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

Quarterly Report on Consolidated Results for the Fourth Quarter ended 31st December 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 31 December 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 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

In the year ended 31 December 2006, assets with the carrying amount of RM10,828,000 were classified as Non Current Asset Held For Sale.

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) FRS 140: Investment Property

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both. Properties that are occupied by the companies in the Group are accounted for as owner occupied rather than investment properties. Investment properties are stated at cost less accumulated depreciation and impairment loss.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoptions of FRS 140 these investment properties are now classified separately. Transfer between investment property and property, plant and equipment do not change the carrying value and the cost of the property transferred.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 140, with the comparatives restated to conform with the current period's presentation.

(f) Comparatives

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

	Previously Stated RM'000	**Restated RM'000**
<u>Consolidated Balance Sheet</u>		
As at 31 December 2005		
Property, Plant and Equipment	399,001	396,693
Investment Property	-	2,308
<u>Consolidated Income Statement</u>		
3 months ended 31 December 2005		
Share of profit of associate companies	(1,665)	(1,671)
Profit Before Tax	8,291	8,285
Income Tax Expense	(1,295)	(1,289)
12 months ended 31 December 2005		
Share of profit of associate companies	15,861	13,262
Share of profit of jointly controlled entities	59	49
Profit Before Tax	100,568	97,959
Income Tax Expense	(15,361)	(12,752)

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 fourth quarter of 2006, a total of 88,000 (Year to-date: 16,010,540) ordinary shares of RM0.50 each were issued consequence to the subscription of 88,000 new ordinary shares (Year to-date: 6,714,400) pursuant to the Employee Share Option Scheme ("ESOS") and no conversion of ICULS during the current quarter (Year to-date: 4,648,070).

During the fourth quarter of 2006, a total of 394,300 (Year to-date: 394,300) ordinary shares of RM0.50 each were bought back and retained as treasury shares.

There was no issuance of commercial papers ("CP") during the fourth quarter and year to date ended 31 December 2006.

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

7. Dividend

The company paid the first 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.

The Board of Directors recommend a final dividend of 7% less 28% income tax for the financial year ended 31 December 2006 to be approved by the shareholders at the forthcoming Annual General Meeting.

8. Segment information

	Revenue Year Ended 31st December		Profit Before Tax Year Ended 31st December	
	2006 **RM'000**	**2005** **RM'000**	**2006** **RM'000**	**2005** **RM'000**
Oil and Gas	1,358,009	1,149,230	90,259	113,141
Infrastructure / Building Materials	660,652	468,511	602	7,497
Agro-Based Engineering	52,414	40,121	7,389	3,427
Others	101,029	94,450	(25,319)	(26,106)
	2,172,104	1,752,312	72,931	97,959
Inter-segment elimination	(551,031)	(466,649)	-	-
	1,621,073	1,285,663	72,931	97,959

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 and year todate.

	Proceeds RM'000	Gain on Disposal RM'000
Disposal of Land & Buildings		
- In Malaysia	1,363	510

10. Event subsequent to the balance sheet date

There were no material subsequent events since the end of the current quarter until a date not earlier than 7 days from the date of issuance of this quarterly report.

11. Changes in the composition of the Group

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

(a) Acquisition of new subsidiary companies

(i) On 7 November 2006, the company had made announcement that it acquired the entire issued and paid-up share capital of RM2.00 (representing two (2) ordinary shares of RM1.00 each) in Juta Asli Sdn Bhd, for a purchase consideration of RM2.00 only.

(ii) On 28 November 2006, the company had made announcement that its wholly owned subsidiary, Wah Seong Industrial Holdings Sdn Bhd had invested in a wholly owned subsidiary known as Wasco (Australia) Pty Ltd in Australia for a cash consideration of A$2.00 (equivalent to RM5.732 based on exchange rate of A$1.00 to RM2.866) only.

(iii) On 18 December 2006, the company had made announcement that its wholly owned subsidiary, Wasco Energy Ltd had acquired two dormant companies i.e. Dragonsfield Investment Limited and Well Wind Holdings Limited, both of which are incorporated in Hong Kong for a cash consideration of HK$2.00 each (equivalent to RM0.92 based on the exchange rate of HK$1.00 to RM0.46).

(b) On 5 December 2006, the company had made announcement that it had incorporated a wholly owned subsidiary known as WASCO ENERGY LTD ("WASCOE") in Bermuda with an initial authorised and paid-up capital of US$12,000.00 divided into 12,000 ordinary shares of US$1.00 each (equivalent to RM43,632.00 based on the exchange rate of US$1.00 to RM3.636) only.

(c) On 14 December 2006, the company had made announcement that its wholly owned subsidiary, Juta Asli Sdn Bhd ("JASB") had issued and allotted 99,998 ordinary shares of RM1.00 each to:

i) the company for 39,998 ordinary shares representing 39.998% equity stake n JASB for a total consideration of RM39,998.00 only; and
ii) its director, Datuk Mohd Saufi bin Haji Abdullah for 60,000 ordinary shares representing 60% equity stake in JASB for a consideration of RM60,000.00 only.

Consequence to this allotment, JASB is now a 40% owned associated company of the company.

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

	Current quarter ended 31.12.2006 RM'000	**Year ended 31.12.2006 RM'000**
Revenue	9,498	13,691
Loss for the period	540	(691)

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

	Acquiree's Carrying Value Amount RM'000
Property, plant and equipment	4,435
Trade and other receivables	3,569
Cash and bank balances	1,627
Trade and other payables	(8,873)
Total net assets	758
Less: Minority interest	(192)
Group's share of net assets	566
Less: Share of net assets previously accounted for as associate	(756)
Less: Discount on acquisition	(46)
Add: Goodwill on acquisition	1,692
Purchase consideration	1,456

The cash inflow on acquisition is as follows:

	Year ended 31.12.2006 RM'000
Purchase consideraton satisfied by cash	1,456
Cash and cash equivalents of subsidiary acquired	(1,626)
Net cash inflow of the Group	(170)

12. Capital commitment

	Year Ended 31.12.2006 RM '000
Approved and contracted for	3,369
Approved but not contracted for	20,216

13. Operating Lease Commitments

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

Operating lease commitments	**Year Ended 31.12.2006 RM '000**
Payable not later than one year	16,103
Payable later than one year and not later than five years	10,432
Payable later than five years	968
	27,503

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 31 December 2006 other than as mentioned in note 11 (a) (iii) and 11 (c) 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 financial year ended 31 December 2006

The group achieved a revenue of RM462.5 million in the 4th quarter 2006 compared with RM441.2 million in corresponding period in 2005. This 4.8% increase is attributed mainly to higher revenue generated from EPC & Rental Services business unit in the Oil and Gas Division and Building Materials Division.

For the year ended 31 December 2006, the group registered revenue of RM1,621.1 million representing an increase of 26.1% over the corresponding period in 2005 of RM1,285.7 million due to overall improvement by most business units in the group. Oil & Gas Division's revenue accounted for RM1,016.6 million compared to RM819.1 million in 2005. The increase in revenue was achieved by the E&P Services and EPC & Rental Services business chalking up improvement of 79% and 178% respectively.

On the pre-tax profit for the 4th quarter 2006, the group achieved RM33.8 million compared with RM8.3 million in the corresponding period in 2005. This higher pre-tax profit is mainly due to substantial increase in contribution from Pipe Coating, E&P Services, EPC & Rental Services business units in the Oil and Gas Division. This was partially diluted by the losses suffered by Delco Australia in the Central Range Project. Notwithstanding this loss, the Oil and Gas Division recorded an increase in pre-tax profit of 44% over the corresponding period in the previous year. The Infrastructure / Building materials and Agro-Based Engineering also recorded improvement in the pre-tax profit compared to the corresponding period in 2005.

As for the pre-tax profit for the year ended 31 December 2006, the group registered RM72.9 million compared to RM98.0 million in the previous year ended 2005. The latter included net exceptional gains of RM13.7 million arising from disposal of investments and plant & equipment less impairment of goodwill. The lower pre-tax profit in 2006 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 for 2005 and 2006 were excluded for comparison purposes, the core pre-tax profit for the year should have been RM102.3 million compared with RM84.3 million, representing an increase of 21.4%. The improvement in the core pre-tax profit was attributable to excellent performance in the EPC & Rental services which registered an improvement of RM38.6 million or 206% over the preceding year. However, this improvement was partially diluted by the losses suffered by Delco Australia in the Central Range Project.

As for the other divisions, the Infrastructure and Agro-Based Engineering recorded improvement in the pre-tax profit of 113% and 115% respectively over the preceding year.

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

The group registered a revenue and pre-tax profit of RM462.5 million and RM33.8 million respectively in the 4th quarter compared with RM370.1 million and RM14.0 million respectively in the preceding quarter in 2006.

The increase in revenue and pre-tax profit was contributed by the Oil and Gas Division. The major contributors are the Pipe Coating and EPC & Rental Services business units in the Oil and Gas Division which recorded increases in pre-tax profit of RM21.0 million or 172% and RM7.1 million or 51% respectively. This improvement was partially diluted by the losses suffered by Delco Australia in the Central Range Project. The Environmental business unit is still under pre-operation stage and therefore yet to generate contribution.

17. Current period prospect

Strong global demand for energy and geopolitical tensions in major oil producing countries such as Iraq, Iran, Venezuela and Nigeria will sustain price and production of oil and gas.

Exploration and Production of oil and gas will remain active especially in Asia due to strong demand for commodities particularly by China and India. As such, this will lead to sustainable demand for oil and gas infrastructures and services to which WSC Group is well poised to benefit from.

The Infrastructure and Building Materials Division is expected to benefit from the implementation of new projects under the Ninth Malaysian Plan as well as in the recent relaxation in legislation on property ownership by foreigners. This is also due to the strengthening of the Malaysian Ringgit.

The Agro-Based Engineering Division is expected to reach greater heights with the increasing demand for palm oil products and services, particularly for its Biodiesel – an alternative energy source made from natural resources. The rise is also contributed by the increase of matured oil palm hectare in East Malaysia, Indonesia and Latin America.

18. Taxation

Taxation comprises the following:

	Current quarter ended 31.12.2006 RM '000	Year ended 31.12.2006 RM '000
Current Tax:-		
- Malaysia Income Tax	2,483	17,525
- Foreign Tax	856	4,151
	3,339	21,676

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

	Current quarter ended 31.12.2006 RM '000	Year ended 31.12.2006 RM '000
Profit before taxation	33,778	72,931
Tax at the average applicable tax rate - 28%	9,458	20,421
profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption	(5,938)	(17,370)
Unavailability of group relief on losses in subsidiaries for set-off	4,672	11,930
other expenses (net) - not allowable	(4,853)	6,695
	(6,119)	1,255
Effective tax expense	3,339	21,676

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 December 2006 are as follows:-

	Current quarter ended 31.12.2006 RM'000	Year ended 31.12.2006 RM'000
Purchases	-	165
Disposal	(618)	(706)
Gain on Disposal	248	268
Loss on Disposal	(239)	(248)
Written Off	-	-

(b) Investment in quoted securities as at 31 December 2006 are as follows:

	RM'000
At cost	2,171
At carrying value / book value	1,682
At market value	1,871

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) and the followings, there were no corporate proposals announced but not completed as at the date of this announcement:

(i) 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.

(ii) On 22 December 2006, on behalf of the company, CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) had made announcement that the company / the subsidiaries ("Vendors") had entered into the relevant sale and purchase agreements ("SPA") with the subsidiaries ("Purchasers") to implement the Proposed Internal Restructuring of WSC Group of Companies ("Proposed Internal Restructuring").

The Proposed Internal Restructuring entails the transfer by the Vendors of their equity interested in companies to the Purchasers as summarized in the announcement thereof. The Proposed Internal Restructuring is to streamline and realign the businesses of WSC group into two distinct business groups i.e. oil and gas services group and industrial services group. Such internal restructuring is expected to allow seamless synergy extraction and greater operational efficiency within the respective groups.

The Proposed Internal Restructuring is conditional upon approvals being obtained, where applicable, from the following:

(i) the SC;
(ii) Ministry of International Trade and Industry;
(iii) Foreign Investment Committee;
(iv) Bank Negara Malaysia; and
(v) Any other relevant parties and/or authorities.

Barring any unforeseen circumstances, the Proposed Internal Restructuring is expected to be completed by 2nd quarter of 2007.

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	5,436	2,118	7,554
Bankers' acceptance	-	138,500	138,500
Revolving Credit	12,715	12,698	25,413
Trust Receipt	4,273	12,928	17,201
Term loans	2,581	21,673	24,254
Hire purchase creditors	1,505	-	1,505
Sub-total	**26,510**	**187,917**	**214,427**
Long term borrowings			
Private Debt Securities	-	99,666	99,666
Term Loans	339	90,523	90,862
Hire purchase creditors	1,170	-	1,170
Sub-total	**1,509**	**190,189**	**191,698**
Total Borrowings	**28,019**	**378,106**	**406,125**

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 26 February 2007. The net unrecognized gain at 31 December 2006 on forward contracts for future sales and purchases amounted to RM272,000.

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	4,602	16,703	3.5311	16,251
	SGD	2,471	5,659	2.2967	5,676
Trade Payables	JPY	179,950	5,518	0.0298	5,357
	USD	250	885	3.5336	883

(*) - in respective of foreign currency

25. Material litigation

Save as disclosed below, there were no material litigations pending since 16 November 2006 up to 26 February 2007.

(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
<u>SUMMONS NO: MT1-22-454-2002</u>

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' have filed the Certificate of Non-Appearance and Affidavit against the First Defendant in support of the Judgment which 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
<u>WRIT NO.: D2-22-1419-98</u>

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.

On 28 December 2006, Cygal announced that it has applied to the Securities Commission for an extension of time until 30 June 2007 to implement the Corporate Exercises. As at to-date, there has been no further development on the status of its restructuring plans.

Meantime, this matter has now been adjourned and fixed for mention by the Kuala Lumpur High Court to 28 February 2007 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.

Meantime, the Solicitors for the First Defendant has filed their Notice of Taxation for a sum of approximately RM303,928.50 as their costs. The matter is still pending appeal before the Court of Appeal and the hearing date which was earlier fixed on 7 February 2007 has been adjourned due to a change of Registrars. The case is now pending a new date to fixed by the court.

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 RM24.4 million and RM37.5 million respectively and the weighted average number of ordinary shares of RM0.50 each of 388,538,535 for the current quarter and current year to-date were calculated as follows:

	Current quarter ended 31.12.2006 Number of shares	**Year ended 31.12.2006 Number of shares**
Issued ordinary shares at beginning of the period	386,193,632	379,549,630
Effect of subscription of new ordinary shares pursuant to ESOS	904,295	3,967,612
Effect of subscription of new ordinary shares pursuant to ICULS	1,440,608	5,021,293
Weighted average number of ordinary shares	388,538,535	388,538,535

	Current quarter ended 31.12.2006	**Year ended 31.12.2006**
EPS - Basic (Sen)	6.3	9.7

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 RM24.7 million and RM38.9 million respectively after adjusting for interest saving on ICULS and the weighted average number of ordinary shares of RM0.50 each of 517,679,822 for current quarter and current year to date.

Profit after taxation and minority interest (Diluted)

	Current Quarter ended 31.12.2006 RM'000	**Year ended 31.12.2006 RM'000**
Profit after taxation and minority interest	24,364	37,548
After tax effect of notional interest on ICULS	347	1,384
Profit after taxation and minority interest and adjustment for ICULS Interest less 28% tax	24,711	38,932

Weighted average number of ordinary shares (diluted)

	Current quarter ended 31.12.2006 Number of shares	Year ended 31.12.2006 Number of shares
Issued ordinary shares at the beginning of the period	386,193,632	379,549,630
Effect of conversion of weighted average number of ICULS	129,562,324	133,143,009
Effect of conversion of weighted average number of ESOS	1,923,866	4,987,183
Weighted average number of ordinary shares	517,679,822	517,679,822

	Current quarter ended 31.12.2006	Year ended 31.12.2006
EPS - Diluted (Sen)	4.8	7.5

27. Contingent Liabilities

Save for as disclosed below, there were no contingent liabilities arising since the last annual balance sheet date:

	RM'000
Performance guarantee given by subsidiary companies to customers / third parties	18,683

By Order of the Board

Lam Voon Kean
Company Secretary

Penang
26 February 2007