

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

**Quarterly Report on Consolidated Results for the Second Quarter ended 30<sup>th</sup> June 2007**

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 2006. 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 2006.

The accounting policies used in the preparation of interim financial statements are consistent with those previously adopted in the audited financial statements of the Group for the year ended 31 December 2006 save as disclosed below:

**Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised Financial Reporting Standards ("FRS") issued by The Malaysian Accounting Standard Board ("MASB") effective for the financial period beginning 1 January 2007:

FRS 117 Leases

FRS 124 Related Party Disclosures

The adoption of FRS 117 and 124 does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRS are as follows:-

FRS 117: Leases

The adoption of the revised FRS 117 has affected the presentation of leasehold land and prepaid lease rental. These assets are now required to be presented as prepaid lease payments as a separate line item under non current assets and are amortised on a straight line basis over the lease terms.

The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively, with the comparatives restated to conform with the current period's presentation.

**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 second quarter of 2007, a total of 14,818,668 (Period to-date: 26,016,826) ordinary shares of RM0.50 each were issued pursuant to conversion of 3,487,834 (Period to-date: 7,429,963) ICULS and subscription of 7,843,000 (Period to-date: 11,156,900) new ordinary shares pursuant to the Employee Share Option Scheme ("ESOS").

During the second quarter of 2007, a total of 186,500 (Period to-date: 951,000) ordinary shares of RM0.50 each were bought back and retained as treasury shares.

There were RM20,000,000.00 commercial papers ("CP") issued during the second quarter ended 30 June 2007 and the CP were fully repaid during the quarter.

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 period-to-date.

## 7. Dividend

There was no payment of dividend in the second quarter of 2007.

At the annual general meeting held on 22 June 2007, the shareholders approved a final dividend of 7% less 27% tax for the financial year ended 31 December 2006, which was paid on 27 July 2007 to the shareholders whose names appear in the Record of Depositors of the company at the close of business on 29 June 2007

The directors approved an interim dividend of 4% less 27% income tax for the financial ending 31 December 2007 on a date to be determined later.

## 8. Segment information

|                              | Revenue                |           | Profit Before Taxation |          |
|------------------------------|------------------------|-----------|------------------------|----------|
|                              | Period Ended 30th June |           | Period Ended 30th June |          |
|                              | 2007                   | 2006      | 2007                   | 2006     |
|                              | RM'000                 | RM'000    | RM'000                 | RM'000   |
| Oil and Gas Division         | 603,846                | 635,693   | 56,215                 | 48,644   |
| Industrial Services Division | 391,968                | 322,534   | 15,094                 | (5,024)  |
| Others                       | 12,389                 | 4,666     | (6,800)                | (18,460) |
|                              | 1,008,203              | 962,893   | 64,509                 | 25,160   |
| Inter-segment elimination    | (111,789)              | (174,435) | -                      | -        |
|                              | 896,414                | 788,458   | 64,509                 | 25,160   |

## 9. Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment during the current quarter and financial period to-date.

## 10. Event subsequent to the balance sheet date

Save as disclosed below and in Note 22 (i), (ii) and (iii), 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:

- a) On 8 August 2007, the Company had made announcement that its sub-subsiary company, PMT Industries Sdn Bhd had on 8 August 2007 entered into a Share Sale Agreement with Kenneth Tan Huat Chean and Angeline Tan Mei Yin (“Vendor”) to *inter alia*, dispose of its two (2) ordinary shares of RM1.00 each (representing 100% entire equity stake) in PMT Agri-Technologies Sdn Bhd each to the Vendors for a total consideration of RM2,000.00 only.
- b) On 14 August 2007, the Company had made announcement on the settlement deed between Wah Seong International Pte Limited (a wholly owned subsidiary of the Company) and ACMA Engineering & Construction Group Limited and ACMA Australia Pty Ltd in respect of Delco Australia Pty Ltd (a 70% owned subsidiary).

## 11. Changes in the composition of the Group

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

- a) On 13 April 2007, the Company had made announcement that its wholly owned subsidiary, Wasco Energy Ltd (“WascoE”) had on 12 April 2007 jointly incorporated a joint venture company in Hong Kong known as WD International Limited pursuant to WascoE’s Joint Venture Agreement signed with Dialog Systems (Asia) Pte Ltd (“DSA”) on 29 March 2007 with an initial paid up capital of USD\$2.00 divided into two (2) ordinary shares of USD\$1.00 each and equally held by WascoE and DSA.
- b) On 16 May 2007, the Company had made announcement that its wholly owned subsidiary, Total Oil Technologies Sdn Bhd (“TOT”) had received James Nigel Britton and Valerie Ann Britton’s (“The Vendors”) Put Option Notice dated 16 May 2007 to purchase two (2) ordinary shares of USD\$1.00 each (representing 0.5% equity stake) in Deepwater Corrosion Services, Inc and Inter Resources, Inc respectively from The Vendors pursuant to the Put and Call Option Agreement dated 26 November 2004 for a total consideration of USD\$250,000 (equivalent to RM850,750 based on the exchange of USD\$1.00 to RM3.4030). TOT had completed the purchase of two (2) ordinary shares on 6 June 2007. Deepwater Corrosion Services, Inc and Inter Resources, Inc are now 51% owned subsidiary of TOT.
- c) On 8 June 2007, the Company had made announcement that its subsidiary company, Material Performance Engineering Sdn Bhd (“MPE”) had on 8 June 2007 entered into a Shareholders’ Agreement with Mr Wawan Junaedi whereby MPE would subscribe for an initial 80,000 ordinary shares of USD\$1.00 each amounting to USD 80,000.00 (equivalent to RM274,000.00 based on the exchange rate of USD\$1.00 each to RM3.425) only representing 80% of the equity stake in a company known as PT MPE Deepwater in Indonesia.

The above acquisitions do not have any material effect on the consolidated earnings of the Group during the quarter under review.

## 12. Capital commitment

|                                 |                  |
|---------------------------------|------------------|
|                                 | <b>30.6.2007</b> |
|                                 | <b>RM '000</b>   |
| Approved and contracted for     | <u>17,926</u>    |
| Approved but not contracted for | <u>175,362</u>   |

### 13. Operating Lease Commitments

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

#### Operating lease commitments

|   | <b>30.6.2007</b> |
|---|------------------|
|   | <b>RM '000</b>   |
| Payable not later than one year                           | 17,718           |
| Payable later than one year and not later than five years | 4,767            |
| Payable later than five years                             | 824              |
|   | <u>23,309</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 compressors expires on 1st July 2008.

### 14. Related party transactions

Save as disclosed below, there was no related party transactions during the quarter ended 30 June 2007:

- a) On 12 April 2007, the Company had made announcement that PPSC (HK) Limited, a wholly owned subsidiary company of PPSC Industrial Holdings Sdn Bhd which in turn is a 67.48% subsidiary of the company, had entered into a Put/Call Option Deed on 12 April 2007 with Good & Good Limited ("G&G") to inter-alia, further acquire the remaining 350,364 Kanssen (Yadong) Pipe Coating Services Limited ("Kanssen") Shares from G&G representing approximately 12.50% equity interest in Kanssen at an option price to be determined as per the Put/Call Option Deed.

### 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 six months ended 30 June 2007

The Group's revenue and profit before taxation for the second quarter was RM461.7 million and RM28.2 million respectively, compared with RM359.6 million and RM22.1 million (excluding impairment of goodwill and other assets of RM16.1 million) in the corresponding period in 2006 an increase of 28.4% and 27.6% respectively. While the revenue and profit before taxation for the six months ended 30 June 2007 was RM896.4 million and RM64.5 million respectively, compared with RM788.5 million and RM54.6 million (excluding impairment of goodwill and other assets of RM29.4 million) in the corresponding period in 2006, an increase of 13.7% and 18.1% respectively.

The businesses which contributed to the increase in the Group's revenue were EPC, Fabrication and Rental Services of Gas Compressor and Process Equipment and E&P Products and Services business units in Oil and Gas Division and the Building Materials trading business in the Industrial Services Division. The overall improvement in margins, the effective cost control measures and the return to profitability of the Pipeline Contracting business in the second quarter contributed to the increase in profit before taxation.

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

The Group's pre-tax profit in the second quarter was RM28.2 million compared with RM36.3 million in the preceding quarter. The decline was mainly due to a lower sales volume in the Pipe Coating and Corrosion Protection business during the quarter.

**17. Current period prospect**

The continued global demand for oil and gas is expected to spur further investment in the sector which will benefit the EPC, Fabrication and Rental Services and Pipe Coating and Corrosion Protection businesses in the Group.

The Ninth Malaysia Plan and the recent regional development program announced by the government are expected to increase the demand for services provided by Infrastructure and Building Materials businesses of the Group.

The increasing global demand for palm oil products and services, as well as the coming into maturity of oil palm plantation in East Malaysia and Indonesia are expected to have a positive impact on the Agro Based Engineering business of the Group.

Overall, the group expects better operational results in the second half 2007.

**18. Taxation**

Taxation comprises the following:

|                       | Current quarter ended<br>30.6.2007<br>RM '000 | Current period todate<br>30.6.2007<br>RM '000 |
|-----------------------|---|---|
| Current Tax:-         |   |   |
| - Malaysia Income Tax | 1,206   | 7,860   |
| - Foreign Tax         | 5,460   | 8,874   |
|                       | 6,666   | 16,734  |

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

|   | Current quarter<br>ended 30.6.2007<br>RM '000 | Current period todate<br>30.6.2007<br>RM '000 |
|---|---|---|
| Profit before taxation  | 28,209  | 64,509  |
| Tax at the average applicable tax rate - 27%  | 7,616   | 17,417  |
| Profit from certain overseas subsidiaries which are not subjected to tax or enjoy tax exemption | (1,581)                                       | (6,823)                                       |
| Other expenses (net) - not allowable  | 631   | 6,140   |
|   | (950)   | (683)   |
| Effective tax expense   | 6,666   | 16,734  |

## 19. Unquoted investment and properties

Save for the notes below and in Note 11, there were no other acquisition and disposal of unquoted investment and / or properties by the Group during the current quarter and period to-date.

|                                | <b>Current quarter<br/>ended<br/>30.6.2007<br/>RM'000</b> | <b>Current period<br/>todate<br/>30.6.2007<br/>RM'000</b> |
|--------------------------------|---|---|
| Gain on disposal of properties | 1,885   | 2,393   |

## 20. Purchase or disposal of quoted securities

(a) Total purchase and sale of quoted securities for the current quarter ended 30 June 2007 are as follows:-

|                     | <b>Current quarter<br/>ended 30.6.2007<br/>RM'000</b> | <b>Current period todote<br/>30.6.2007<br/>RM'000</b> |
|---------------------|---|---|
| Purchases           | (5)   | (5)   |
| Disposal - Proceeds | 1,354   | 1,567   |
| Gain on Disposal    | 565   | 612   |
| Loss on Disposal    | (20)  | (84)  |

(b) Investment in quoted securities as at 30 June 2007 are as follows:

|                                | <b>RM'000</b> |
|--------------------------------|---------------|
| At cost                        | 1,136         |
| At carrying value / book value | 619           |
| At market value                | 759           |

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

(i) 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:

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

The status of approvals from Securities Commission, Ministry of International Trade and Industry, Foreign Investment Committee and Bank Negara Malaysia were announced via announcement made on 14 February 2007, 26 February 2007, 5 April 2007 and 9 April 2007, 1 June 2007 and 20 June 2007.

Certain proposals of the Proposed Internal Restructuring have been completed via announcement made on 18 July 2007 and 1 August 2007.

Barring any unforeseen circumstances, the Proposed Internal Restructuring is expected to be completed by 3<sup>rd</sup> quarter of 2007.

- (ii) On 28 May 2007, the Company had made announcement to undertake a private placement of up to 10% of the enlarged issued and paid-up share capital of the company to selected investors to be identified at an issue price to be determined later (“Proposed Private Placement”).

The relevant approvals from Securities Commission, Ministry of International Trade and Industry and Bursa Malaysia Securities Berhad were obtained via announcement on 22 June 2007 and 9 July 2007. The Proposed Private Placement is pending implementation.

- (iii) On 5 June 2007, the Company had made announcement that its wholly owned subsidiary company, Wasco Technologies Pte Ltd (formerly known as WSC Technologies Pte Ltd) had on 5 June 2007 entered into a conditional Subscription Agreement with Mr Karim Tanado, Mr Herman Karmana and Mr Iwan Chandra and PT Megaron Semesta (“PT Megaron”) to inter-ala, subscribe for 9,367 ordinary shares of Rp100,000.00 each representing about 51% equity of the enlarged share capital of PT Megaron for an aggregate amount of USD\$428,281.00 only (equivalent to RM1,454,228.14 based on the exchange rate of USD\$1.00 to RM3.3955 and Rp8,755.00) respectively (“Proposed Subscription”). The Proposed Subscription is pending approval of the Badan Koordinasi Penanaman Modal (“BKPM”).

### 23. Group borrowings and debt securities

| <b>Group Borrowings</b>      | <b>Secured</b> | <b>Unsecured</b> | <b>Total</b>   |
|------------------------------|----------------|------------------|----------------|
|                              | <b>RM '000</b> | <b>RM '000</b>   | <b>RM '000</b> |
| <b>Short term borrowings</b> |                |                  |                |
| Bank overdraft               | 690            | 1,480            | 2,170          |
| Bankers' acceptance          | -              | 150,813          | 150,813        |
| Revolving credit             | 7,965          | 42,944           | 50,909         |
| Trust receipt                | -              | 10,896           | 10,896         |
| Term loans                   | -              | 18,855           | 18,855         |
| Hire purchase creditors      | 695            | -                | 695            |
| <b>Sub-total</b>             | <b>9,350</b>   | <b>224,988</b>   | <b>234,338</b> |
| <b>Long term borrowings</b>  |                |                  |                |
| Private Debt Securities      | -              | 99,784           | 99,784         |
| Term loans                   | -              | 82,878           | 82,878         |
| Hire purchase creditors      | 1,226          | -                | 1,226          |
| <b>Sub-total</b>             | <b>1,226</b>   | <b>182,662</b>   | <b>183,888</b> |
| <b>Total Borrowings</b>      | <b>10,576</b>  | <b>407,650</b>   | <b>418,226</b> |

The group borrowings are denominated in the following currencies:

|                   | <b>RM'000</b>  |
|-------------------|----------------|
| Ringgit Malaysia  | 300,146        |
| Hong Kong Dollars | 8,655          |
| US Dollar         | 108,221        |
| Australia Dollar  | 1,204          |
|                   | <u>418,226</u> |

#### 24. Off balance sheet financial instruments

Save as disclosed below, the Group does not have any other financial instruments with off balance sheet risk as at 23 August 2007.

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

|   | Foreign<br>Currency | Amount to be<br>paid /<br>received (*)<br>000 | Average<br>contractual<br>rates | Settlement |                        |
|---|---------------------|---|---------------------------------|------------|------------------------|
|   |                     |   |                                 | RM'000     | USD'000                |
| Trade Receivables   | USD                 | 5,649   | 3.4530                          | 19,506     | N/A                    |
|   | SGD                 | 1,747   | 2.2538                          | 3,938      | N/A                    |
| Trade Payables  | JPY                 | 10,000  | 0.0280                          | 280        | N/A                    |
| Other Payables  | EURO                | 2,400   | 1.3842                          | N/A        | 3,322                  |
|   | USD                 | 8,000   | 3.4224                          | 27,379     | N/A                    |
|   | RMB                 | 60,068  | 7.5085                          | N/A        | 8,000                  |
|   |                     |   |                                 |            | (Net settlement basis) |
| Net Investment in Foreign Entity<br>(Balance Sheet Hedge) | USD                 | 19,500  | 3.4408                          | 67,095     | N/A                    |

(\*) - in respective of foreign currency

#### 25. Material litigation

Save as disclosed below, there were no material litigations pending since 26 February 2007 up to 18 May 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 Insolvency accordingly. Kingsar had applied and a stay of the Winding-Up Order was duly granted by the Miri High Court on 6 February 2007 for a limited period of twelve (12) months and Kingsar is allowed to apply for a further extension upon expiration of the twelve months.

Meantime, PPI's Solicitors are still waiting for the Penang High Court to locate its file and to fix a new mention date.



(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 had appealed to the Court of Appeal against the above decision.

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.

Meantime, PPI’s Solicitors have been appointed as the Liquidator’s solicitors and order in terms was granted by the court on 18 July 2007 in respect of the Summons in Chambers filed by PPI’s solicitors to compel FWI to produce its Statement of Affairs pursuant to Section 234 of the Companies Act, 1965. The court has also instructed the Liquidator investigate into the status of one of the directors. The Liquidator would be filing an affidavit to inform that the director’s resignation was not accepted by the Companies Commission of Malaysia. PPI’s solicitors are now in the process of extracting and serving a copy of the sealed order onto the directors.

(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’ have filed and are still awaiting extraction of the sealed copy of the Judgment in Default of Appearance which has been obtained against the First Defendant on 23 March 2006.

The Second Defendant has been adjudicated a bankrupt. The Proof of Debt form against the Second Defendant has yet to be filed by PPI’s Solicitors.

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. The Proof of Debt form against the Third Defendant has yet to be filed by PPI’s Solicitors.

(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.

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.

Pursuant to the above Corporate Exercise, PPCP has just been issued and credited with 806,032 units of ICULS-B from the Newco (Sycal Ventures Berhad) as at 28 June 2007. With the above settlement of the Scheme Debt, PPCP have since instructed their solicitors to withdraw this legal suit on 16 July 2007.

(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.

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 court has since discounted the bill after taxation and PPCP is now required to pay RM33,210.00 only.

PPCP had originally intended to appeal 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. However, with the bill finally taxed and upon consultation with PPCP's solicitors, PPCP's Management has decided to withdraw and not pursue with the appeal any further.

## 26. Earnings per share (EPS)

### Basic earnings per share

The basic earnings per share for the current quarter and current period to-date have been computed based on profit attributable to the equity holders of the Company of RM17.8 million and RM35.9 million respectively and the weighted average number of ordinary shares of RM0.50 each in issue and shares bought back during the financial period, adjusted to include the potential ordinary shares that would be issued upon conversion of a mandatorily convertible instrument, ICULS, from the date the contract is entered into, amounting to 526,321,975 were calculated as follows:

|   | <b>Current quarter<br/>30.6.2007<br/>Number of shares</b> | <b>Current period todate<br/>30.6.2007<br/>Number of shares</b> |
|---|---|---|
| Weighted average number of ordinary shares in issue and shares bought back adjusted with the potential ordinary shares of the mandatorily convertible instruments, ICULS ('000) | 526,322   | 526,322   |
|   | <b>Current quarter<br/>ended 30.6.2007</b>                | <b>Current period todate<br/>30.6.2007</b>                      |
| EPS - Basic (Sen)   | 3.4   | 6.8   |

### Diluted earnings per share

The adjustment on the ESOS and interest savings from ICULS results in an anti-dilutive position.

## **27. Contingent Liabilities**

Save for as disclosed below and in Note 46 of the audited financial statements as at 31 December 2006, there were no contingent liabilities arising since the last annual balance sheet date:

- a) On 21 February 2007, a customer of a subsidiary drew down on a performance bond of US\$1,404,641 (equivalent to RM4,959,787). This bond was issued by the former ultimate holding company (“the vendor”) on behalf of the subsidiary. The contract related to the performance bond was signed and delivered in October 2003 and April 2005, respectively, prior to the acquisition of the subsidiary by GSI Holdings Limited (now known as Wasco Engineering Group Limited). In the directors’ opinion, there is sufficient coverage of this within the indemnity provided by the vendor to GSI Holdings Limited (now known as Wasco Engineering Group Limited) in the Sales and Purchase Agreement dated 30 June 2005 for the acquisition of the subsidiary.

**By Order of the Board**

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

**Penang**  
**30 August 2007**