	<u>13,294</u>	<u>14,221</u>

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	381,872,436	379,549,630
Effect of conversion of weighted average number of ICULS	130,974,566	131,702,401
Effect of conversion of weighted average number of ESOS	25,173,146	26,768,117
Weighted average number of ordinary shares	<u>538,020,148</u>	<u>538,020,148</u>
	Current Quarter	Current Year To Date
EPS - Diluted (Sen)	<u>2.5</u>	<u>2.6</u>

27. Contingent Liabilities

There were no contingent liabilities arising since the last annual balance sheet date.

By Order of the Board

Lam Voon Kean
Company Secretary

Penang
30th November 2006