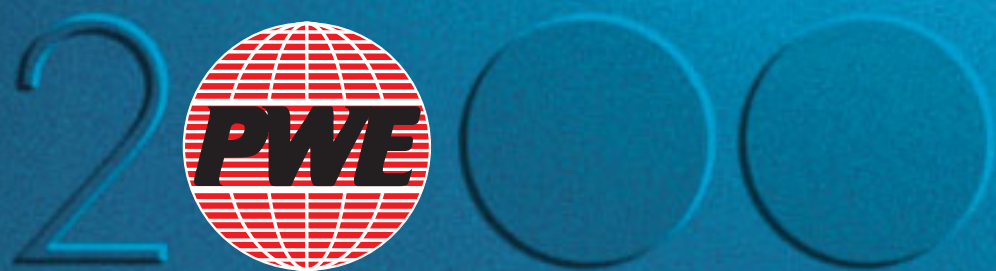


A N N U A L R E P O R T



PWE Industries Berhad

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the TWENTY-SIXTH ANNUAL GENERAL MEETING of PWE Industries Berhad will be held at Ballroom I, Santubong Kuching Resort, Jalan Santubong, 93748 Kuching, Sarawak on Thursday, 14 September 2000 at 11.30 a.m. for the following purposes :-

NOTES :

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The instrument appointing a proxy or proxies, in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited with the Company's Share Registrars, Metra Management Sdn Bhd at Plaza Montez, No. 1 Jalan Merah Kesumba U9/18, Seksyen U9, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.
5. *Explanatory notes on Special Business :*
The proposed Resolution (5) if passed, will empower the directors of the Company to issue and allot shares in the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next annual general meeting of the Company.

- (1) To consider and adopt the Company's Audited Accounts for the year ended 31 March 2000 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
- (2) To re-elect Mr Nicholas John Lough @ Sharif Lough Abdullah who retires pursuant to Article 92 of the Company's Articles of Association, and who, being eligible, offers himself for re-election. **(Resolution 2)**
- (3) To approve the payment of Directors' fees. **(Resolution 3)**
- (4) To re-appoint Messrs Arthur Andersen & Co as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**
- (5) As Special Business to consider and, if thought fit, pass the following Ordinary Resolution :-
"THAT pursuant to Section 132D of the Companies Act, 1965, Articles of Association of the Company and the Listing Requirements of the Kuala Lumpur Stock Exchange, the Directors be and are hereby empowered to issue shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from the Kuala Lumpur Stock Exchange for listing of and quotation for the additional shares so issued and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company." **(Resolution 5)**
- (6) To consider any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

YAP BEE LEE

Secretary

KUALA LUMPUR

29 August 2000

Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing (Executive Chairman)

YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin

Nicholas John Lough @ Sharif Lough Abdullah

Sunny Khoo

Mohamad Danel @ Bujang bin Abong

COMPANY SECRETARY

Yap Bee Lee (MAICSA : 0864482)

REGISTERED OFFICE

Level 16, Wisma Ting Pek Khiing

No. 1 Jalan Padungan

93100 Kuching

Sarawak

Tel : (082) 236 908

Fax : (082) 236 922

SHARE REGISTRARS

Metra Management Sdn Bhd

Plaza Montez

No. 1 Jalan Merah Kesumba U9/18

Seksyen U9, 40000 Shah Alam

Selangor Darul Ehsan

Tel : (603) 745 5388

Fax : (603) 745 5399

AUDITORS

Arthur Andersen & Co

Public Accountants

Level 23A, Menara Milenium

Jalan Damanlela, Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

PRINCIPAL BANKERS

Hock Hua Bank Berhad

International Bank Malaysia Berhad

Public Bank Berhad

SOLICITORS

Chor Pee Anwarul & Co

Suite 8-16-6, Level 16

Plaza Raja Chulan

8 Jalan Raja Chulan

50200 Kuala Lumpur

STOCK EXCHANGE LISTING

The Second Board of the Kuala Lumpur
Stock Exchange

Audit Committee and Terms of Reference

AUDIT COMMITTEE

- (i) YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin
Chairman – Independent Non-Executive Director
- (ii) Nicholas John Lough @ Sharif Lough Abdullah
Independent Non-Executive Director
- (iii) Sunny Khoo
Non-Executive Director

TERMS OF REFERENCE

1. Review with the External Auditors, the audit plan.
2. Review with the External Auditors, financial statement and reports by External Auditors in order to :-
 - * improve the line of communication between the Board and Audit function.
 - * evaluate the performance of the Auditors and consequently recommend their re-appointment.
3. Review with the External Auditors, their evaluation of the system of internal accounting controls.
4. Approve the appointment of the Internal Auditors.
5. Approve the Internal Audit Plan.
6. Review effectiveness of the Internal Audit function (or the desirability of setting up such a department).
7. Review the reports by Internal Audit.
8. Review the follow-ups by Management on internal accounting procedures and controls as highlighted by Internal Audit reports.
9. Review of any significant transactions which are not within the normal course of business.
10. Review interim financial information and press releases of financial content.
11. Review of accounting policies.
12. Perform any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by relevant Government authorities which will include, but are not limited to :-
 - * the Securities Commission
 - * the Kuala Lumpur Stock Exchange
 - * the Ministry of Finance

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Accounts of PWE Industries Berhad and the Group for the year ended 31 March 2000.



FINANCIAL PERFORMANCE

For the financial year under review, the Group registered a pre-tax profit of RM4.9 million as compared to a pre-tax loss of RM22.5 million during the previous financial year. The profit for the current financial year was mainly due to the net exceptional gain of RM5.7 million.

At the Group level, the Exceptional Items amounting to RM5.7 million represents loss on disposal of associated companies of RM2.3 million, provision for diminution in value of timber rights of RM12.5 million and reversal of tax liability arising from shortfall in tax credit for the proposed dividend of RM20.5 million.

The Company registered a pre-tax loss of RM16.7 million for the year ended 31 March 2000 mainly due to the exceptional loss comprising the provision for diminution in value of timber rights and loss on disposal of associated companies.

DIVIDEND

The Directors do not recommend any dividend to be declared for the year ended 31 March 2000.

REVIEW OF OPERATIONS

The performance of the Group's timber operations has slowed down due to the much reduced production quota imposed by the Sarawak Government. Nevertheless, the prices for timber logs are improving gradually due to increased demand in the fast growing downstream activities in the state. The wood-based furniture industry

is expanding in Sarawak and has great potential in playing an active role in the global furniture market. We therefore expect our timber operations to improve in the years to come.

PROSPECTS

With the disposal of the associated company, Clipsal Manufacturing (M) Sdn Bhd, the Company is looking for suitable business opportunities to invest in to generate better income for the Group. Meanwhile, the operation of the timber sector will be effectively managed and maintained to bring in a steady income to the Group.

ACKNOWLEDGEMENTS

We wish to express our thanks and appreciation to Mr Peter Ling Ee Kong, who has resigned from the Board, for his contribution and services to the Group in the past and welcome Encik Mohamad Danel Abong who was newly appointed to the Board.

On behalf of the Board, I would like to extend our gratitude to the relevant authorities, our business associates and shareholders for your trust and support throughout the year. Also not leaving out our team of management and staff for their dedication and commitment in looking after the affairs of the Group.

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing
Executive Chairman

15 August 2000

Financial Statements

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Directors' Report

The directors hereby submit their report together with the audited accounts of the Company and of the Group for the financial year ended 31 March, 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and extraction and sale of timber logs.

The principal activities of the subsidiaries are described in Note 10 to the accounts.

There were no significant changes in these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit/(loss) after taxation	4,478,984	(16,735,679)
Accumulated losses brought forward	(25,674,284)	(11,279,089)
Accumulated losses carried forward	<u>(21,195,300)</u>	<u>(28,014,768)</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Note 16 to the accounts.

BAD AND DOUBTFUL DEBTS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps to ascertain that actions had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances that would require any amount to be written off as bad debts or render the provision for doubtful debts in the accounts of the Company and of the Group inadequate to any substantial extent.

CURRENT ASSETS

Before the profit and loss accounts and balance sheets were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business their values as shown in the accounting records of the Company and of the Group have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the accounts of the Company and of the Group misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company and of the Group misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company or of the Group which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company or of the Group to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the accounts of the Company or of the Group, which would render any amount stated in the accounts misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Company and of the Group during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature, except for the exceptional items disclosed in Note 19 to the accounts.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

SIGNIFICANT EVENT

During the financial year, the Company disposed its investments in Clipsal Manufacturing (M) Sdn. Bhd. and Ample Technique Sdn. Bhd. for a total sale consideration of RM9,500,000.

DIRECTORS

The directors who served since the date of the last report are:

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing
Sunny Khoo
YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin
Nicholas John Lough @ Sharif Lough Abdullah
Peter Ling Ee Kong (resigned on 15 July, 2000)

In accordance with the Company's Articles of Association, Nicholas John Lough @ Sharif Lough Abdullah retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party with the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the accounts or the fixed salary of a full time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than as disclosed in the accounts.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year other than as follows:

	Number of Ordinary Shares of RM1 Each			
	At 1 April, 1999	Bought	Sold	At 31 March, 2000
The Company:				
Tan Sri Dato’ Paduka (Dr) Ting Pek Khiing	23,637,465	–	–	23,637,465
Peter Ling Ee Kong	168,000	–	105,000	63,000

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, by virtue of his interest in the shares in the Company is also deemed interested in the shares in the subsidiaries of the Company to the extent the Company has an interest.

AUDITORS

Arthur Andersen & Co. retire and have indicated their willingness to accept re-appointment.

Signed on behalf of the Board in accordance with a resolution of the directors

TAN SRI DATO' PADUKA (DR) TING PEK KHIING

SUNNY KHOO

Kuala Lumpur
18 July 2000

Statement By Directors

We, TAN SRI DATO' PADUKA (DR) TING PEK KHIING and SUNNY KHOO, being two of the directors of PWE INDUSTRIES BERHAD, do hereby state that, in the opinion of the directors, the accompanying balance sheets of the Company and of the Group as at 31 March, 2000 and the related profit and loss accounts of the Company and of the Group and the cash flow statement of the Group for the year then ended, together with the notes thereto, give a true and fair view of the state of affairs of the Company and of the Group as at 31 March, 2000 and of the results of the Company and of the Group and cash flows of the Group for the year then ended, and have been properly drawn up in accordance with applicable approved accounting standards in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the directors

TAN SRI DATO' PADUKA (DR) TING PEK KHIING

SUNNY KHOO

Kuala Lumpur
18 July 2000

Statutory Declaration

I, TAN SRI DATO' PADUKA (DR) TING PEK KHIING, the director primarily responsible for the financial management of PWE INDUSTRIES BERHAD, do solemnly and sincerely declare that the accompanying balance sheets of the Company and of the Group as at 31 March, 2000 and the related profit and loss accounts of the Company and of the Group and the cash flow statement of the Group for the year then ended, together with the notes thereto are, to the best of my knowledge and belief correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)	
abovenamed TAN SRI DATO' PADUKA)	
(DR) TING PEK KHIING at Kuala Lumpur)	TAN SRI DATO' PADUKA (DR) TING PEK KHIING
in Wilayah Persekutuan on 18 July 2000)	

Before me:

TEONG KIAN MENG
Commissioner for Oaths

Auditors' Report

To the Shareholders of
PWE INDUSTRIES BERHAD

We have audited the accounts of PWE INDUSTRIES BHD (the Company) and the consolidated accounts of PWE INDUSTRIES BHD AND ITS SUBSIDIARIES (the Group) as at 31 March, 2000. These accounts are the responsibility of the Company's directors. Our responsibility is to express an opinion on these accounts based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March, 2000 and of the results of the Company and of the Group and cash flows of the Group for the year then ended, and have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's accounts are in form and content appropriate and proper for the purposes of the preparation of the consolidated accounts and we have received satisfactory information and explanations required by us for these purposes.

The audit reports on the accounts of the subsidiaries were not subject to any qualification or any adverse comment made under subsection (3) of Section 174 of the Act.

Without qualifying our opinion, we draw attention to Notes 3 and 4 to the accounts. The full recoverability of the Group's trade debts of RM9,437,289 and other debts of RM1,321,517 from companies which a director has substantial financial interest cannot be determined with certainty at this juncture. The accounts of the Group do not include any provision for doubtful debts in respect of the above balances.

ARTHUR ANDERSEN & CO.

No. AF 0103

Public Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM

No. 1664/10/00(J)

Partner of the Firm

18 July 2000

Balance Sheets

31 March, 2000

		Group		Company	
	Note	2000 RM	1999 RM	2000 RM	1999 RM
CURRENT ASSETS					
Cash and bank balances		141,900	116,022	42,081	28,706
Short term deposits		9,310,075	–	9,310,075	–
Trade debtors	3	9,463,841	8,965,231	–	–
Other debtors	4	1,383,406	6,899,651	980	354,247
Due from subsidiaries	5	–	–	11,003	6,136
Due from an associated company		–	2,856	–	2,856
		20,299,222	15,983,760	9,364,139	391,945
CURRENT LIABILITIES					
Trade creditors		604,684	2,850,666	–	–
Other creditors	6	542,889	4,216,376	167,857	99,283
Amount due to a director	7	358,584	668,276	358,584	668,276
Due to subsidiaries	8	–	–	41,372	4,915
Taxation		1,261,559	21,375,738	76,104	75,738
		2,767,716	29,111,056	643,917	848,212
NET CURRENT ASSETS/ (LIABILITIES)		17,531,506	(13,127,296)	8,720,222	(456,267)
FIXED ASSETS	9	54,435	65,993	–	–
INVESTMENT IN SUBSIDIARIES	10	–	–	10	10
INVESTMENT IN ASSOCIATED COMPANIES	11	–	11,897,172	–	11,322,168
TIMBER RIGHTS	12	5,265,000	19,855,000	5,265,000	19,855,000
INTANGIBLE ASSETS	13	21,220	16,353	–	–
DEFERRED TAXATION	14	–	–	–	–
		22,872,161	18,707,222	13,985,232	30,720,911
SHAREHOLDERS' FUNDS					
Share capital	15	42,000,000	42,000,000	42,000,000	42,000,000
Reserve on consolidation	16	2,067,461	2,381,506	–	–
Accumulated losses		(21,195,300)	(25,674,284)	(28,014,768)	(11,279,089)
		22,872,161	18,707,222	13,985,232	30,720,911

The accompanying notes are an integral part of these balance sheets.

Profit and Loss Accounts

for the year ended 31 March, 2000

		Group		Company	
	Note	2000 RM	1999 RM	2000 RM	1999 RM
Turnover	17	7,876,541	21,331,858	–	–
Operating loss		(733,889)	(30,779,530)	(2,387,061)	(1,671,430)
Share of loss of associated companies		(102,226)	(36,164)	–	–
Loss before taxation and exceptional items	18	(836,115)	(30,815,694)	(2,387,061)	(1,671,430)
Exceptional items	19	5,705,054	8,279,408	(14,344,118)	(57,342,065)
Profit/(loss) before taxation		4,868,939	(22,536,286)	(16,731,179)	(59,013,495)
Taxation	20	(389,955)	3,208,330	(4,500)	–
Profit/(loss) after taxation		4,478,984	(19,327,956)	(16,735,679)	(59,013,495)
Accumulated losses brought forward		(25,674,284)	(6,346,328)	(11,279,089)	47,734,406
Accumulated losses carried forward		(21,195,300)	(25,674,284)	(28,014,768)	(11,279,089)
Earnings/(loss) per share	21	0.11	(0.46)		

The accompanying notes are an integral part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 March, 2000

	2000 RM	1999 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	4,868,939	(22,536,286)
Adjustment for:		
Depreciation	11,558	26,741,194
Amortisation of reserves on consolidation	(314,045)	(314,045)
Amortisation of timber rights	2,090,000	2,090,000
Share of loss of associated company	102,226	36,164
Interest expense	19,077	8,388,194
Interest income	(16,161)	(181,272)
Provision for diminution in value of timber rights	12,500,000	–
Reversal of tax liability arising from shortfall in tax credits for the proposed dividends	(20,500,000)	–
Loss on disposal of associated companies	2,294,946	–
Fixed assets written off	–	83,317
Gain on disposal of fixed assets	–	(7,529,408)
Gain on disposal of subsidiary	–	(750,000)
Operating profit before working capital changes	1,056,540	6,027,858
Decrease in debtors	5,017,635	4,931,715
Decrease in creditors	(5,919,469)	(15,570,776)
Decrease in amount due to a director	(309,692)	–
Decrease/(increase) in due from associated company	2,856	(2,856)
Cash used in operations	(152,130)	(4,614,059)
Taxes paid	(4,134)	(16,160)
Interest paid	(19,077)	(4,787,052)
Net cash used in operating activities	(175,341)	(9,417,271)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of associated companies	9,500,000	–
Interest received	16,161	181,272
Intangible asset	(4,867)	(3,895)
Proceeds from disposal of fixed assets	–	110,348,358
Proceeds from disposal of subsidiaries	–	9,000,000
Net cash generated from investing activities	9,511,294	119,525,735
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of hire purchase and lease creditors	–	(13,212,921)
Repayment in amount due to companies which certain of the directors have substantial financial interest	–	(97,091,093)
Net cash used in financing activities	–	(110,304,014)
Net increase/(decrease) in cash and cash equivalents	9,335,953	(195,550)
Cash and cash equivalents brought forward	116,022	311,572
Cash and cash equivalents carried forward	9,451,975	116,022
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	141,900	116,022
Short term deposits	9,310,075	–
	9,451,975	116,022

The accompanying notes are an integral part of this statement.

Notes to the Accounts

31 March, 2000

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and extraction and sale of timber logs.

The principal activities of the subsidiaries are described in Note 10.

There were no significant changes in these activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts are prepared under the historical cost convention and comply with applicable approved accounting standards in Malaysia.

(b) Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the date of their acquisition. All material related company balances and transactions are eliminated on consolidation and the consolidated accounts reflect external transactions only.

At the date of acquisition, the fair value of the net assets of the subsidiaries were determined and these values are incorporated in the Group accounts. The excess of the net assets of the subsidiaries over the cost of investment is retained in the consolidated balance sheet as reserve arising on consolidation.

Reserve arising on consolidation, representing the deficit of purchase price over the fair value of the net tangible assets of subsidiaries at the date of acquisition, is credited to the profit and loss account over the period of 10 years from the date of acquisition.

(c) Associated Companies

The Group treats as associated companies those companies in which a long term equity interest of between 20 and 50 percent is held and where it exercises significant influence through management participation.

The Group's share of profits less losses of associated companies is included in the consolidated profit and loss account and the Group's interest in associated companies is stated at cost plus adjustments to reflect changes in the Group's share of the net assets of the associated companies.

(d) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is provided on a straight line basis calculated to write off the cost of each asset over its estimated useful life.

The principal annual rates of depreciation are:

Office equipment and furniture	10% – 33%
Motor vehicles	20%
Transportation and heavy equipment	15% – 20%

Notes to the Accounts

31 March, 2000

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(e) Currency Conversion

Transactions in foreign currencies during the year are converted into Ringgit Malaysia at rates of exchange approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. All exchange gains or losses are dealt with in the profit and loss accounts.

(f) Timber Rights

Timber rights are stated at cost less provision for diminution in value and amortised annually using the following basis:

- equally over the remaining period of the rights expiring on 29 September, 2008; or
- percentage of the volume of timber extracted compared to the total estimated volume of timber available for extraction over the period of the rights, whichever is higher.

(g) Deferred Taxation

Deferred taxation is provided under the liability method for all material timing differences except where there is reasonable evidence that these timing differences will not reverse in the foreseeable future.

(h) Investments

Investments in subsidiaries and associated companies are stated at cost less provision for any permanent diminution in value.

(i) Intangible Assets

Intangible assets comprise preliminary and pre-operating expenses at cost and are to be written off on commencement of operations.

3. TRADE DEBTORS

	Group	
	2000	1999
	RM	RM
Trade debtors	9,803,841	9,305,231
Provision for doubtful debts	(340,000)	(340,000)
	9,463,841	8,965,231

Included in trade debtors of the Group is an amount due from companies in which certain directors have substantial financial interests of RM9,437,289 (1999 : RM8,965,231).

4. OTHER DEBTORS

Included in other debtors of the Group is an amount due from companies in which certain directors have substantial financial interests of RM1,321,517 (1999 : RM6,894,852).

Notes to the Accounts

31 March, 2000

5. DUE FROM SUBSIDIARIES

	Company	
	2000	1999
	RM	RM
Due from subsidiaries	125,018	49,098,201
Provision for doubtful debts	(114,015)	(49,092,065)
	11,003	6,136

6. OTHER CREDITORS

	Group		Company	
	2000	1999	2000	1999
	RM	RM	RM	RM
Amount due to companies in which certain directors have substantial financial interests	36,442	303,725	–	–
Other creditors	506,447	3,912,651	167,857	99,283
	542,889	4,216,376	167,857	99,283

7. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest free and has no fixed terms of repayment.

8. DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest free and has no fixed terms of repayment.

9. FIXED ASSETS

Group	Transportation and heavy equipment	Office equipment and furniture	Motor vehicles	Total
2000	RM	RM	RM	RM
Cost				
Beginning of year	–	117,841	–	117,841
End of year	–	117,841	–	117,841
Accumulated Depreciation				
Beginning of year	–	51,848	–	51,848
Charge for the year	–	11,558	–	11,558
End of year	–	63,406	–	63,406
Net Book Value	–	54,435	–	54,435

Notes to the Accounts

31 March, 2000

9. FIXED ASSETS (Cont'd.)

Group	Transportation and heavy equipment RM	Office equipment and furniture RM	Motor vehicles RM	Total RM
1999				
Cost				
Beginning of year	187,834,389	117,841	523,704	188,475,934
Write off	(83,317)	–	–	(83,317)
Disposals	(187,751,072)	–	(523,704)	(188,274,776)
End of year	–	117,841	–	117,841
Accumulated Depreciation				
Beginning of year	58,560,936	33,119	172,425	58,766,480
Charge for the year	26,617,724	18,729	104,741	26,741,194
Disposal	(85,178,660)	–	(277,166)	(85,455,826)
End of year	–	51,848	–	51,848
Net Book Value	–	65,993	–	65,993

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2000 RM	1999 RM
Unquoted shares, at cost	9,000,010	9,000,010
Provision for diminution in value	(9,000,000)	(9,000,000)
	10	10

The subsidiaries, all of which are incorporated in Malaysia, are:

Name of Companies	Paid-up Capital RM	Effective Interests		Principal Activities
		2000 %	1999 %	
PWE O & M (Bakun) Sdn. Bhd.	2	100	100	Dormant
* Sastep Sendirian Berhad	3	100	100	Timber extraction and timber trading
Sastep Logistics Sdn. Bhd.	2	100	100	Dormant
* PWE Logging Sdn. Bhd.	2	100	100	Dormant
PWE Information Networks Sdn. Bhd.	2	100	100	Dormant
PWE Management Sdn. Bhd.	2	100	100	Dormant
* During the year, PWE Logging Sdn. Bhd. transferred its previous business operation of timber extraction and timber trading to Sastep Sendirian Berhad, and had remained dormant since then.				

Notes to the Accounts

31 March, 2000

11. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Unquoted shares, at cost	–	11,322,168	–	11,322,168
Share of post-acquisition profit	–	575,004	–	–
	–	11,897,172	–	11,322,168

The associated companies, both of which are incorporated in Malaysia, are:

Name of Companies	Effective Interest		Principal Activities
	2000 %	1999 %	
Clipsal Manufacturing (M) Sdn. Bhd.	–	40	Manufacturing and selling of electrical accessories and low voltage switch
Ample Technique Sdn. Bhd.	–	40	Manufacturing and selling ballasts and luminaire fittings

The management accounts of the associated companies for the period ended 31 December, 1999 have been used in determining the Group's share of the results of the associated companies up to the date of disposal.

12. TIMBER RIGHTS

	Group and Company	
	2000 RM	1999 RM
Timber rights premium, at cost	26,125,000	26,125,000
Less: Provision for diminution in value	(12,500,000)	–
	13,625,000	26,125,000
Less: Accumulated amortisation	(8,360,000)	(6,270,000)
	5,265,000	19,855,000

The provision for diminution in value amounting to RM12,500,000 represents a provision made to write down the asset value of timber rights as a result of the current uncertainties prevailing the timber industry and economic condition in Malaysia and South East Asia. The write down of the asset values incorporates the deterioration of the carrying value of the timber rights so that the asset is stated at fair value.

Notes to the Accounts

31 March, 2000

13. INTANGIBLE ASSETS

	Group	
	2000	1999
	RM	RM
At cost:		
Preliminary expenses	7,558	7,558
Pre-operating expenses	13,662	8,795
	21,220	16,353

Included in intangible assets is auditors' remuneration for the year in respect of these subsidiaries amounting to RM3,200 (1999 : RM3,200).

14. DEFERRED TAXATION

	Group	
	2000	1999
	RM	RM
As at 1 April	-	3,101,000
Transfer to profit and loss account	-	(3,101,000)
As at 31 March	-	-

15. SHARE CAPITAL

	Group and Company	
	2000	1999
	RM	RM
Ordinary shares of RM1.00 each:		
Authorised	500,000,000	500,000,000
Issued and fully paid	42,000,000	42,000,000

16. RESERVE ON CONSOLIDATION

	Group	
	2000	1999
	RM	RM
Balance brought forward/carried forward	3,140,448	3,140,448
Less : Amortisation		
Balance brought forward	(758,942)	(444,897)
Current year amortisation	(314,045)	(314,045)
	(1,072,987)	(758,942)
	2,067,461	2,381,506

Notes to the Accounts

31 March, 2000

17. TURNOVER

Type of Activity	Turnover Group RM	Cost of sales Group RM	Composition of Cost of sales
2000			
Timber extraction and timber trading	7,876,541	6,617,947	Purchase of timber, management fees, machinery charges, depreciation and labour cost
1999			
Transportation income	9,170,947	22,679,551	Depreciation, repair and maintenance, labour cost and overheads
Timber extraction and timber trading	12,160,911	26,432,370	Purchase of timber, machinery charges, depreciation and labour cost
	21,331,858	49,111,921	

18. LOSS BEFORE TAXATION AND EXCEPTIONAL ITEMS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Loss before taxation and exceptional items is arrived at after charging/ (crediting):				
Amortisation of timber rights	2,090,000	2,090,000	2,090,000	2,090,000
Rental of premises	95,690	256,380	–	–
Interest expenses	19,077	8,388,194	–	–
Directors' remuneration	48,000	24,000	48,000	24,000
Auditors' remuneration				
– current year	26,000	32,000	18,000	18,000
– underprovision in prior year	6,000	–	–	–
Depreciation	11,558	26,741,194	–	–
Amortisation of reserve on consolidation	(314,045)	(314,045)	–	–
Interest income	(16,161)	(181,272)	(16,161)	(181,272)
Rental of equipment	–	609,226	–	–
Fixed assets written off	–	83,317	–	–

Notes to the Accounts

31 March, 2000

19. EXCEPTIONAL ITEMS

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Provision for doubtful debt on amount owing by subsidiaries	-	-	21,950	49,092,065
Reversal of dividend receivable from a subsidiary	-	-	49,000,000	-
Writeback of provision of doubtful debt amount owed by a subsidiary	-	-	(49,000,000)	-
Loss on disposal of associated companies	2,294,946	-	1,822,168	-
Provision for diminution in value of timber rights	12,500,000	-	12,500,000	-
Reversal of tax liability arising from shortfall in tax credits for the proposed dividends	(20,500,000)	-	-	-
Provision for diminution in value of investment in subsidiary	-	-	-	9,000,000
Gain on disposal of subsidiaries	-	(750,000)	-	(750,000)
Gain on disposal of fixed assets	-	(7,529,408)	-	-
	(5,705,054)	(8,279,408)	14,344,118	57,342,065

20. TAXATION

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Current year provision	446,500	-	4,500	-
Overprovision in prior years	(56,545)	-	-	-
Share of overprovision in taxation of associated companies in prior years	-	(107,330)	-	-
	389,955	(107,330)	4,500	-
Transfer from deferred taxation	-	(3,101,000)	-	-
	389,955	(3,208,330)	4,500	-

Taxation for the year for the Company is in respect of interest income received. There was no tax charge for the prior financial year as the amount payable was waived in accordance with the Income Tax (Amendment) Act, 1999.

As at 31 March, 2000, the Company has accumulated tax exempt profits amounting to approximately RM8,626,000 (1999 : RM8,626,000), subject to agreement with the Inland Revenue Board.

Notes to the Accounts

31 March, 2000

21. EARNINGS/(LOSS) PER SHARE

The earnings/(loss) per share is calculated by dividing the Group earnings of RM4,478,984 (1999: loss of RM19,327,956) by the number of shares in issue during the year of 42,000,000 (1999 : 42,000,000).

22. CONTINGENT LIABILITY – unsecured

	Group		Company	
	2000 RM	1999 RM	2000 RM	1999 RM
Corporate guarantee provided for bank facilities granted to a subsidiary	5,165,000	8,454,000	5,165,000	8,454,000

The bank facilities granted to the subsidiary were for the purchase of heavy machinery in the previous year. These heavy machinery have been sold and the management is in the process of negotiating to discharge the corporate guarantee with the lenders.

23. CONTINGENT ASSET

	Group	
	2000 RM	1999 RM
Shortfall in profit guarantee receivable from the vendor of timber rights	6,978,359	6,978,359

The contingent asset is in respect of the shortfall in profit guarantee for the financial year ended 31 March, 1999. The shortfall is receivable from Equatorial Timber Marketing Sdn. Bhd., the vendor of the timber rights. The management is currently in negotiation with the vendor to recover the profit guarantee.

24. SIGNIFICANT EVENT

During the financial year, the Company disposed its investments in Clipsal Manufacturing (M) Sdn. Bhd. and Ample Technique Sdn. Bhd. for a total sale consideration of RM9,500,000.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, the following were transacted with companies in which certain directors have substantial financial interests:

	Group	
	2000 RM	1999 RM
Sale of timber	7,861,541	11,740,911
Rental of premises	95,960	256,380
Purchase of oil and fuel	3,191	141,888
Purchase of timber	5,584,956	8,042,270
Management fees paid	775,200	–
Sale of fixed assets	–	59,527,618
Transportation income	–	8,339,889

The directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established under terms that are no less favourable than those arranged with third parties.

Notes to the Accounts

31 March, 2000

26. SEGMENTAL INFORMATION

By industry segment

	Turnover RM	Profit/(loss) Before Taxation RM	Tangible Assets Employed RM
2000			
Timber extraction and timber trading	7,876,541	1,383,921	9,994,626
Investment holding	–	(2,387,061)	14,629,149
Others	–	(44,794)	2,802,143
	7,876,541	(1,047,934)	27,425,918
Group's share of associated companies results	–	(102,226)	–
	7,876,541	(1,150,160)	27,425,918
Exceptional items	–	58,655,882	–
	7,876,541	57,505,722	27,425,918
Consolidation adjustments	–	(52,636,783)	(1,807,261)
	7,876,541	4,868,939	25,618,657
1999			
Timber extraction and timber trading	12,160,911	(15,223,118)	10,548,782
Provision of heavy equipment	9,170,947	(14,199,027)	12,620,054
Investment holding	–	(1,671,430)	31,580,569
	21,331,858	(31,093,575)	54,749,405
Group's share of associated companies results	–	(36,164)	–
	21,331,858	(31,129,739)	54,749,405
Exceptional items	–	(53,312,657)	–
	21,331,858	(84,442,396)	54,749,405
Consolidation adjustments	–	61,906,110	(6,931,127)
	21,331,858	(22,536,286)	47,818,278

27. CURRENCY

All amounts are stated in Ringgit Malaysia.

Analysis of Shareholders

as at 8 August 2000

Authorised Capital	: RM500,000,000
Issued and Paid-up Capital	: RM 42,000,000
Class of Shares	: Ordinary Shares of RM1.00 each
Voting Rights	: One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
1 - 499	2,537	49.86	2,524,216	6.01
500 - 5,000	2,097	41.21	6,002,494	14.29
5,001 - 10,000	295	5.80	2,388,000	5.69
10,001 and above	159	3.13	31,085,290	74.01
Total	5,088	100.00	42,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Issued Capital
1. BOC Nominees (Tempatan) Sdn Bhd	6,500,000	15.48
2. CIMB Nominees (Tempatan) Sdn Bhd	4,000,000	9.52
3. Amanah Merchant Nominees (Tempatan) Sdn Bhd	2,800,000	6.67
4. CIMB Nominees (Tempatan) Sdn Bhd	1,680,000	4.00
5. DB (Malaysia) Nominee (Asing) Sdn Bhd	1,625,321	3.87
6. Lembaga Tabung Haji	1,452,800	3.46
7. Southern Nominees (Tempatan) Sdn Bhd	1,407,728	3.35
8. Multi-Purpose Bank Nominees (Tempatan) Sdn Bhd	1,303,000	3.10
9. DB (Malaysia) Nominee (Asing) Sdn Bhd	1,068,800	2.54
10. DB (Malaysia) Nominee (Asing) Sdn Bhd	1,025,205	2.44
11. HSBC Nominees (Tempatan) Sdn Bhd	1,000,000	2.38
12. Lembaga Tabung Haji	950,000	2.26
13. Bolton Nominees (Tempatan) Sdn Bhd	760,000	1.81
14. Pengkalen Nominees (Tempatan) Sdn Bhd	521,000	1.24
15. Phileo Allied Nominees (Tempatan) Sdn Bhd	475,000	1.13
16. PAB Nominee (Tempatan) Sdn Bhd	300,000	0.71
17. Southern Nominees (Tempatan) Sdn Bhd	300,000	0.71
18. JB Nominees (Tempatan) Sdn Bhd	295,000	0.70
19. MGI Nominees (Tempatan) Sdn Bhd	271,300	0.65
20. Chase Malaysia Nominees (Tempatan) Sdn Bhd	200,000	0.48
Total	27,935,154	66.51

SUBSTANTIAL SHAREHOLDERS

(as defined under Section 69D of the Companies Act, 1965)

Name	No. of Shares	% of Issued Capital
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	56.28
Lembaga Tabung Haji	2,482,800	5.91

DIRECTORS' INTEREST AS AT 21 APRIL 2000

As shown in the Directors' Report, the Directors' interest in the Company and its related corporations as at 31 March 2000 remain unchanged as at 21 April 2000.



PWE Industries Berhad

18904-M
Incorporated in Malaysia

P R O X Y F O R M

I / We _____

of _____

being a member / members of PWE INDUSTRIES BERHAD hereby appoint _____

of _____

or failing him / her _____

of _____

or the Chairman of the Meeting as my / our proxy to vote and act for me / us on my / our behalf at the Twenty-Sixth Annual General Meeting of the Company to be held at Ballroom I, Santubong Kuching Resort, Jalan Santubong, 93748 Kuching, Sarawak on Thursday, 14 September 2000 at 11:30 a.m. and at any adjournment thereof.

My / our Proxy is to vote as indicated below :-

Resolution		For	Against
No. 1	To receive and adopt the Reports and Audited Accounts		
No. 2	To re-elect Mr Nicholas John Lough @ Sharif Lough Abdullah as Director		
No. 3	To approve the payment of Directors' fees		
No. 4	To re-appoint Messrs Arthur Andersen & Co as Auditors of the Company		
No. 5	Authorisation for Directors to allot and issue shares		

(Please indicate with an "X" in the spaces provided how you wish your votes to be cast. If you do not do so, the Proxy will vote or abstain from voting at his discretion.)

Number of Shares Held	
-----------------------	--

Dated this _____ day of _____ 2000.

Signature

NOTES :-

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where a member appoints two or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. The instrument appointing a proxy or proxies, in the case of an individual shall be signed by the appointer or his attorney, and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy or proxies must be deposited with the Company's Share Registrars, Metra Management Sdn Bhd at Plaza Montez, No. 1 Jalan Merah Kesumba U9/18, Seksyen U9, 40000 Shah Alam, Selangor Darul Ehsan, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

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PWE Industries Berhad

Metra Management Sdn Bhd
Plaza Monterez
No. 1 Jalan Merah Kesumba U9/18
Seksyen U9, 40000 Shah Alam
Selangor Darul Ehsan

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