



Financial Statements

16	Directors' Report
19	Statements by Directors
19	Statutory Declaration
20	Auditors' Report
21	Consolidated Balance Sheet
22	Consolidated Income Statement
23	Consolidated Statement of Changes in Equity
24	Consolidated Cash Flow Statement
25	Balance Sheet
26	Income Statement
27	Statement of Changes in Equity
28	Cash Flow Statement
29	Notes to the Financial Statements

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March, 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

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

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

RESULTS

	Group RM	Company RM
Net loss for the year	11,406,990	5,505,484

DIVIDEND

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.

BAD AND DOUBTFUL DEBTS

Before the income statements and balance sheets were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing-off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision has been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amounts written off as bad debts or provided for as doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the income statements 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 Group and of the Company, 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 financial statements of the Group and of the Company misleading.

Directors' Report

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 Group and of the Company 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 Group or of the Company 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 Group or of the Company 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 Group or of the Company 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 financial statements of the Group or of the Company, which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Company 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 other than as disclosed in Note 18 to the financial statements.

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 Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENT

Subsequent to year end, the Company announced that it is exploring the possibility of acquiring majority interest in 2 companies engaged in the plantation business. Details will be made in due course should there be any definitive developments resulting from this proposal.

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

Mohamad Danel @ Bujang bin Abong (appointed on 31 July, 2000; resigned on 11 July, 2001)

Peter Ling Ee Kong (resigned on 15 July, 2000)

In accordance with the Company's Articles of Association, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Section 129 of the Companies Act, 1965, YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin retires and offers himself for re-appointment.

Directors' Report

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company 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 a benefit (other than a benefit included in the aggregate amount of emoluments or fees received or due and receivable by the directors as shown in Note 17 to the financial statements) 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.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

Number of Ordinary Shares of RM1 Each				
At 1 April, 2000	Bought	Sold	At 31 March, 2001	

The Company:

Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	—	—	23,637,465
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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 all the Company's subsidiaries to the extent the Company has an interest.

Other than as stated above, none of the other 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.

NUMBER OF EMPLOYEES AND PRINCIPAL PLACE OF BUSINESS

The Group and the Company did not have any employee as at the end of the year. The accounting, secretarial and administrative work for the Group and the Company were carried out by certain employees seconded from a director related company, Ekran Berhad. The principal place of business of the Company is located at Level 16, Wisma Ting Pek Khiing, No.1, Jalan Padungan, 93100 Kuching, Sarawak.

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

31 July 2001
Kuala Lumpur

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 financial statements set out on pages 21 to 38 give a true and fair view of the state of affairs of the Group and of the Company as at 31 March, 2001 and of the results and cash flows of the Group and of the Company 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

31 July 2001
Kuala Lumpur

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 financial statements set out on pages 21 to 38 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 31 July 2001)	

Before me:

TEONG KIAN MENG
Commissioner for Oaths
Kuala Lumpur

Auditors' Report

To the Shareholders of
PWE INDUSTRIES BERHAD

We have audited the financial statements set out on pages 21 to 38. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia and give a true and fair view of:
 - (i) the state of affairs of the Group and the Company as at 31 March, 2001 and of the results and cash flows of the Group and the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements;
- (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 financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements 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 report, we draw reference to Note 4 to the financial statements which states that the Company has during the year made an advance of RM7.43 million to a director related company, Ekran Berhad, which is not in compliance with the Companies Act, 1965. This advance has been reduced to RM7.18 million as at year end and the remaining balance is covered by the placement by Ekran Berhad of fixed deposit certificates with the Company.

ARTHUR ANDERSEN & CO.
No. AF 0103
Public Accountants

ABRAHAM VERGHESE A/L T.V. ABRAHAM
No. 1664/10/02(J)
Partner of the Firm

31 July 2001

Consolidated Balance Sheet

as at 31 March, 2001

	Note	2001 RM	2000 RM
CURRENT ASSETS			
Cash and bank balances		168,107	141,900
Short term deposits with a licensed bank		–	9,310,075
Trade debtors	3	2,558,443	9,463,841
Other debtors	4	8,498,208	1,383,406
		11,224,758	20,299,222
CURRENT LIABILITIES			
Trade creditors		169,534	604,684
Other creditors	6	179,068	542,889
Amount due to a director	7	–	358,584
Taxation		770,701	1,261,559
		1,119,303	2,767,716
NET CURRENT ASSETS		10,105,455	17,531,506
FIXED ASSETS	9	45,671	54,435
TIMBER RIGHTS	11	1,000,000	5,265,000
INTANGIBLE ASSETS	12	–	21,220
RESERVES ON CONSOLIDATION	13	(1,753,416)	(2,067,461)
		9,397,710	20,804,700
SHAREHOLDERS' FUNDS			
Share capital	14	42,000,000	42,000,000
Accumulated losses		(32,602,290)	(21,195,300)
		9,397,710	20,804,700

The accompanying notes are an integral part of this balance sheet.

Consolidated Income Statement

for the year ended 31 March, 2001

	Note	2001 RM	2000 RM
Revenue	15	14,338,492	7,876,541
Other operating income	16	764,898	350,374
Timber extraction costs		(9,980,030)	(6,360,156)
Staff costs		(220,800)	(33,571)
Depreciation		(8,764)	(11,558)
Other operating expenses	17	(3,080,350)	(2,552,603)
Exceptional items	18	(13,417,297)	5,705,054
(Loss)/profit from operations		(11,603,851)	4,974,081
Finance income/(costs), net	19	268,861	(2,916)
Share of loss of associated companies		–	(102,226)
(Loss)/profit before taxation		(11,334,990)	4,868,939
Taxation	20	(72,000)	(389,955)
Net (loss)/profit for the year		(11,406,990)	4,478,984
(Loss)/earnings per share	21	(27.2) sen	10.7 sen

The accompanying notes are an integral part of this statement.

Consolidated Statement of Changes in Equity
for the year ended 31 March, 2001

	Share capital RM	Accumulated losses RM	Total RM
As at 1 April, 1999	42,000,000	(25,674,284)	16,325,716
Net profit for the year	–	4,478,984	4,478,984
At 31 March, 2000	42,000,000	(21,195,300)	20,804,700
At 1 April, 2000	42,000,000	(21,195,300)	20,804,700
Net loss for the year	–	(11,406,990)	(11,406,990)
At 31 March, 2001	42,000,000	(32,602,290)	9,397,710

The accompanying notes are an integral part of this statement.

Consolidated Cash Flow Statement

for the year ended 31 March, 2001

	2001 RM	2000 RM
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(11,334,990)	4,868,939
Adjustment for:		
Amortisation of reserves on consolidation	(314,045)	(314,045)
Amortisation of timber rights	619,412	2,090,000
Depreciation	8,764	11,558
Interest expense	–	19,077
Interest income	(268,861)	(16,161)
Loss on disposal of associated company	–	2,294,946
Preliminary and pre-operating expenses written off	25,260	–
Provision for diminution in value of timber rights	3,645,588	12,500,000
Provision for doubtful debts	9,807,858	–
Provision for doubtful debts written back	(211,604)	–
Reversal of tax liability arising from shortfall in tax credits for the proposed dividends	–	(20,500,000)
Share of loss of associated company	–	102,226
Operating profit before working capital changes	1,977,382	1,056,540
(Increase)/decrease in debtors	(9,549,010)	5,017,635
Decrease in creditors	(798,971)	(5,919,469)
Decrease in amount due to a director	(358,584)	(309,692)
Decrease in amount due from a former associated company	–	2,856
Cash used in operations	(8,729,183)	(152,130)
Taxes paid	(562,858)	(4,134)
Interest paid	–	(19,077)
Net cash used in operating activities	(9,292,041)	(175,341)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of associated companies	–	9,500,000
Interest received	12,213	16,161
Preliminary and pre-operating expenses	(4,040)	(4,867)
Net cash generated from investing activities	8,173	9,511,294
Net (decrease)/increase in cash and cash equivalents	(9,283,868)	9,335,953
Cash and cash equivalents at beginning of the year	9,451,975	116,022
Cash and cash equivalents at end of the year	168,107	9,451,975
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	168,107	141,900
Short term deposits with a licensed bank	–	9,310,075
	168,107	9,451,975

The accompanying notes are an integral part of this statement.

Balance Sheet

as at 31 March, 2001

	Note	2001 RM	2000 RM
CURRENT ASSETS			
Cash and bank balances		125,271	42,081
Short term deposits with a licensed bank		–	9,310,075
Other debtors and prepayments	4	7,181,330	980
Due from subsidiaries	5	392,496	11,003
		7,699,097	9,364,139
CURRENT LIABILITIES			
Other creditors and accruals	6	105,330	167,857
Amount due to a director	7	–	358,584
Taxation		114,029	76,104
Due to subsidiaries	8	–	41,372
		219,359	643,917
NET CURRENT ASSETS		7,479,738	8,720,222
SUBSIDIARIES	10	10	10
TIMBER RIGHTS	11	1,000,000	5,265,000
		8,479,748	13,985,232
SHAREHOLDERS' FUNDS			
Share capital	14	42,000,000	42,000,000
Accumulated losses		(33,520,252)	(28,014,768)
		8,479,748	13,985,232

The accompanying notes are an integral part of this balance sheet.

Income Statement

for the year ended 31 March, 2001

	Note	2001 RM	2000 RM
Revenue		–	–
Staff costs		(36,800)	–
Other operating expenses	17	(2,019,957)	(2,425,172)
Exceptional items	18	(3,645,588)	(14,322,168)
Loss from operations		(5,702,345)	(16,747,340)
Finance income	19	268,861	16,161
Loss before taxation		(5,433,484)	(16,731,179)
Taxation	20	(72,000)	(4,500)
Net loss for the year		(5,505,484)	(16,735,679)

The accompanying notes are an integral part of this statement.

Statement of Changes in Equity

for the year ended 31 March, 2001

	Share capital RM	Accumulated losses RM	Total RM
As at 1 April, 1999	42,000,000	(11,279,089)	30,720,911
Net loss for the year	–	(16,735,679)	(16,735,679)
At 31 March, 2000	42,000,000	(28,014,768)	13,985,232
At 1 April, 2000	42,000,000	(28,014,768)	13,985,232
Net loss for the year	–	(5,505,484)	(5,505,484)
At 31 March, 2001	42,000,000	(33,520,252)	8,479,748

The accompanying notes are an integral part of this statement.

Cash Flow Statement

for the year ended 31 March, 2001

	2001 RM	2000 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(5,433,484)	(16,731,179)
Adjustments for:		
Amortisation of timber rights	619,412	2,090,000
Interest income	(268,861)	(16,161)
Loss on disposal of associated companies	–	1,822,168
Provision for diminution in value of timber rights	3,645,588	12,500,000
Provision for doubtful debts	658,540	21,950
Reversal of dividend receivable from a subsidiary	–	49,000,000
Writeback of provision for doubtful debt on amount owed by a subsidiary	–	(49,000,000)
Operating loss before working capital changes	(778,805)	(313,222)
(Increase)/decrease in debtors	(6,959,851)	331,317
(Decrease)/increase in creditors	(62,527)	68,574
Decrease in amount due to a director	(358,584)	(309,692)
Decrease in amount due from a former associated company	–	2,856
Net change in subsidiary balances	(1,045,256)	31,590
Cash used in operations	(9,205,023)	(188,577)
Taxes paid	(34,075)	(4,134)
Net cash used in operating activities	(9,239,098)	(192,711)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of associated companies	–	9,500,000
Interest received	12,213	16,161
Net cash generated from investing activities	12,213	9,516,161
Net (decrease)/increase in cash and cash equivalents	(9,226,885)	9,323,450
Cash and cash equivalents at beginning of the year	9,352,156	28,706
Cash and cash equivalents at end of the year	125,271	9,352,156
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	125,271	42,081
Short term deposits with a licensed bank	–	9,310,075
	125,271	9,352,156

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

31 March, 2001

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding.

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

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has power to exercise control over the management of these companies.

Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal. Intragroup transactions are eliminated on consolidation and the consolidated financial statements 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 financial statements. 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 assets of subsidiaries at the date of acquisition, is credited to the income statement over a period of 10 years from the date of acquisition.

(c) Revenue Recognition

Revenue represents the invoiced sales of timber recognised net of discounts when transfer of risks and rewards has been completed.

(d) 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 post acquisition profits less losses of associated companies is included in the consolidated income statement and the Group's interest in associated companies is stated at cost plus the Group's share of post acquisition retained profits and reserves.

(e) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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 rate of depreciation is:

Office equipment and furniture	10% – 33%
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Notes to the Financial Statements

31 March, 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Fixed Assets and Depreciation (Cont'd)

The carrying amounts of fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amounts are estimated. Impairment loss is charged to the income statement as soon as foreseeable. Conversely, the impairment loss will be reversed up to the cumulative amount charged to the income statement, once the indicator for impairment ceases to exist.

(f) Timber Rights

Timber rights are stated at cost less provision for diminution in value and are 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.

The total estimated volume of timber available for extraction are determined based on the quota as set by the Forestry Department of Sarawak.

(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) Debtors

Known bad debts are written off and specific provisions are made for any material debts which are considered doubtful. Debtors are shown in the balance sheet net of provision for doubtful debts.

(j) Intangible Assets

In the past, intangible assets comprising preliminary and pre-operating expenses were stated at cost and written off upon the commencement of operations of the subsidiaries. The directors consider that this accounting policy with respect to preliminary and pre-operating expenses are no longer appropriate as its realisation would not result in inflows of economic benefits. Preliminary and pre-operating expenses are now recognised as an expense when they are incurred.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

Notes to the Financial Statements

31 March, 2001

3. TRADE DEBTORS

	Group	
	2001 RM	2000 RM
Trade debtors	12,458,548	9,803,841
Provision for doubtful debts	(9,900,105)	(340,000)
	2,558,443	9,463,841

Included in trade debtors of the Group are amounts due from companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests of RM12,310,996 (2000 : RM9,437,289) in respect of which provisions for doubtful debts amounting to RM9,771,709 (2000 : RMNil) has been made during the year.

4. OTHER DEBTORS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Director related companies				
– Ekran Berhad	7,180,186	–	7,180,186	–
– Others	1,292,117	1,321,517	36,149	–
Other debtors	62,054	61,889	1,144	980
Provision for doubtful debts	(36,149)	–	(36,149)	–
	8,498,208	1,383,406	7,181,330	980

Director related companies refer to companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests. During the current financial year, an advance of RM7.43 million was given to Ekran Berhad. The advance was reduced to RM7.18 million as at year end via the contra of certain expenses by Ekran Berhad. The directors are of the opinion that eventhough the advance given to Ekran Berhad contravenes Section 133A of the Companies Act, 1965, under the circumstances, the advance was necessary to address the short term needs of Ekran Berhad. The funds of Ekran Berhad were then subject to approvals before these funds could be utilised. Steps have been taken to ensure that the Company will not suffer any loss as a result of this advance and interest is charged to Ekran Berhad at market rate. The advance is covered by the placement of a fixed deposit certificate for the outstanding balance with the Company with the undertaking that when necessary approvals have been obtained for the utilisation of the funds of Ekran Berhad, this amount will be released in favour of the Company.

5. DUE FROM SUBSIDIARIES

	Company	
	2001 RM	2000 RM
Due from subsidiaries	1,128,902	125,018
Provision for doubtful debts	(736,406)	(114,015)
	392,496	11,003

Notes to the Financial Statements

31 March, 2001

6. OTHER CREDITORS

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Amounts due to companies in which certain directors have substantial financial interests	11,156	36,442	–	–
Other creditors	167,912	506,447	105,330	167,857
	179,068	542,889	105,330	167,857

The amounts due to Gemila Sdn Bhd and Bakun Resorts Sdn Bhd, companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests are unsecured, interest free and have no fixed terms of repayment.

7. AMOUNT DUE TO A DIRECTOR

The amount due to a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, in the prior year was unsecured and interest free. The amount was repaid during the financial year.

8. DUE TO SUBSIDIARIES

The amounts due to subsidiaries in the prior year were unsecured and interest free. The amounts were repaid during the financial year.

9. FIXED ASSETS

Group	Office equipment and furniture RM
Cost	
At 1 April, 2000/31 March, 2001	117,841
Accumulated Depreciation	
At 1 April, 2000	63,406
Charge for the year	8,764
At 31 March, 2001	72,170
Net Book Value	
At 31 March, 2001	45,671
At 31 March, 2000	54,435
Depreciation charge for 2000	11,558

Notes to the Financial Statements

31 March, 2001

10. SUBSIDIARIES

	Company	
	2001 RM	2000 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
		2001 %	2000 %	
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

11. TIMBER RIGHTS

	Group and Company	
	2001 RM	2000 RM
Timber rights, at cost	26,125,000	26,125,000
Less: Provision for diminution in value	(16,145,588)	(12,500,000)
	9,979,412	13,625,000
Less: Accumulated amortisation	(8,979,412)	(8,360,000)
	1,000,000	5,265,000

Notes to the Financial Statements

31 March, 2001

12. INTANGIBLE ASSETS

	Group	
	2001 RM	2000 RM
At cost:		
Preliminary expenses	6,758	7,558
Pre-operating expenses	18,502	13,662
	25,260	21,220
Amount written off (Note 2(j))	(25,260)	–
	–	21,220

Included in intangible assets is auditors' remuneration of the subsidiaries for the year amounting to RM3,200 (2000: RM3,200).

13. RESERVES ON CONSOLIDATION

	Group	
	2001 RM	2000 RM
Reserves	3,140,448	3,140,448
Accumulated amortisation	(1,387,032)	(1,072,987)
	1,753,416	2,067,461

14. SHARE CAPITAL

	Group and Company	
	2001 RM	2000 RM
Ordinary shares of RM1.00 each:		
Authorised	500,000,000	500,000,000
Issued and fully paid	42,000,000	42,000,000

15. REVENUE

Revenue of the Group represents the invoiced sales of timber.

Notes to the Financial Statements

31 March, 2001

16. OTHER OPERATING INCOME

	Group	
	2001	2000
	RM	RM
Provision for doubtful debts written back	211,604	–
Amortisation of reserve on consolidation	314,045	314,045

17. OTHER OPERATING EXPENSES

Included in other operating expenses are:

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Amortisation of timber rights	619,412	2,090,000	619,412	2,090,000
Rental of premises	69,000	95,690	12,000	–
Directors' fees	48,000	48,000	48,000	48,000
Auditors' remuneration				
– current year	24,500	26,000	18,000	18,000
– (over)/under provision in prior year	(1,800)	6,000	–	–
Preliminary and pre-operating expenses written off	25,260	–	–	–
Provision for doubtful debt on amount owing by subsidiaries	–	–	622,391	21,950
Provision for doubtful debts				
– Other debtors	36,149	–	36,149	–

18. EXCEPTIONAL ITEMS

	Group		Company	
	2001	2000	2001	2000
	RM	RM	RM	RM
Reversal of dividend receivable from a subsidiary	–	–	–	49,000,000
Writeback of provision for doubtful debt on 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	3,645,588	12,500,000	3,645,588	12,500,000
Reversal of tax liability arising from shortfall in tax credits for the proposed dividends	–	(20,500,000)	–	–
Provision for doubtful debts				
– Trade debtors	9,771,709	–	–	–
	13,417,297	(5,705,054)	3,645,588	14,322,168

Notes to the Financial Statements

31 March, 2001

19. FINANCE INCOME/(COSTS), NET

Included in the net finance income/(costs) are:

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Interest income	268,861	16,161	268,861	16,161
Interest expense	–	(19,077)	–	–

20. TAXATION

	Group		Company	
	2001 RM	2000 RM	2001 RM	2000 RM
Current year provision	72,000	446,500	72,000	4,500
Overprovision in prior years	–	(56,545)	–	–
	72,000	389,955	72,000	4,500

Taxation for the year for the Company is in respect of interest income receivable.

As at 31 March, 2001, the Company has accumulated tax exempt profits amounting to approximately RM8,626,000 (2000:RM8,626,000), subject to agreement with the Inland Revenue Board.

21. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the Group loss of RM11,406,990 (2000: profit of RM4,478,984) and on the number of shares in issue during the year of 42,000,000 (2000: 42,000,000).

22. SUBSEQUENT EVENT

Subsequent to year end, the Company announced that it is exploring the possibility of acquiring majority interest in 2 companies engaged in the plantation business. Details will be made in due course should there be any definitive developments resulting from this proposal.

23. CONTINGENT LIABILITY – unsecured

	Group and Company	
	2001 RM	2000 RM
Corporate guarantee provided for bank facilities granted to a subsidiary	4,745,000	5,165,000

The bank facilities granted to the subsidiary were for the purchase of heavy machinery in the previous financial year. These heavy machinery have been sold to an external party but the lenders did not discharge the Company from the Corporate Guarantee. During the year, the Company has received a Letter of Indemnity from the buyer to indemnify the Company from all losses and liabilities that may crystallise in the event that the buyer default on the hire purchase facilities.

Notes to the Financial Statements

31 March, 2001

24. CONTINGENT ASSET

	Group	
	2001	2000
	RM	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 has agreed with the vendor that the shortfall would be settled within 18 months from 29 August, 2000 and interest will be charged on the outstanding amount until full settlement at 6% per annum.

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, the following transactions were entered into with companies in which a director, Tan Sri Dato' Paduka (Dr) Ting Pek Khiing, has substantial financial interests:

	Group	
	2001	2000
	RM	RM
Equatorial Timber Marketing Sdn. Bhd.		
Sale of timber	14,338,492	7,861,541
Rental of premises	–	95,960
Purchase of oil and fuel	–	3,191
Timber extraction costs	11,464,130	6,360,156
Ekran Berhad		
Advance	7,430,186	–
Staff costs for seconded employees	184,000	–
Expenses paid on behalf	273,543	–
Rental of premises	60,000	–
Printing and stationery charges	6,000	–

Other significant arrangement with related party

The Company entered into a management contract arrangement with Equatorial Timber Marketing ("ETM") on 18 November, 1999, to appoint the latter as its timber operator for a duration of 5 years (with effect from 1 April, 1999) to manage, deal with and enforce the rights and powers of the Company arising from the Forest Timber License. Conditions underlying this agreement includes, inter alia, the following:

- Management fee payable under the contract is fixed for the duration of 5 years for every cubic metre of timber sold.
- Automatic extension of the appointment of ETM as its agent every 5 years, provided new terms and conditions are mutually agreed by ETM and the Company.

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 Financial Statements

31 March, 2001

26. SEGMENTAL INFORMATION

Analysis by Activity:

	Revenue RM	Loss Before Taxation RM	Total Assets Employed RM
2001			
Timber extraction and timber trading	14,338,492	(10,458,270)	2,079,509
Investment holding	–	(1,787,896)	12,344,695
Others	–	(25,260)	7,688
	14,338,492	(12,271,426)	14,431,892
Consolidation adjustments	–	936,436	(2,161,463)
	14,338,492	(11,334,990)	12,270,429
2000			
Timber extraction and timber trading	7,876,541	1,339,127	9,994,626
Investment holding	–	(2,387,061)	14,629,149
Others	–	–	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

27. COMPARATIVE FIGURES

The presentation of the financial statements for the current year has been changed to adopt the format as prescribed by Malaysian Accounting Standards Board Standard 1: Presentation of Financial Statements. Comparative figures have been reclassified to conform with this presentation, where necessary.

28. CURRENCY

All amount are stated in Ringgit Malaysia.

Analysis of Shareholders

as at 8 August, 2001

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

Holdings	No. of Holders	Total Holdings	% of Issued Capital
Less than 1,000	23	9,216	0.02
1,000 to 10,000	5,136	11,960,920	28.48
10,001 to 100,000	206	4,907,336	11.68
100,001 to less than 5% of issued shares	17	11,822,528	28.15
5% and above of issued shares	3	13,300,000	31.67
Total	5,385	42,000,000	100.00

THIRTY LARGEST SHAREHOLDERS

Name	No. of Shares	% of Issued Capital
1. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd	6,500,000	15.48
2. CIMB Nominees (Tempatan) Sdn Bhd	4,000,000	9.52
3. Alliance Merchant Nominees (Tempatan) Sdn Bhd	2,800,000	6.67
4. CIMB Nominees (Tempatan) Sdn Bhd	1,680,000	4.00
5. Lembaga Tabung Haji	1,452,800	3.46
6. Southern Nominees (Tempatan) Sdn Bhd	1,407,728	3.35
7. Alliance Group Nominees (Tempatan) Sdn Bhd	1,303,000	3.10
8. HSBC Nominees (Tempatan) Sdn Bhd	1,000,000	2.38
9. Lembaga Tabung Haji	950,000	2.26
10. AFB Nominees (Tempatan) Sdn Bhd	760,000	1.81
11. Wah Tat Nominees (Tempatan) Sdn Bhd	550,000	1.31
12. Pengkalen Nominees (Tempatan) Sdn Bhd	521,000	1.24
13. Mayban Securities Nominees (Tempatan) Sdn Bhd	475,000	1.13
14. PAB Nominee (Tempatan) Sdn Bhd	300,000	0.71
15. Southern Nominees (Tempatan) Sdn Bhd	300,000	0.71
16. JB Nominees (Tempatan) Sdn Bhd	295,000	0.70
17. A.A. Assets Nominees (Tempatan) Sdn Bhd	271,000	0.65
18. Chase Malaysia Nominees (Tempatan) Sdn Bhd	200,000	0.48
19. Mayban Nominees (Tempatan) Sdn Bhd	193,000	0.46
20. Yew Kok Soo	164,000	0.39
21. Bong Hon Voo	100,000	0.24
22. CIMB Nominees (Tempatan) Sdn Bhd	100,000	0.24
23. Tan Haw Wah	100,000	0.24
24. Yong Chee Boh	90,000	0.21
25. OSK Nominees (Tempatan) Sdn Bhd	89,000	0.21
26. Lembaga Tabung Haji	80,000	0.19
27. Christine Ling Mei Hui	75,000	0.18
28. Tan Lad Peng	74,000	0.18
29. Teng Long Cheong @ Paul Tang	74,000	0.18
30. Chai Chon Mui	67,000	0.16
Total	25,971,528	61.84

Analysis of Shareholders

as at 8 August, 2001

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

Name	No. of Shares	% of Issued Capital
Tan Sri Dato' Paduka (Dr) Ting Pek Khiing	23,637,465	56.28
Mr Nicholas John Lough @ Sharif Lough Abdullah	—	—
YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin	—	—
Mr Sunny Khoo	—	—

Proxy Form



PWE Industries Berhad

18904-M
Incorporated in Malaysia

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-Seventh Annual General Meeting of the Company to be held at Ballroom I, Santubong Kuching Resort, Jalan Santubong, 93748 Kuching, Sarawak on Wednesday, 26 September 2001 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 Tan Sri Dato' Paduka (Dr) Ting Pek Khiing as Director		
No. 3	To re-appoint YM Tunku Dato' Seri Mahmud bin Tunku Besar Burhanuddin as Director		
No. 4	To approve the payment of Directors' fees		
No. 5	To re-appoint Messrs Arthur Andersen & Co as Auditors of the Company		
No. 6	Authorisation for Directors to allot and issue shares		
No. 7	To approve the adoption of the Company's new Articles of Association		

(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 September, 2001.

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 37th Floor, Menara Multi-Purpose, Capital Square, No 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

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STAMP

METRA MANAGEMENT SDN BHD

37th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur

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