

PILECON ENGINEERING BERHAD

(Company No. 29223 - P)

(Incorporated in Malaysia)

ANNOUNCEMENT

UNAUDITED RESULTS FOR THE 4TH QUARTER ENDED 31 DECEMBER 2000

Notes

1 Accounting Policies

The fourth quarter financial statements have been prepared using the same accounting policies, methods of computation and basis of consolidation as stated in the annual financial statements of the Group for the year ended 31 December 1999.

2 Exceptional Items

The exceptional items in the quarterly financial statements comprise the following:-

	Current Year Quarter RM '000	Current Year ToDate RM '000
Development costs written off	4	(620)
Gain on disposal of subsidiary	2,400	2,400
	<u>2,404</u>	<u>1,780</u>

3 Extraordinary Item

There was no extraordinary item in the quarterly financial statements under review.

4 Taxation

The provision of taxation made for the financial year under review is :-

	Current Year Quarter RM '000	Current Year ToDate RM '000
Current year provision	(1,197)	(5,832)
Over / (Under) provision of taxation in prior years	(109)	47
Transfer from /(to) deferred taxation	(47)	(47)
	<u>(1,353)</u>	<u>(5,832)</u>

5 Pre-acquisition Profit

There was RM129,096 pre-acquisition losses arising from the acquisition of the E & E Equipment Pte Ltd for the current financial period ended 31 December 2000.

6 Profit on Sale of Investments and / or Properties

There was a gain of RM2.4 million arising from disposal of subsidiary, PMBS Machine Manufacturer Sdn Bhd for the current financial period ended 31 December 2000.

7 Quoted Securities

- (a) The purchase or disposal of quoted securities for the current financial period ended 31 December 2000 is as follows:-

	RM
Total Purchase	15,736,395
Total Disposal	Nil
Total Profit/Loss on disposal	Nil

- (b) Investment in quoted securities as at 31 December 2000 :-

	RM
At cost	23,728,704
At carrying value / book value	23,728,704
At market value	22,069,712

8 Changes in the Composition of the Group

There were no business combinations, acquisitions or disposals of subsidiaries, restructuring or discontinuing operations except for the acquisition of quoted investments as stated in Note 7(a) above and as follows :-

- a) On 10 May 2000, the Company's 51% owned subsidiary, Strarch International Limited ("SIL"), which is a public company listed on the Stock Exchange of Australia, incorporated a company, Eurostrarch S.A. ("ESA"). ESA is incorporated in Luxembourg and its paid-up capital is EURO 32,000 made up of 3,200 shares of EURO 10 each. SIL owns 99.97% of the paid-up capital of ESA. The principal activities of ESA include the conception, engineering, construction of metallic structures of large bearing surface and industrial equipment.
- b) On 12 June 2000, the Company's wholly-owned subsidiary, Pilecon Pte Ltd had entered into a Shares Sale Agreement to acquire 300,000 ordinary shares of S\$1.00 each representing 80% of issued and paid-up capital in Fullander Construction Pte. Ltd. ("FCPL") for a total cash consideration of S\$120,000.00. FCPL is a company incorporated in the Republic of Singapore and is primarily engaged in the business of property development.
However, due to the deterioration of the re-development of projects undertaken by FCPL as a result of the then weaker property market in Singapore, PPL and the vendors have, on 6 October 2000, mutually agreed to revoke and rescind the said Shares Sale Agreement.
- c) On 18 July 2000, the Company and its wholly-owned subsidiary, Leo Designer Sdn Bhd ("LDSB") had entered into a Conditional Shares Sale Agreement to dispose shares in PMBS Machine Manufacturer Sdn Bhd ("PMBS") to AAPICO Hitech Co. Ltd. ("AAPICO"), a company established in Thailand. PMBS, a 65% owned subsidiary of LDSB, is principally involved in the business of design, manufacture and assembly of jigs and fixtures for the automotive industries. The Shares Sale Agreement was completed on 4 December 2000 with the Company and AAPICO own 40% and 60% equity respectively in PMBS.
- d) On 5 September 2000, the Company, through its wholly-owned subsidiary, E & E Equipment Sdn Bhd, has acquired the entire issued and paid-up capital of E & E Equipment Pte Ltd ("EEEPL") comprising of two (2) ordinary shares of S\$1.00 each for a total cash consideration of S\$2.00. EEEPL is a company incorporated in the Republic of Singapore and the principal activities are those of trading and rental of machinery, service and maintenance of industrial products.
- e) On 13 October 2000, the Company, through its wholly-owned subsidiary, Pilecon Realty Sdn Bhd ("PRSB") has entered into a Joint Venture Agreement with Nederman Industries Sdn Bhd ("NISB") to undertake, via a joint venture company called Customers' Best Sdn Bhd ("CBSB"), the operation and management of supermarket business and related activities. Under the joint venture, PRSB acquired 350,000 ordinary shares in CBSB being 70% of the total issued and paid-up capital in CBSB for a total cash consideration of RM350,000.

9 Status of Corporate Proposals

The status of the corporate Financial and Debt Restructuring Exercise ("FDRE") by way of Rights Issue of 199,788,501 ordinary shares of RM0.50 each together with 199,788,501 detachable warrants at an issue price of RM0.98 each on the basis of one (1) new ordinary share with one (1) warrant for every one (1) existing share held, is as follows:-

The Securities Commission ("SC") has, vide their letter of 23 October 2000, agreed to grant the Company the extension of time till 31 December 2000 for the issuance of the Redeemable Secured Floating Rate Notes ("RSFN"). However, as the relevant legal documentation could not be perfected on time, the RSFN could not be issued by 31 December 2000. On 23 January 2001, the SC rejected our application for extension of time for the issuance of RSFN. The Company has on 23 February 2001, submitted an appeal against the SC's decision.

10 Seasonal or Cyclical Factors

The construction, engineering and property sectors which encompass the major activities of the Group are subject to effects of the business cycle and the overall growth of the economy. The performance of the Group is affected by seasonal or cyclical factors.

11 Issuance and Repayment of Debt and Equity Securities

- (a) There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period ended 31 December 2000.
- b) On 30 March 2000, the Company and the selected financial institutional creditors of the Company had entered into the Debt Restructuring Agreement in relation to the settlement and restructuring of the debts owing to the said creditors.
- c) On 17 April 2000, pursuant to the Company's FDRE, the Company's 199,788,501 shares and 199,788,501 warrants were listed on Kuala Lumpur Stock Exchange.
- d) On 2 May 2000, pursuant to the Company's FDRE, the Company has repaid RM36,682,775.78 to the Guarantor Banks for the Bonds and RM13,321,000 to the Revolving Underwritten Facility ("RUF") holders. The balance outstanding of the Bonds and RUF amounting to RM163,992,000 would be converted into RSFN pursuant to the Company's FDRE.
- e) During the period ended 31 December 2000, 65,000 new ordinary shares of RM0.50 each were exercised by the Company's employees at the exercise price of RM0.826 per share pursuant to the Company's Employees' Share Option Scheme ("ESOS"). The total cash proceeds arising from the exercise of options under the ESOS during the year amounted to RM53,690.

12 Group Borrowings and Debt Securities

	As at 31/12/2000 RM '000
(a) Short term borrowings	
- Unsecured	252,569
- Portion of secured long term loans repayable within the next 12 months	7,576
	<u>260,145</u>

* The unsecured short term borrowings comprise RM157 million owing to Guarantor Banks for the Bonds and RM57 million owing to RUF holders of which RM36.68 million and RM13.32 million had been repaid to the Guarantor Banks for the Bonds and RUF holders respectively on 2 May 2000. The remaining outstanding amount totaling RM163.99 million will be converted into RSFN which would mature in the fifth year from the date of issue.

	As at 31/12/2000 RM '000	In Equivalent RM'000
(b) Long term borrowings		
- Secured	15,317	
- Portion of secured long term loans repayable within the next 12 months	(7,576)	
	<u>7,741</u>	
(c) Total loan in foreign currency		
	In Respective Currencies	
S \$ - Singapore Dollar	7,661,580	16,802
RMB - Renmimbi	4,000,000	1,724
		<u>18,526</u>

13 Contingent Liabilities

Contingent liabilities of the Group include the following:-

	As at 22/02/2001 RM '000
Guarantees given in connection with unsecured financing facilities *	104,956
Letters of Indemnity given in respect of the issuing of Performance Bonds	17,614
Claims in respect of damages allegedly suffered by property development project	4,620
	<u>127,190</u>

* Included in the above are facilities granted to certain companies which previously were subsidiaries of the Company.

14 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at 22 February 2001, being the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

15 Material Litigations

The material litigations of the Group as at 22 February 2001 involving claims exceeding 2% of the unaudited consolidated net tangible assets of the Group as at 31 December 2000 include :-

- i) Claim by Northern Pilecon International Engineering Limited ("NPIEL"), a subsidiary of Pilecon Pte Ltd on 17 October 1996, against Hefei World Trade Centre Co Ltd ("HWTC"), a company incorporated in the Peoples' Republic of China for a total sum of USD2.74 million being outstanding work done, variation orders and interest. Sateras Resources (M) Bhd ("Sateras"), the holding company of HWTC has proposed settlement of the said debt by way of conversion into equity in Sateras. The Securities Commission has approved the scheme but subject to conditions. The parties have signed the Settlement Agreement on 17 January 2001 as required by Securities Commission. The Securities Commission has approved the extension for the implementation of the above scheme until 27 April 2001.
- ii) Claim filed by Pilecon Geotechnics Sdn Bhd ("PGSB"), a wholly owned subsidiary of PEB, against Paul Y Construction Sdn Bhd ("Paul Y") on 11 August 2000 in respect of sub-contract for piling and sub-structure works at JB Landmark project for outstanding balance amounting to RM5,901,961.62, loss and expenses claim amounting to RM5,668,412.78 and the sum of RM2.25 million for amount wrongfully withheld by Paul Y. Paul Y counter claims for the sum of RM6,213,913.98 and RM191,050.93 as damages. No hearing date has been fixed yet.
- iii) E & E Equipment Sdn Bhd ("E&E"), a wholly owned subsidiary of PEB has on 25 August 1999 filed a Writ of Summons and Statement of Claim against Speci Avenue (M) Sdn Bhd ("SA") claiming for instalment payments amounting to RM9,432,859.64 made on behalf of SA to various finance companies for hire purchase of fourteen (14) cranes. Judgement in Default has been initially obtained against SA but was set aside on 9 June 2000. The solicitors for E & E has filed a notice of appeal on the same day. The hearing date of this appeal has yet to be fixed.
- iv) Claim by Pilecon Industrial Engineering Sdn Bhd ("PIESB"), a subsidiary of PEB, against Maxson Resource Ltd ("MRL"), a Hong Kong sub-contractor. PIESB's solicitors have filed a Writ of Summons and Statement of Claim against MRL for damages amounting to RM16,986,435.89. Writ has been filed on 1 June 2000 and Order for service of the writ out of jurisdiction was obtained on 12 February 2001. Our solicitors are in the process of serving the same against the MRL through Wisma Putra. No hearing date has been fixed yet.
- v) Claim by PIESB against MRL and Mr Joe Muller for a sum of RM10,500,000.00 for defamation. No hearing date has been fixed yet.

- vi) Claim by MRL, against PIESB, at the Hong Kong International Arbitration Centre, for unpaid sum due under the works order and costs for additional varied work, prolongation and disruption amounting to HK\$8,128,765.06 together with continuing interest at a daily rate of HK\$1,453.63 until payment.

PIESB counterclaims for a total sum of HK\$39,287,059.17 being the liquidated damage, loss and expenses for delay, costs of engaging a third party to complete the work together with general damages for breach of contract.

The solicitors are in the process of preparing a written statements of the intended witnesses. The matter has been fixed for two weeks' hearing commencing 30 April 2001

- vii) Constrajaya Sdn Bhd ("CSB") filed a suit against Johor Coastal Development Sdn Bhd ("JCD"), a subsidiary of PEB, for declaration, inter alia, on whether JCD's notice of termination in respect of Lots 7 and 14, Parcel C JB Waterfront City amounts to repudiation of the Sale and Purchase Agreements and CSB is discharged from all further obligations in respect of its performance and/or whether JCD is entitled to forfeit the sum of RM9,018,400.00 paid by CSB under the Sale and Purchase Agreement. CSB also claims for the return of the sum of RM9,018,400.00 and damages of JCD to be assessed. The matter has been fixed for hearing on 15 March 2001.

16 Segmental Reporting

Group	Period Ended 31/12/2000		
	Turnover	Profit/(Loss)	Total Assets
	RM '000	Before Tax RM '000	Employed RM '000
<u>Industry</u>			
Construction	239,231	(47,289)	853,604
Property Development	17,882	(985)	426,090
Trading	5,094	4,006	26,323
Build-Operate-Transfer	55	377	2,380
Associated companies	-	21,345	-
Group transactions	(61,895)	(33,197)	(410,989)
	200,367	(55,743)	897,408
<u>Geographical</u>			
Within Malaysia	188,367	16,692	1,225,636
Outside Malaysia			
Asia	63,542	(39,942)	63,446
Others	10,353	705	19,315
Group transactions	(61,895)	(33,198)	(410,989)
	200,367	(55,743)	897,408

17 Comment on Financial Results (current quarter compared to preceding quarter)

The Group's turnover in the fourth quarter of 2000 was RM31.9 million compared to RM66.4 million in the third quarter of year 2000. The Group's loss before tax in the fourth quarter of year 2000 was RM29.9 million compared to loss before tax of RM2.1 million in the third quarter of 2000. The deteriorated results are due to provision for doubtful debts and provision for foreseeable losses for ongoing projects.

18 Review of Performance of the Company and its Principal Subsidiaries

For the 12 months ended 31 December 2000, the Group recorded a turnover of RM200.4 million with operating loss before share of profits from associated companies of RM77.1 million. The operating loss of the Group is largely attributed to cost overrun due to unforeseen circumstances in respect of certain projects and provision for doubtful debts. There was no significant trend or event that has occurred between 31 December 2000 to 22 February 2001 which would materially affect the earnings or income of the Company and Group.

19 Prospects for the Current Financial Year

In the opinion of the Directors, with the uncertainty and slowdown in the US market and the continued oversupply in the property sector, the prospects for the current financial year would be difficult.

20 Variance of Actual Profit from Forecast Profit

Not applicable.

21 Dividend

The Board of Directors has recommended a first and final dividend of 1% less 28% income tax (1999 : 1% less 28% income tax) in respect of the financial year ended 31 December 2000.

The entitlement date and date of payment of the dividend would be fixed and announced at a later date.

By Order of the Board

Lee Lai May (F) (LS NO.006407)

Chan Sau Leng (F) (MAICSA NO. 7012211)

Company Secretaries

Shah Alam

27 February 2001