

PILECON ENGINEERING BERHAD (Company No. 29223-P)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDING 30 SEPTEMBER 2003**

	INDIVIDUAL QUARTER		Cumulative Quarter	
	CURRENT YEAR QUARTER 30/09/2003 RM '000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2002 RM '000	CURRENT YEAR TO DATE 30/09/2003 RM '000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2002 RM '000
1 (a) Revenue	37,874	12,404	82,034	67,205
(b) Investment income	-	-	-	-
(c) Other income	3,952	2,518	4,631	6,837
2 (a) Profit/(loss) before finance cost, depreciation and amortisation, exceptional items, income tax, minority interests and extraordinary items	3,420	(2,273)	1,334	3,808
(b) Finance cost	(5,982)	(2,091)	(16,668)	(12,507)
(c) Depreciation and amortisation	(1,163)	(472)	(2,988)	(4,497)
(d) Exceptional items	-	(1,445)	(6,020)	(4,286)
(e) Profit/(loss) before income tax, minority interests and extraordinary items	(3,725)	(6,281)	(24,342)	(17,482)
(f) Share of profits and losses of associated companies	4,731	4,761	18,790	15,468
(g) Profit/(loss) before income tax, minority interests and extraordinary items	1,006	(1,520)	(5,552)	(2,014)
(h) Income tax	(799)	(464)	(3,972)	(5,432)
(i) (i) Profit/(loss) after income tax before deducting minority interests	207	(1,984)	(9,524)	(7,446)
(ii) Minority interests	2,617	(209)	3,344	2,537
(j) Pre-acquisition profit/(loss), if applicable	-	-	-	-
(k) Net profit/(loss) from ordinary activities attributable to members of the company	2,824	(2,193)	(6,180)	(4,909)
(l) (i) Extraordinary items	-	-	-	-
(ii) Less Minority interests	-	-	-	-
(iii) Extraordinary items attributable to members of the company	-	-	-	-
(m) Net profit/(loss) attributable to members of the company	2,824	(2,193)	(6,180)	(4,909)

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

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(Incorporated in Malaysia)
CONDENSED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDING 30 SEPTEMBER 2003

INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
30/09/2003	30/09/2002	30/09/2003	30/09/2002
RM '000	RM '000	RM '000	RM '000

3 Profit / (Loss) per share based on 2 (m) above after deducting any provision for preference dividends, if any :-

(a) Basic (based on 399,642,012 (2002 : 399,642,002) ordinary shares for the current quarter and weighted average of 399,642,010 (2002 : 399,642,002) ordinary shares for the cumulative current year to date) - (Sen)	0.71	(0.55)	(1.55)	(1.23)
(b) Fully diluted (Current and preceding year is antidilutive)	-	-	-	-

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

CONDENSED FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2003

	AS AT END OF CURRENT QUARTER 30/09/2003 RM '000	AS AT PRECEDING FINANCIAL YEAR END 31/12/2002 RM '000
1 Property, Plant and Equipment	75,998	77,502
2 Land And Development Expenditure	144,313	144,676
3 Development Costs	5,764	5,583
4 Investments in Associated Companies	133,475	121,151
5 Other Investments	9,665	9,658
6 Goodwill on consolidation	37,892	37,882
7 Current Assets		
<i>Land and Development Expenditure</i>	14,293	13,364
<i>Gross amount due from customers on construction works</i>	17,932	19,639
<i>Inventories</i>	108,968	98,729
<i>Trade Receivables</i>	67,085	76,855
<i>Other Receivables</i>	41,899	23,242
<i>Tax recoverable</i>	8,068	11,809
<i>Amount due from associated companies</i>	89,894	61,557
<i>Cash, bank balances and deposits</i>	7,480	21,305
	355,619	326,500
8 Current Liabilities		
<i>Gross amount due to customers on construction works</i>	6,720	2,150
<i>Trade Payables</i>	71,478	66,756
<i>Other Payables</i>	81,483	51,419
<i>Provision</i>	26,712	23,133
<i>Amount due to associated companies</i>	1,609	929
<i>Provision for Taxation</i>	886	966
<i>Short Term Borrowings</i>	277,987	273,601
	466,875	418,954
9 Net Current Assets / (Liabilities)	(111,256)	(92,454)
	295,851	303,998
10 Shareholders' Funds		
Share Capital	199,821	199,821
Reserves		
<i>Share Premium</i>	141,903	141,903
<i>Exchange Fluctuation Reserve</i>	(2,883)	(3,407)
<i>Reserve on Consolidation</i>	949	949
<i>Capital Reserve</i>	1,400	1,400
<i>Accumulated Loss</i>	(92,143)	(85,963)
	249,047	254,703
11 Minority Interests	44,126	46,778
12 Long Term Borrowings	328	350
13 Deferred Taxation	1,011	1,011
14 Lease and Hire Purchase Payables	1,339	1,156
	295,851	303,998
15 Net tangible assets per share of RM0.50 each (RM)	0.51	0.53

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

PILECON ENGINEERING BERHAD (Company No. 29223-P)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDING 30 SEPTEMBER 2003**

	1 January 2003 RM'000	Movements RM'000	30 September 2003 RM'000
<u>Non-Distributable</u>			
Share Capital	199,821	-	199,821
Share Premium	141,903	-	141,903
Exchange Fluctuation Reserve	(3,407)	524	(2,883)
Reserve on Consolidation	949	-	949
Accumulated Loss	(85,963)	(6,180)	(92,143)
	<hr/>	<hr/>	<hr/>
	253,303	(5,656)	247,647
<u>Distributable</u>			
Capital Reserve	1,400	-	1,400
	<hr/>	<hr/>	<hr/>
	254,703	(5,656)	249,047
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	1 January 2002 RM'000	Movements RM'000	30 September 2002 RM'000
<u>Non-Distributable</u>			
Share Capital	199,821	-	199,821
Share Premium	141,959	(56)	141,903
Exchange Fluctuation Reserve	46	(1,950)	(1,904)
Reserve on Consolidation	949	-	949
Accumulated loss	(32,949)	(4,909)	(37,858)
	<hr/>	<hr/>	<hr/>
	309,826	(6,915)	302,911
<u>Distributable</u>			
Capital Reserve	1,400	-	1,400
	<hr/>	<hr/>	<hr/>
	311,226	(6,915)	304,311
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

PILECON ENGINEERING BERHAD (Company No. 29223-P)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDING 30 SEPTEMBER 2003**

	2003 9 months ended 30 September RM'000	2002 12 months ended 31 December RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	(5,552)	(49,062)
Adjustments for:		
Share of results of associated companies	(18,790)	(21,503)
Depreciation	2,988	9,294
Plant and equipment written off	-	316
Inventories written off	-	405
Amortisation of development expenditure	-	709
Interest expenses	16,668	22,766
Gain on disposal of property, plant and equipment	(181)	(1,113)
Allowance for doubtful debts	-	
- receivables	-	19,531
- associated companies	-	3,458
Bad debts written off	-	3,055
Interest income	(2,817)	(4,947)
Allowance for corporate guarantees	-	11,968
Allowance for diminution in value of shares in:	-	-
- associated companies	-	6,831
- investments	-	2,153
Provision	3,579	-
Operating profit before working capital changes	<u>(4,105)</u>	<u>3,861</u>
Gross amount due to / (from) customers on construction contracts	6,277	670
Inventories	(10,239)	(3,086)
Trade and other receivables	(5,885)	31,538
Trade and other payables	17,280	(64,505)
Land and development expenditure	(566)	23,123
Associated companies balances	(27,657)	430
Cash used in operations	<u>(24,895)</u>	<u>(7,969)</u>
Interest paid	-	(2,532)
Interest received	194	4,947
Tax refund / (paid)	3,504	(1,220)
Net cash used in operating activities	<u>(21,197)</u>	<u>(6,774)</u>

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDING 30 SEPTEMBER 2003**

	2003 9 months ended 30 September RM'000	2002 12 months ended 31 December RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,441)	(6,775)
Proceeds from disposal of property, plant and equipment	3,404	2,310
Dividend received from associated companies	2,497	19,438
Proceeds from redemption of preference shares	-	5,737
Purchase of investment in associated company	-	(8,812)
Purchase of other investments	-	(5,489)
Net cash generating from investing activities	<u>4,460</u>	<u>6,409</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease financing	(267)	-
Net cash used in financing activities	<u>(267)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(17,004)	(365)
EFFECTS OF EXCHANGE RATE CHANGES	-	104
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	(53,652)	(53,391)
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>(70,656)</u></u>	<u><u>(53,652)</u></u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash, bank balances and deposits	7,478	21,289
Cash held in Housing Development Account (Housing Developers Regulations, 1991)	<u>2</u>	<u>16</u>
	7,480	21,305
Bank overdrafts	(78,136)	(74,957)
	<u><u>(70,656)</u></u>	<u><u>(53,652)</u></u>

The condensed Financial Statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2002.

PILECON ENGINEERING BERHAD

(Company No. 29223 - P)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS - MASB

A1. Accounting Policies

The interim financial statements for the financial quarter and the nine months period ended 30 September 2003 are unaudited and have been prepared in accordance with Accounting Standard MASB 26 (Interim Financial Reporting) issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9 of the Listing Requirements of the Kuala Lumpur Stock Exchange.

The accounting policies and methods of computation applied in the financial statements of the Group are consistent with those applied in the latest audited annual financial statements.

A2. Audit Report

The audit report of the Group's audited annual financial statements for the year ended 31 December 2002 was not subject to any qualification.

A3. 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.

A4. Items Affecting Net Income and Cash flow

There were no unusual items affecting the assets, liabilities, equity, net income, or cash flows for the financial quarter ended 30 September 2003.

A5. Changes in Estimates

There was no material change in estimates of amounts reported in preceding quarters of 2003 as well as in prior financial year that have a material effect on the financial quarter ended 30 September 2003.

A6. Issuance and Repayment of Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-back, share cancellation, shares held as treasury shares and resale of treasury shares during the current financial period ended 30 September 2003.

A7. Dividends Paid

There was no dividend paid during the financial quarter ended 30 September 2003.

A8. Segmental Reporting

Group	Period Ended 30/09/2003		
	Revenue RM '000	Profit/(Loss) Before Tax RM '000	Total Assets Employed RM '000
(a) <u>Business segments</u>			
Construction	78,667	(23,447)	315,198
Property development	2,691	(614)	434,370
Trading	676	(281)	13,158
Associated companies		18,790	
	82,034	(5,552)	762,726

Group	Period Ended 30/09/2003		
	Turnover RM '000	Profit/(Loss) Before Tax RM '000	Total Assets Employed RM '000
(b) <u>Geographical segments</u>			
Malaysia	35,228	5,362	699,790
Outside Malaysia			
Asia			
Singapore	1,497	1,736	27,165
Hong Kong	-	(48)	1,853
Australia	45,309	(12,229)	20,147
Others	-	(373)	13,771
	82,034	(5,552)	762,726

A9. Valuations of Property, Plant and Equipment

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

A10. Subsequent Material Events

There was no material event occurring subsequent to the end of the interim period that have not been reflected in the financial statements for the said period apart from the event as stated in Note B11 item (viii).

A11. Changes in the Composition of the Group

There were no business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring or discontinuing operations for the current financial period ended 30 September 2003, except as follows:-

- On 2 April 2003, the Company has acquired 2 ordinary shares of S\$1.00 each representing 100% of the issued and paid-up capital of Zion Ville Pte Ltd, at a purchase consideration of S\$3,200.00.
- On 13 June 2003, the Company has acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of Ecofact Circle Sdn Bhd, at a purchase consideration of RM1,800.00.
- On 4 July 2003, the Company has acquired 2 ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of Casington Development Sdn Bhd, at a purchase consideration of RM1,800.00.

A12. Commitments and Contingencies

(a) Contingent Liabilities

Contingent liabilities of the Group include the following:-

	As at 31/12/2002 RM '000	As at 17/11/2003 RM '000	Increase/ (Decrease) for the period
Guarantees given in connection with unsecured facilities granted to associated companies	1,596	1,072	(524)
Letters of Indemnity given in respect of the issuing of Performance Bonds	7,082	2,549	(4,533)
	8,678	3,621	(5,057)

(b) Capital Commitments

	As at 31/12/2002 RM '000	As at 17/11/2003 RM '000	Increase/ (Decrease) for the period
Capital commitments:-			
- contracted but not provided for in the accounts	87,500	87,500	-

Danaharta Managers Sdn Bhd ("Danaharta") had in October 2001 called up the Company's Corporate Guarantee with respect to a joint venture agreement entered into by its subsidiary company for the property development rights. The Company is proposing resolving the matter with Danaharta via its corporate proposal as mentioned in Item B8 herein.

B. KLSE LISTING REQUIREMENTS

B1. Review of Performance of the Company and its Principal Subsidiaries

During the financial quarter under review, the Group recorded a turnover of RM37.9 million with operating loss before share of profits from associated companies of RM3.7 million. The Group recorded a nine months turnover of RM82.0 million with operating loss before share of profits from associated companies of RM24.3 million. The loss of the Group is largely attributed to fewer ongoing projects and an exceptional item incurred by a foreign subsidiary company for rebuild costs amounting to RM6.0 million.

B2. Comment on Financial Results (current quarter compared to immediate preceding quarter)

The Group recorded a turnover in the third quarter of 2003 of RM37.9 million as compared to RM31.5 million in the second quarter of 2003. The Group's profit before tax in the third quarter of year 2003 was RM1.0 million as compared to loss before tax of RM8.0 million in the second quarter of 2003. The improvement in results recorded in the third quarter of 2003 compared to the loss recorded in the second quarter of 2003 is mainly due to the allowance for rebuild cost made in the second quarter of 2003 amounting to RM6.0 million by a foreign subsidiary company.

B3. Prospects for the Current Financial Year

The directors are of the opinion that the performance of the Group for the year remains challenging.

B4. Variance of Actual Profit from Forecast Profit

Not applicable.

B5. Taxation

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

	Current Year Quarter RM '000	Current Year To date RM '000
Prior period taxation of Group	-	(4)
Share of tax of Associated Companies	(799)	(3,968)
	<u>(799)</u>	<u>(3,972)</u>

The effective tax rate of the Group is higher than the standard rate applicable in Malaysia as losses of certain subsidiary companies cannot be set off against profits made by other subsidiary companies in the Group.

B6. Profit on Sale of Investments and / or Properties

There was no sale of investments and/or properties for the current financial period ended 30 September 2003.

B7. Quoted Securities

- (a) There was no purchase or disposal of quoted securities for the current financial period ended 30 September 2003.
- (b) There is no investment in quoted securities, other than securities in existing subsidiary and associated companies.

B8. Status of Corporate Proposals

The Company has on 21 February 2003, obtained an order pursuant to section 176(1) of the Companies Act 1965 from the Kuala Lumpur High Court to convene a meeting to be held in respect of a particular class of its creditors comprising certain lenders and corporate guarantee creditors of the Company excluding its trade creditors and secured creditors ("Unsecured Creditors"), in order to facilitate the implementation of the Proposed Scheme of Arrangement ("Scheme"). The salient terms of the Proposed Scheme of Arrangement is contained in our announcement to the KLSE dated 21 February 2003.

The Company has successfully convened the Court Convened Meeting with its Unsecured Creditors on 15 August 2003, for the purpose of voting with or without modifications, the Proposed Scheme of Arrangement. The Scheme has been voted in favour by the majority of the Unsecured Creditors subject to the following modifications:-

- (a) The proposed acquisition of Mahabudi Land by Pilecon from Mahabudi Development Sdn Bhd for a total purchase consideration of RM82 million to be satisfied via issuance of the redeemable convertible secured loan stocks series B shall now be acquired free from all liens, charges, claims and encumbrances and with, vacant possession (save for the earlier charge being registered in favour of Danaharta Managers Sdn Bhd). The redeemable convertible secured loan stocks series B shall have a tenure of four (4) years and to be redeemed during the same period as opposed to a tenure of two (2) years;
- (b) The interest on the outstanding indebtedness as at 31 March 2002, subsequent to the waiver for the period from 1 April 2002 to 31 March 2003, shall be payable from 1 April 2003 until the date of issuance of the instruments to the Unsecured Creditors pursuant to the proposed debt restructuring scheme at the rate of Maybank's Base Lending Rate plus 1% p.a. and shall be paid over a tenure of twenty-eight (28) months by way of twenty eight (28) equal instalments, the first instalment of which shall be paid fourteen (14) days from the listing and quotation of the instruments on the Kuala Lumpur Stock Exchange;
- (c) The Company shall issue the redeemable convertible secured loans stocks series A, redeemable convertible secured loans stocks series B, irredeemable convertible unsecured loan stocks and the new shares of the Company to the Unsecured Creditors pursuant to the proposed debt-to-equity conversion within six (6) months from the date of the Securities Commission's approval for the Proposals but in any event not later than 31 March 2004 or such other later date as may be extended by the Unsecured Creditors by way of a circular resolution approved by a majority in number of the Unsecured Creditors representing three fourth (3/4) in value of the total indebtedness admitted for the purpose of voting in the Court Convened Meeting held on 15 August 2003; and
- (d) The Company shall submit the application for approval of the Scheme ("Application") to the Securities Commission no later than 31 August 2003.

On 25 August 2003, the Company had entered into a Sale and Purchase Agreement with Mahabudi Development Sdn Bhd and Handersons (Malaysia) Sdn Bhd for the acquisition of two (2) pieces of freehold land title under Geran Nos 42711 and 43116 for Lots 1570 and 11156 respectively, both in the Mukim of Plentong, District of Johor Bahru, State of Johor measuring in area approximately 20.5125 ha and 85.20 ha respectively ("Mahabudi Land") for a total purchase consideration of RM82,000,000 to be satisfied by the issuance of RM82,000,000 nominal amount of 5% redeemable convertible secured loan stocks 2004/2007 at 100% nominal amount. The proposed acquisition of Mahabudi Land forms part of the Company's Proposed Scheme of Arrangement.

The Company has submitted its Application, dated 29 August 2003, to the Securities Commission in compliance with the abovesaid modifications on the Scheme.

On 21 November 2003, the Court has granted an order for an extension of time to the Restraining Order for a period of 120 days from 30 November 2003. The Court has further ordered that conditional upon the filing of a petition for the sanction of the proposed scheme of arrangement between the Company and its Unsecured Creditors on or before 31 March 2004, the Restraining Order shall then be extended from 30 November 2003 until the date of the order of the said petition for sanction of the Scheme.

B9. Group Borrowings and Debt Securities

	As at 30/09/2003 RM '000
(a) Short term borrowings	
- Unsecured	262,063
- Secured	15,878
- Portion of secured long term loan repayable within the next 12 months	46
	<u>277,987</u>
Included in the other creditors is interest accrued of RM29.4 million.	
	As at 30/09/2003 RM '000
(b) Long term borrowings	
- Secured	374
- Portion of secured long term loan repayable within the next 12 months	(46)
	<u>328</u>
(c) Total loan in foreign currency	
	In Respective Currencies
Singapore Dollar - S \$	1,263,451
Renmimbi - RMB	4,000,000
Pound - GBP	506,661
	<u>7,690</u>
	In Equivalent RM'000
	2,773
	1,711
	3,206
	<u>7,690</u>

B10. Off Balance Sheet Financial Instruments

There was no financial instrument with off balance sheet risk as at 17 November 2003, being the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

B11. Material Litigations

The material litigations of the Group as at 17 November 2003 involving claims exceeding 2% of the unaudited consolidated net tangible assets of the Group as at 30 September 2003 are:-

- i) 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 for loss and a further sum of RM5,668,412.78 for expenses and the sum of RM2.25 million for amount wrongfully retained by Paul Y. Paul Y counter claims for the sum of RM6,773,913.98 and RM191,050.93 as damages. Matter is fixed for case management on 16 February 2004.
- ii) 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 had 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 appeal was fixed for hearing on the 18 July 2001 wherein the High Court judge ordered the parties to file in their respective written submissions. In view of the pending contempt proceedings against SA, our appeal against the decision of SAR setting aside the judgment in default is now fixed for mention on 8 December 2003.
- iii) 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 midst of serving the same against MRL through Wisma Putra. We are in the process of serving the cause papers onto the Defendant in Hong Kong.

Arbitration proceedings in Hong Kong is currently stayed pursuant to the Kuala Lumpur High Court (Originating Summons No: R1-24-34-00) order dated 12 June 2001 pending disposal of the Originating Summons filed by Pilecon Industrial Engineering Sdn Bhd, which is fixed for hearing on 3 July 2002 has been adjourned to 23 October 2002. In the interim, our solicitors had on 27 June 2002 proceeded with an Ex-parte application for leave to institute contempt proceedings against the Defendant. The application has been fixed for continued hearing before the High Court judge on 3 September 2002. The matter which was fixed for hearing on 23 October 2002 has been postponed to 29 October 2002 as the Judge was on leave. Matter did not go on 29 October 2002. The court would write to inform us of the next date.

- iv) Claim by PIESB against MRL and Mr Joe Muller for a sum of RM10,500,000.00 for defamation. Though leave was obtained from court to serve the cause papers out of jurisdiction to the Defendant, but it was unsuccessful as the Defendant's premises were found to be locked. Attempt was also made to serve the cause paper unto M/s Tan Swee Im & Co (Solicitor for Maxson Resources Limited for Suit R1-24-34-2000) but we were informed that they are not representing the Defendant in this matter. Our solicitors are now in the midst of filing an application for substituted service to be effected in Hong Kong. The High Court Judge has directed our Solicitor to conduct research. Written submission was also filed on 27 September 2002. The matter which was fixed for continued hearing and decision on 29 October 2002, did not proceed. The court would write to inform us of the next date.
- v) 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.

PIESB has obtained an injunction to stay the Arbitration pending the hearing of the originating summons filed by PIESB to determine the venue of the arbitration. The originating summons filed by PIESB had been referred to the Court of Appeal against the decision of the High Court judge in granting the injunction to restrain MRL from taking any further steps in the arbitration proceedings before the Arbitrator in Hong Kong until the disposal of the same. The Originating Summons which was fixed for hearing on 3 July 2002 has been adjourned to 23 October 2002. The Arbitrator allowed the claimants claim of RM 11,500,000.00. A motion ought to be filed by our solicitor at the Hong Kong High Court to set aside the award on the ground of misconduct on the part of arbitrator for having breached the interlocutory injunction order granted by High Court of Malaya on 12 June 2001.

- vi) 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 Sales 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 Sales and Purchase Agreement. CSB also claims for the return of the sum of RM9,018,400.00 and damages of JCD to be assessed.

CSB obtained judgment against JCD for the sum of RM8,998,400 and had on the 20 July 2001 served Section 218 Notice onto JCD demanding for the said judgment sum.

The High Court of Johor has on the 6 November 2001 dismissed our application for an interlocutory injunction to restrain Constrajaya from taking any further steps in the winding up petition against Johor Coastal Development Sdn. Bhd ("JCD") However, in view of the Court of Appeal's order for stay of execution, Constrajaya now do not intend to proceed with the winding up petition (Shah Alam High Court No: MT4-28-178-2001) but is applying to stay the said petition. We have on the 12 September 2001 filed and served the Record of Appeal at the Court of Appeal and is currently waiting for a date to be fixed by the Registry of the Court of Appeal for the Hearing of the Appeal.

- vii) The Guarantor Banks for the Bond (Affin Bank Bhd, Bumiputra-Commerce Bank Berhad, RHB Bank Berhad, Southern Bank Berhad and Public Bank Berhad) had on 24 February 2003 served a writ of summons against the Company for the sum of RM82,073,000 together with accruing interest of RM7,374,177 as at 1 October 2002 for the breach of contract under the Guarantee Facility Agreement and Letter of Undertaking.

The Company has appointed Messrs Kadir Andri Aidham & Partners to protect its interest. As the Restraining Order ("RO") in relation to the Company was obtained on the 21 February 2003, the plaintiff therein are restrained from proceeding with their action for a period of ninety (90) days from the abovementioned date. We have on 19 May 2003 obtained further extension on the RO till 30 November 2003.

- viii) On 17 April 2003, the Kuala Lumpur High Court had granted an order to wind up Pilecon Building Construction Sdn Bhd ("PBC"), a wholly-owned subsidiary of the Company in relation to the winding-up petition served by a sub-contractor, Perniagaan Kim Chong. Our solicitors have filed an appeal to the Court of Appeal and is currently awaiting for a hearing date to be fixed by the Registry of the Court of Appeal.

- ix) Claim by Public Bank Bhd against Transbay Ventures Sdn Bhd ("TVSB") for bridging loan facility of RM13,860,089.29 as at 31 October 2001. Plaintiff's application under Order 14 was allowed with cost. Our appeal to the Judge in Chambers against the decision of the High Court Judge is fixed on 13 January 2004.

Plaintiff also commenced foreclosure proceeding at JB High Court. Order to foreclose was granted by the Court on 7 October 2003. The matter is now fixed for auction on 20 February 2004. Our solicitors are appealing against the Order granted.

B12. Proposed Dividend

The Directors do not recommend any dividend for the quarter under review.

B13. Earnings Per Share (EPS)

CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
30/09/2003	30/09/2002	30/09/2003	30/09/2002

a) Basic Earnings

Net profit / (loss) attributable to shareholders (RM'000)	2,824	(2,193)	(6,180)	(4,909)
Weighted average no of ordinary shares in use ('000)	399,642	399,642	399,642	399,642

b) Diluted Earnings

Not applicable as current and preceding year is antidilutive.

By Order of the Board

Shah Alam
21 November 2003