

Quarterly report on the consolidated results for the third financial quarter ended 30 September 2003 (unaudited)

EXPLANATORY NOTES PURSUANT TO MASB 26

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with MASB 26 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Kuala Lumpur Stock Exchange.

The interim financial statement should be read in conjunction with the audited financial statements for the year ended 31 December 2002.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2002.

2. Audit Qualification on Annual Financial Statements

There were no audit qualification on recent annual financial statements of the Group. However attention was drawn referring to the ability of the company and the group’s dependence on the successful implementation of the New Proposed Debts Restructuring Scheme as disclosed in the financial statements, to continue as a going concern.

3. Seasonal And Cyclical Factors

Seasonal and cyclical factors do not significantly affect the principal business operation of the Group.

4. Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows for the current financial period.

5. Changes in Accounting Estimates

There were no changes in accounting estimates that have had a material effect in the current quarter.

6. Issuances, Cancellations, Repurchase, Resale and Repayment of debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

7. Dividend Paid

There was no dividend paid for the financial period.

8. Segmental Information

a) Business Segment:

The group is organized into two major business segments:

- Construction – industrial building contractors
- Trading – distribution and retail of fastening products

Other business segments include investment holding and development consultancy services, none of which are of any significance to be reported.

b) Geographical Segment:

Segmental reporting by geographical regions have not been prepared as the whole Group's operations are in Malaysia.

9. Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward without amendments from the previous audited annual financial statements.

10. Material Events Subsequent to the End of the Interim Period

As at the date of this quarterly report, there were no material events subsequent to the end of the current quarter.

11. Changes in the Composition of the group

There were no changes in the composition of the group for the current quarter under review.

12. Contingent liabilities

Details of the Group's contingent liabilities are as follows:

| | Nature of Liability | Amount RM'000 |
|---|--|--------------------------|
| 1 | Claim by a certain Ng Cheng Kiat against a guarantee allegedly extended by PIB for amounts owing to a certain Nga Ling Sdn. Bhd. | 6,760 |
| 2 | Claim by Azmi & Co. Sdn. Bhd. against PIB for professional fees for alleged service rendered. | 85 |
| 3 | Claim by Gainvest Builders Sdn. Bhd. for alleged sub contract work done on behalf of RC Consultancy Sdn. Bhd. | 179 |
| 4 | Claim by Tiong Kwing Hee for outstanding salary and other compensation involving purported gratuity arising from an alleged employment contract. | 1,065 |
| | TOTAL | 8,089 |

**NOTES TO THE QUARTELY REPORT FOR THE THIRD (3RD) QUARTER
ENDED 30 SEPTEMBER 2003 AS PER KLSE LISTING REQUIREMENTS**

1. Review Of The Performance Of The Company And It's Principal Subsidiaries

The group's performance in terms of turnover for the current quarter decreased to RM375,000 when compared to the previous quarter. The current quarter's turnover is mainly contributed from the remaining variation order claimed from construction projects completed. No new construction project has been undertaken to date.

2. Comparison With Preceding Quarter's Result

The group recorded an unaudited loss before tax of RM1.607 million for the quarter under review compared to a loss before tax of RM1.491 million in the preceding quarter, mainly due to materially lower turnover from the construction arm as no new contract was undertaken and also lower revenue from its trading arm.

3. Commentary On Current year Prospect

The Directors' are of the opinion that the group's prospects and performance for the current financial year are not likely to improve as the Company strives to complete and implement its restructuring scheme to regularize its financial condition.

4. Variance Of Actual And Forecasted Profit And Shortfall In Profit Guarantee

The Company has not provided any profit forecast or profit guarantee in any public document.

5. Income Tax Expenses And Variance Between The Effective And Statutory Tax Rate

Tax provision as at 30th September 2003 represents the tax underprovided in prior years by one of the subsidiary companies.

| | Current quarter | Cumulative |
|-----------------|-----------------------|--------------|
| quarter | | |
| | <u>Ended 30/09/03</u> | <u>Ended</u> |
| <u>30/09/03</u> | | |
| | RM'000 | RM'000 |
| Income tax | | |

| | | |
|--------------------------------|-------|-------|
| - underprovided in prior years | 5 | 5 |
| Deferred tax | - | - |
| | ----- | ----- |
| | 5 | 5 |
| | ----- | ----- |

6. Profits On Sale Of Investment And / Or Properties

Save as disclosed below, there were no sales of unquoted investments or properties belonging to the group during the quarter under review.

| | Current quarter | Cumulative |
|---------------------------------------|-----------------|------------|
| quarter | Ended 30/09/03 | Ended |
| <u>30/09/03</u> | | |
| | RM'000 | RM'000 |
| Gain/(Loss) on disposal of properties | 50 | (18) |
| | ----- | ----- |
| | 50 | (18) |
| | ----- | ----- |

7. **Quoted Investment**

There were no purchases or disposal of quoted securities by any company within the Group during the quarter under review.

8. **Status Of Corporate Proposals Announced But Yet To Be Completed**

The status of corporate proposals as at 17th November 2003 is as follows:

- On 8th October 2002 the Company entered into a MOU with the Vendors of Dijaya Ceil Sdn Bhd (Dijaya), Dijaya Ceil Imex Sdn Bhd (Imex), Ceiling Décor Pte Ltd, and Bueno Manufacture (Shanghai) Co. Ltd.(Bueno) as part of its plan to implement a new scheme to regularize its financial condition.
- On the 15th October 2002, the Company, Capital Abound Sdn Bhd (CASB) and the Vendors of Dijaya and Imex signed two conditional sales and purchase agreements.
- On the 30th October, 2002 the Company, CASB and the Vendors of Bueno signed the sales and purchase agreement
- Also on the 30th October 2002 the Company, CASB and Frontier Bond (M) Sdn Bhd entered into a sale and purchase agreement to acquire a piece of 99-year leasehold land in Kuantan, Pahang.
- On 12th December 2002, Public Merchant Bank (“PMB”) on behalf of PIB, submitted the application to the SC of PIB’s plan to regularize its financial condition i.e. Proposed Restructuring Scheme.
- On 26th December 2002, an application was submitted to the FIC in relation to PIB’s Proposed Restructuring Scheme.
- On 7th February 2003, PMB received the letter from the FIC (dated 30th January 2003) approving the Proposed Restructuring Scheme subject to the

condition that CASB shall have at least 30% Bumiputra equity interest at the time of listing.

- On 7th February 2003, PMB advised that Dato Dr Tan Seng An (Vendor) had entered into a Sale & Purchase Agreement with one Dato Tee Tiam Lee on 6th February 2003 to acquire 9.0 million ordinary share of RM1.00 each in CASB upon the successful implementation and completion of the Proposed Restructuring Scheme.
- On 20th February 2003, PMB on behalf of PIB and CASB, submitted an appeal to FIC to allow CASB to meet the 30% Bumiputra equity interest requirement within a period of 3 years from the date of completion of the Proposed Restructuring Scheme instead of at the time of listing of CASB shares.
- On 1st April 2003 the SC granted conditional approval for the Proposed Restructuring Scheme save for the purchase consideration for the proposed acquisition of a piece of 99years leasehold land by CASB which it approved at RM5,500,000 instead of RM8,000,000
- On 30 April 2003, PMB, on behalf of PIB and CASB, submitted an appeal against the SC's decision to reduce the valuation of the Land to RM5,500,000 together with certain Proposed Revisions in relation to the New Proposed Restructuring Scheme as approved by the SC.
- On 2 May 2003, the FIC approved the appeal and allowed CASB to meet the 30% Bumiputera equity interest requirement within a period of 3years from the date of the listing of CASB's shares.
- On 15 August 2003, PMB received a letter from the SC dated 12th August 2003, approving the Proposed Revisions in relation to the New Proposed Restructuring Scheme as set out in PMB's letter to the SC dated 30th April 2003, but rejecting the appeal on the valuation of the Land.
- On 26 August 2003, PMB on behalf of PIB, announced the abortion of the purchase of the Land and terminated the Sale & Purchase Agreement dated 30 October 2002
- On 18 September 2003, Messrs Raja Eleena, Siew & Ang, on behalf of PIB, filed the Section 176 Application to the Court for the Court convened meeting, together with the Certificate of Urgency.
- On 9 October 2003. PIB, CASB and the Vendors entered into Supplemental Agreements on the following:
 - (i) to amend and vary certain terms and conditions set out in the original Share Sale Agreements dated 15 October 2002 and 30 October 2002 pursuant to the proposed acquisition of Dijaya, Imex and Bueno,
 - (ii) to extend the completion of the Proposed Restructuring Scheme for another nine (9) months from 15 July 2003 to 15 April 2004, and,
 - (iii) that the cumulative profit guarantee to be provided by the Vendors for the three (3) financial years ending 30 June 2003 to 2005 of RM36 million shall now be secured by RM36 million nominal value of RCULS instead of RM18 million nominal value of RCULS.

- On 6 November 2003 PMB, on behalf of PIB submitted an amended draft Explanatory Statement and Circular (“ES & C”) to KLSE for further comments / approval.
- Further announcement will be made accordingly.

9. **Group Borrowings And Debt Securities**

Group **borrowings and debt securities** as at the end of the quarter under review are as follows:

| Type | RM'000 |
|-----------------------------------|---------------|
| Bank Overdraft & Revolving Credit | 42,074 |
| Bills payable | 491 |
| Term Loan | 774 |
| Hire Purchase | 60 |
| Short Term Advance | - |
| TOTAL | 43,399 |

| | |
|--------------|---------------|
| Short Term | 42,761 |
| Long Term | 638 |
| TOTAL | 43,399 |

| | |
|--------------|---------------|
| Secured | 2,109 |
| Unsecured | 41,290 |
| TOTAL | 43,399 |

- All borrowings are denominated in Ringgit Malaysia.

10. **Off Balance Sheet Financial Instruments**

No financial instruments with off balance sheet risks were issued by the Group.

11. **Pending Material Litigation**

Status of pending material litigation as at 17th November 2003:

11.1 **Material litigation involving bank borrowings on which the Group has defaulted:**

| Financial Institution | Defendant Company | Amount | Status of Litigation |
|--------------------------------------|----------------------|----------------------------------|---|
| Pengurusan Danaharta Nasional Berhad | PIB (as Borrower) | RM5.3 million (plus interest) | Under the previous restructuring scheme, the legal proceedings were to be withheld until the completion of the restructuring exercise pursuant to which the debt will be settled. Presently, with the aborting of the previous scheme, the lender are awaiting for a new scheme to be finalized wherein their |

| | | | |
|--|---|----------------------------------|---|
| | | | debt will be settled. |
| Malayan Banking Bhd | PIB (as Borrower) | RM5.1 million (plus interest) | Under the previous restructuring scheme, the legal proceedings were to be withheld until the completion of the restructuring exercise pursuant to which the debt will be settled. Presently, with the aborting of the previous scheme, the lender are awaiting for a new scheme to be finalized wherein their debt will be settled. |
| PhileoAllied Bank (Malaysia) Berhad | PIB (as Borrower) | RM2.8 million (plus interest) | Under the previous restructuring scheme, the legal proceedings were to be withheld until the completion of the restructuring exercise pursuant to which the debt will be settled. Due to the abortion of the earlier restructuring scheme, Phileo Allied Bank (now known as Malayan Banking Berhad, “MBB”) has not agreed to postpone the hearings. Our solicitors have prepared and filed the Defense at the High Court on 29 th October 2002. On the hearing on 12 th August 2003, the learned Judge has upon reading the written submissions and bundles of authorities filed by both parties, dismissed the Plaintiff’s aforesaid Notice of Appeal with cost. The Judge has meanwhile fixed the matter for mention on 16 th February 2004 pending the implementation of the Proposed Restructuring Scheme. |
| Overseas Union Bank (M) Berhad | RCC (as Borrower) and PIB (as Guarantor) | RM4.8 million (plus interest) | Under the previous restructuring scheme, the legal proceedings were to be withheld until the completion of the restructuring exercise pursuant to which the debt will be settled. Presently, with the aborting of the previous scheme, the lender are awaiting for a new scheme to be finalized wherein their debt will be settled. |

11.2 Details of other pending material litigation are as follows: -

a) **Ng Cheng Kiat (“Mr. Ng”) vs. PIB & Nga Ling Sdn Bhd**

Mr. Ng had sued PIB as guarantor for monies amounting to RM6.77 million owing by Nga Ling Sdn Bhd. Mr Ng had obtained a summary judgment against PIB. PIB had filed an appeal against the summary judgment as well as an application for a stay of execution. The Court had ruled in PIB’s favour in granting the appeal with costs on 22nd March 2000. Accordingly, the application for a stay of execution was withdrawn. However, on 20th April 2000, Mr. Ng had filed an appeal against the decision of the High Court with the Court of Appeal. Case now pending full trial. PIB has subsequently applied for third party proceedings to be taken out against certain former officers of the company, which had been granted by the Court. The Company is presently pursuing the third party proceedings against certain former officers of the Company.

Our solicitors have on 23rd October 2002 wrote to Registrar of Mahkamah Rayuan Malaysia (Court of Appeal) to reject the Plaintiff's application dated 11th October 2002 to fix an early hearing date. Awaiting decision from Registrar of Mahkamah Rayuan Malaysia (Court of Appeal).

b) PIB vs. Lai Chan Fah

PIB had issued two separate writs of summons against Mr Lai for the performance of his obligations under a profit guarantee agreement entered into between himself and PIB pursuant to PIB's listing exercise in 1996. The amounts claimed under each writ is for RM1.577 million per annum for each of the two financial years ended 30th September 1998 and 1999. Mr. Lai is challenging both the cases and has filed his defense in both suits respectively. Mr Lai has on 28th June, 2000 filed an application for an order to consolidate both the suits with the Kuala Lumpur High Court as well as for a stay of execution of proceedings. The application by Mr Lai Chan Fah to consolidate the two cases has been allowed. PIB's application for summary judgment against Mr. Lai was heard in March 2001 wherein the Senior Assistant Registrar dismissed the application with costs. On advice of the solicitors, the company is now appealing the decision to the Judge in Chambers.

Hearing of the appeal by PIB fixed for 29th October 2002 was postponed for further mention on 20th February 2003. The Court has since fixed the aforesaid Appeal for further mention on 4th April 2003, which was subsequently postponed to 13th June 2003. Upon our request the learned Judge has fixed for further mention on 15th September 2003, which has subsequently been fixed for mention on 1st December 2003.

c) Tiong Kwing Hee Vs PIB

Tiong Kwee Hee has made a claim through the Industrial Court for outstanding salary and other compensation involving purported gratuity amounting to approximately RM1.0 million arising from an alleged employment contract. Tiong Kwing Hee has filed his Statement of case against PIB on 12 December 2002. PIB has filed its Statement in Reply on 21 February 2003.

The Court has fixed matter for full trial on 12 and 13 January 2004. The Court has since vacated the said full trial on 12th and 13th January 2004 and fixed for mention on 8 August 2003 to fix new trial dates, which is now fixed for 14th and 15th June 2004.

**d) Kerajaan Malaysia Vs RC Consultancy Sdn Bhd
Civil action No. 21-182-2003**

A writ of summons was served on RC Consultancy Sdn Bhd (a wholly owned subsidiary of Pancaran Ikrab Berhad) by Kerajaan Malaysia in respect of unpaid

taxes amounting to RM2,321,374.44 together with interest at 5% per annum, cost and other relief. The unpaid taxes were the remaining unpaid income taxes for the year of assessment 1998 (i.e., for the basis period 1 October 1996 to 30 September 1997.

The Company had on 8 July 2003 filed its defense through its solicitors Messrs Chin Hin Lam & Anthonysamy. Messrs Chin Hin Lam & Anthonysamy had also on the 22 July 2003, submitted on behalf of RC Consultancy Sdn Bhd, a proposal to settle the tax claim.

e) PIB & Pancaran Properties Sdn. Bhd. (“PPSB”) Vs Ngu Tieng Ung & 10 others

Case Ref No. 22-1561-2003

PIB and its wholly owned subsidiary, PPCB have file a Writ of Summons and Statement of Claim against Ngu Tieng Ung & 10 others to seek to recover a sum of RM37 million purportedly paid out in respect of an alleged Joint Venture Agreement entered into between PPCB and Famebeach Sdn. Bhd. dated 17 December 1997.

PIB solicitors, Messrs C.K. Tan & Co. have on 15 October 2003 received the sealed copies of the Writ of Summons from the Court and will be serving the Writ of Summons on the Defendants.

12. Dividend

The Directors have not recommended any dividend payment in respect of the financial year under review.

13. Earnings per share

Basic earnings per share

| | Current quarter ended 30.09.2003 | 9 months cumulative to date |
|---------------------------------------|-------------------------------------|--------------------------------|
| | 30.09.2003 | |
| | ----- | ----- |
| Net loss (RM'000) | | |
| Attributable to ordinary shareholders | (1,607) | (4,338) |
| Weighted average ('000) | | |
| Number of ordinary share in issue | 19,000 | |
| 19,000 | | |
| Basic earnings per share (sen) | (8.46) | (22.83) |

Diluted earning per share (sen) (8.46)
(22.83)

14. **Status Of Minimum Paid Up of RM40 Million For Second Board Companies**
Upon completion of the company's Proposed Restructuring Scheme, the minimum paid up of RM40 million will be complied with. See note 8 above for status of Corporate Proposal.
15. **Authorization for Issue**
The Board of Directors in accordance with a resolution of the directors authorized the interim financial statements for issue on 17th November 2003.